



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

FIFTY FIFTH REPORT TO THE PARLIAMENT

Report on the review of the Auditor-General's performance audit report no. 65 – Reducing landfill: waste management by municipal councils

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Mr R Clark, MP

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Ms D Green, MP

Mr J Merlino, MP

Hon G Rich-Phillips, MLC

Ms G Romanes, MLC

This inquiry was undertaken by a Sub-Committee consisting of the following Members:

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Duties of the Committee

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 1968*, as amended.

The Committee comprises nine Members of Parliament drawn from both Houses of Parliament and all political parties.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- (a) any proposal, matter or thing connected with public administration or public sector finances; and
- (b) the annual estimates or receipts and payments and other Budget Papers and supplementary estimates of receipts and payments presented to the Assembly and the Council.

The Committee also has a consultative role in determining the objectives of performance audits and identifying any particular issues that need to be addressed during these audits.

Glossary

commercial and industrial wastes	Commercial and industrial wastes generated by industry that pose a low hazard to the environment. It arises from commercial, industrial or trade activities but does not include construction and demolition wastes.
construction and demolition wastes	Includes wastes from residential, civil and commercial construction and demolition activities, such as fill material (e.g. soil), asphalt, bricks and timber. Excludes construction waste from owner/occupier renovations, which are included in the municipal waste stream. Does not include waste from the commercial and industrial waste stream.
EcoRecycle Victoria	The statutory authority charged with minimising the creation of waste and litter, and promoting the sustainable use of resources and the better management of disposal of residuals by facilitating best practice in waste management and planning. Recent amendments to the <i>Environment Protection Act 1970</i> increased EcoRecycle's responsibilities to include planning the management of solid commercial and industrial waste throughout Victoria.
EPA Victoria	An independent statutory authority established under the <i>Environment Protection Act 1970</i> . The Environment Protection Authority Victoria (EPA) reports to Parliament through the Minister for Environment. The Act provides a wide legislative mandate empowering the EPA to act as the Victorian community's environmental watchdog.
ex-ante reporting	Reporting of intended outcomes, objectives, strategies, priorities, performance measures and targets in corporate plans and Budget Papers, prior to the period of activity.

Glossary

ex-post reporting	Reporting of achievements against intended outcomes, objectives, strategies, priorities, performance measures and targets as stated in the corporate plan and Budget Papers, and actual costs, after the completion of the period of activity.
hazardous waste	Waste with the potential to have a significant impact on the environment, such as explosive and toxic waste.
kerbside service	A service provided by local councils for the regular collection of household waste and recyclable materials (separated or co-mingled).
landfill	A facility used for disposal of waste to land, a tip.
landfill levy	A State Government imposed levy collected on all waste disposed to landfill.
leachate	Liquid formed when water percolates through the soil and garbage in a landfill; containing soluble constituents from the waste, including bacteria and other contaminants.
market based instruments	<p>Policy mechanisms that provide direct or indirect monetary incentives to reduce waste or increase the level of recycling. In Australia there already exist a number of market based instruments for solid waste management, some examples are:</p> <ul style="list-style-type: none">• the landfill levy which has been implemented in four states, including Victoria; and• variable user charges for waste services, typically introduced at the local level.

municipal wastes	Waste generated from household or local council sources. It is typically collected by local councils through kerbside collections, from which some of the waste is recycled and some is disposed of at landfill.
prescribed wastes	Include hazardous waste, and waste that can affect amenity (for example, odour). The types of prescribed wastes are listed in the Environment Protection (Prescribed Waste) Regulations. The majority of this waste is from industrial sources (known as prescribed industrial waste).
product stewardship	Responsibility for products throughout the whole life cycle, from design to production, consumption and disposal. The concept of product stewardship is now embedded in Victorian legislation and has been implemented nationally for products such as mobile phones, lubricant oils and consumer packaging. There is a global trend for businesses to take greater responsibility in this area.
putrescible waste	Waste containing a significant proportion of material able to be decomposed by bacterial action.
Regional Waste Management Groups	Groups that work in partnership with their member councils to develop regional plans for municipal waste, giving effect to the State-wide policies, strategies and programs at a local level. Regional Waste Management Groups coordinate waste management programs within a region, including the use of EcoRecycle grants, and advise stakeholders on waste management issues. They are currently revising their regional waste management plans, and each of these plans will be submitted to the EPA to ensure consistency with EcoRecycle's plan and Victoria's policy framework.
solid waste	All municipal, construction and demolition and commercial and industrial waste, excludes hazardous and/or prescribed wastes.

Glossary

sustainability covenants	Covenants were introduced through amendments to the Victorian <i>Environment Protection Act 1970</i> in June 2002. These flexible, voluntary agreements between the EPA and a covenant partner (which could be a company, industry association, supply chain or other organisation) provide a framework for proactive commitment to increase resource efficiency and reduce the ecological impacts of products and services. However, there is a legislative safety net to ensure industry waste generators equitably share responsibilities.
waste	As defined by the <i>Environment Protection Act 1970</i> , any matter prescribed to be waste and any matter whether liquid, solid, gaseous, or radioactive, that is discharged, emitted, or deposited in the environment in such volume or manner as to cause an alteration of the environment. This report is concerned only with solid waste.
waste hierarchy	The waste hierarchy, outlined in the <i>Environment Protection Act 1970</i> , sets an order of preference for dealing with waste. The waste hierarchy is avoid, reuse, recycle, energy from waste, treat, contain, and dispose. Following the hierarchy ensures Victorians make the best use of resources.
windrow composting	Open windrow composting is the dominant form of composting emerging in Australia for green organics, such as branches, leaves and grass clippings. <i>EcoRecycle's Guide to Best Practice Composting Green Organics</i> , provides detailed information about aerobic thermophilic windrow-based composting processes for treating green organics and other product blends.

Chair's Introduction

Waste management is a significant environmental issue for Victoria. Current practices in dealing with waste, while meeting the immediate needs of the present generation, are not sustainable and if continued will compromise the environment for future generations.¹

Waste reduction and recycling are now internationally accepted as the basic principles in all waste management. New ways of dealing with and thinking about waste must be explored.

To date the main method of managing waste in Victoria has been to use landfills. Landfill space is becoming increasingly difficult to find, and landfills are undesirable in the long term because they pose a risk of air, soil and ground water contamination. There is also increasing difficulty in siting waste management facilities, given social concerns about the potential detrimental impacts of increased litter, dust, noise and air pollution and decreased land values, especially where communities and residents live close to proposed landfill sites.

Despite objections to landfills and awareness that landfill space is limited, Victorians are producing more and more waste. Regardless of ambitious targets to reduce reliance on landfills, the amount of waste going to landfill increased in 2001-02.²

In May 2000, the Victorian Auditor-General tabled performance audit report no. 65 – *Reducing landfill: Waste management by municipal councils*. The performance audit identified many significant weaknesses in the State's waste management framework and service delivery that had an adverse impact on the Government's ability to achieve waste management objectives and to address the issue of sustainability from the perspective of waste.

¹ Based on the definition of sustainability proposed in the 'Brundtland Report', *Our Common Future*, April 1987.

² EcoRecycle Victoria Website, <<http://203.147.170.129/www/default.asp?casid=3455>>, viewed 5 March 2004. Since 1997-98, waste generation [in Victoria] has increased 17% to the 2001-02 level of 8.7 million tonnes. Statistics for 2002-03 were not publicly available through the EcoRecycle Victoria website at the time this report was prepared.

The Committee's review of developments since the audit was undertaken has found significant progress on several issues including: reforming the waste management framework throughout the State; improving waste management practices of councils and the level and type of waste services provided.

The Committee notes that improvements in the management and siting of landfills and strengthened requirements by the EPA³ have mitigated to some extent the urgency of finding alternatives to landfill. Nevertheless, the Committee remains firmly of the view that pursuing and encouraging alternatives to landfill is an important way of contributing to a more sustainable Victoria.⁴ The Committee's review has found opportunities for further improvements including: moving towards sustainability and avoidance of waste; developing markets for recycled products; and improving performance information relating to waste management.

The Committee has been assisted in its Inquiry by a range of departmental officers, individuals and organisations with an interest in waste management matters and I thank those individuals and organisations that provided evidence and submissions.

I would also like to acknowledge the valuable assistance provided by the research officer for this Inquiry Ms Fleur Spriggs.

The report contains 21 recommendations that the Committee hopes will provide useful guidance to departments, statutory authorities and local government in improving waste management and sustainability in Victoria.

I commend the recommendations and the report to Members.



Hon. Christine Campbell, MP
Chair

³ The Environment Protection Authority Victoria published a revised draft policy and policy impact assessment for the siting, design and management of landfills. Environment Protection Authority, *Draft Waste Management Policy (Siting, Design and Management of Landfills) and draft policy impact statement*, November 2003

⁴ *ibid.*, as recognised in the Foreword

Executive Summary

Chapter 1. Background to the inquiry

The Auditor-General has no power to ensure Departments implement the recommendations contained in his reports. It is thus an important function of the Public Accounts and Estimates Committee to follow-up outstanding issues raised in the Auditor-General's reports.

In May 2000, the Auditor-General tabled performance audit report no. 65, *Reducing Landfill: Waste management by municipal councils*, which assessed whether the waste management strategies and practices of municipal councils reflected generally accepted sound practice, were conducive to reducing waste and resulted in cost effective outcomes for rate payers. The audit emphasised the extent to which councils had contributed to the Government's objective of reducing landfill deposits.

Overall, the audit report concluded that considerable progress had been made within the community in increasing recycling activities, but that there were opportunities to improve the waste management framework and the waste management practices of some councils. In addition, the audit found the Government needed to address the relatively high and increasing levels of waste which the commercial and industrial sectors were depositing in landfill.

In response to the audit the Minister for Environment advised that a forthcoming review of the Regional Waste Management Groups (the Batagol Report) would address many of the issues arising from the audit.

This report contains the findings of the Committee's follow-up review of the Auditor-General's performance audit report no. 65.

Chapter 2. Waste management reform

The Auditor-General's audit established that:

- aspects of the administrative arrangements and legislative frameworks impeded efficient implementation of waste management policy objectives; and

- the roles and responsibilities of the individual agencies involved in waste management were unclear.

A number of legislative and administrative changes have been introduced since the audit, which clarify the roles of EcoRecycle Victoria, the Environment Protection Authority Victoria and the Regional Waste Management Groups (RWMGs) in the waste management framework, to enhance accountability and transparency, and to ensure a link between the State's waste management policy body (EcoRecycle) and regional planning activities.

The Committee has explored a number of issues in relation to and arising from the changes, and found that the changes are positive but that a number of matters require further attention.

New funding arrangements arising out of amendments to the *Environment Protection Act 1970* will need to be supported by detailed guidelines, access criteria and accountability requirements to ensure acceptance of the changes by the agencies affected, and to ensure that funds raised through the landfill levy remain fully hypothecated and continue to support waste management activities in Victoria.

The Committee is pleased that legislative amendments have clarified the roles and responsibilities of the EPA, EcoRecycle and the RWMGs, but believes further consideration needs to be given to formally recognising and recording the role of local government in Victoria's waste management policy.

Chapter 3. Performance management and monitoring

The Auditor-General raised concerns that the waste management sector lacked a leading policy statement and performance targets and measures were not well developed. The Auditor-General also found weaknesses with the data available to the waste management sector – weaknesses that had an impact on internal management, transparency and public accountability.

In a later review of performance management and reporting, undertaken in 2003, the waste sector was used as a case study, and the Auditor-General found little improvement on issues raised in his earlier audit report no. 65.

Subsequent to both of these reports, EcoRecycle developed sector wide performance targets as part of its draft *Towards Zero Waste* strategy. This document is the leading waste policy statement for the state – which the Auditor-General had noted was lacking.

This strategy will assist greatly in improving the alignment of the key waste management agencies performance targets and measures, and the Committee commends its development. The Committee notes, however, that there were some areas where additional work is required, namely in relation to the development of agency specific performance targets (for example, to support those set out in the draft *Towards Zero Waste* strategy). The Committee is also concerned that councils and regional waste management groups experience delays in accessing data collected by the EPA and EcoRecycle.

Chapter 4. Development of markets for waste and recycled goods

To ensure sustainability, the development and maintenance of effective markets for recycled materials is critical.

The Auditor-General's report identified the need to develop markets for recyclable materials, including green and organic waste.

EcoRecycle's *Towards Zero Waste* draft strategy, issued in March 2003, acknowledged the importance of markets for recycled goods and listed organic garden waste and food wastes as priority materials to target.

The Committee was advised that markets in Victoria for some recycled products are not well developed especially in the case of green and organic waste. The Committee hopes that implementation of the *Towards Zero Waste* strategy will act as a catalyst to improve this situation.

The draft strategy states that local governments are progressively shifting towards recognising the true costs of waste management, including long-term liabilities such as landfill rehabilitation and post-closure management. However, the Committee is concerned that the prices charged by landfill operators do not reflect these costs.

Chapter 5. Community awareness programs and strategies

The Auditor-General found there was an ongoing need for public education to ensure enhancement and maintenance of Victoria's good participation rates in voluntary kerbside recycling programs aimed at reducing the amount of waste going to landfill.

The continued success of EcoRecycle's State-wide Waste Wise education program is important in achieving higher waste diversion rates as well as reducing the total amount of waste generated. Victoria's waste management philosophy demands that the focus of future education and awareness programs emphasises waste avoidance and reduction, not just recycling.

The Committee's research suggested that councils were the first place people turned to for information about waste and waste management and the Committee is keen to see councils supported in meeting public expectation in this regard.

The Auditor-General also found that contractors, through agreements with local councils or regional waste management groups, could play a more prominent role in the delivery of public education and awareness with positive results for the State and the contractor.

Finally, the Committee identified public place recycling as an area where significant opportunity exists to promote waste reduction and recycling given Victoria's busy program of hosting major events and, in particular, in the lead up to the Commonwealth Games.

Chapter 6. Delivery of waste management services in Victoria

Councils are responsible for the actual delivery of waste management services to householders and must provide a level of service appropriate to their geographic and demographic situation. The Auditor-General recognised that rural councils may have differing needs and resource priorities compared with city councils.

The Auditor-General made a number of suggestions for improvement focusing on the need for councils to continually assess service requirements and review the potential for different bin and kerbside systems to promote recycling and reduce waste. Councils were also encouraged to pay greater attention to occupational health and safety issues and to ensure waste management costs were made transparent in public reports.

The Committee's review highlighted that there have been positive developments in relation to these suggestions with access to waste services now provided to 97 per cent of householders in Victoria.

EcoRecycle's best practice recycling program has encouraged regular assessment of the types of bins and services provided by councils and the current review of their guide to preferred standards for kerbside recycling is providing a forum to practically consider the economic and occupational health and safety concerns associated with technical developments in waste service provision.

The Committee noted that contractual arrangements between councils and waste collection, transport and processing providers were also currently being reviewed in line with best value principles and recent reforms made to the Local Government Act.

Recommendations

The Committee recommends that:

Chapter 2 Waste management reform

Recommendation 1: **Government policy for waste management (that is, the *Towards Zero Waste Strategy*) formally recognise the role of local government in waste management.**

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Recommendation 2: **The Minister for Environment and the Treasurer issue a statement advising the current and future status of specific allocations from the Sustainability Fund (i.e. recurrent annual funding of: \$800,000 for Regional Waste Management Groups; and \$500,000 for Neighbourhood Environmental Improvement Plans).**

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Recommendation 3: **Regional Waste Management Groups develop and maintain a flexible approach to consultation and co-operation with the industrial and commercial sectors, to ensure that advice is available when required and all stakeholders receive due consideration in the development of regional waste management plans.**

page 45

Recommendation 4: **The Minister for Environment and the Environment Protection Authority monitor developments with the various reforms being implemented by the Regional Waste Management Groups and in doing so assess their capacity and need for further changes.**

page 46

Recommendation 5: **EcoRecycle's *Towards Zero Waste Strategy* address and articulate cost sharing arrangements between State and Local Governments for the timely closure of unlicensed landfills.**

page 47

Recommendation 6: **EcoRecycle's *Towards Zero Waste Strategy* address the issue of appropriate cost sharing by State and Local Governments and industry sectors for the provision of new landfills or residual waste treatment facilities.**

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Recommendation 7: **The Government and EcoRecycle, as a matter of urgency, finalise the *Towards Zero Waste Strategy*.**

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Chapter 3 Performance management and monitoring

Recommendation 8: **All State Agencies involved in waste management and the local government sector:**

- (a) make information in relation to performance targets publicly available and ensure that measurement against set targets is robust; and**
- (b) where difficulties are encountered that have an impact on the quality of a target or assessment – this is clearly explained in a note to the relevant performance measure.**

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Recommendation 9: Councils work with the Regional Waste Management Groups to develop performance targets and systems relating to waste management and councils be involved in the evaluation of the results.

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Recommendation 10: EcoRecycle send out data collection instruments earlier (i.e. closer to the end of the financial year), and councils make a concerted effort to return completed surveys within specified timeframes.

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Chapter 4 Development of markets for waste and recycled goods

Recommendation 11: As a result of the increases in the landfill levy, the Environment Protection Authority assess whether the increased risk of illegal dumping can be adequately addressed under current strategies.

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Recommendation 12: The Environment Protection Authority, through its audit program with operators, encourage landfill operators to regularly review their costs to ensure pricing models and pricing decisions are based on the best available information.

page 76

Recommendation 13: The Environment Protection Authority continue to work with the Institute of Chartered Accountants in Australia and the Commonwealth Department of Environment and Heritage to actively promote environmental management accounting to the public and private sectors.

page 77

Recommendation 14: EcoRecycle use market research and assessment of demand to strategically allocate grants to areas that in particular encourage the recycling of green and organic waste.

page 78

Recommendation 15: EcoRecycle's grant funding for green organics be significantly increased to assist with:

- (a) the development of facilities and markets for green waste; and
- (b) improvements in the quality of recycled green and organic products.

page 79

Recommendation 16: Efforts to reduce the amount of green waste going to landfill focus on developing markets for recycled green products and also on educating rate payers on how they can successfully reprocess green waste 'on site'.

page 82

Recommendation 17: In line with the waste hierarchy that advocates avoiding waste as the preferred waste management option, the Victorian Government through the National Environment Protection Council examine alternative options to using materials in production that are not sustainable or cannot be recycled.

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Chapter 5 Community awareness programs and strategies

Recommendation 18: EcoRecycle reassess the level of funding provided to Regional Waste Management Groups and councils and consider whether it may be appropriate to provide more grants directly to councils that are implementing approved regional plans.

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Recommendation 19: Councils and other Government Agencies contracting with waste management providers consider including community education as a key result area of the contractual agreement.

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Recommendation 20: The Office of Commonwealth Games Co-ordination give urgent consideration to finalising the contract for waste management so the successful contractor can maximise opportunities for achieving a zero-waste games.

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Recommendation 21: The Department for Victorian Communities require all major sporting and community events being held in Victoria to consider waste management as part of their planning process.

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Chapter 1: Background to the inquiry

1.1 Introduction

Role of the PAEC

The Auditor-General has no power to ensure Departments implement the recommendations contained in his reports. It is therefore an important function of the Public Accounts and Estimates Committee to follow up outstanding issues raised in the Auditor-General's reports.

The 1998 performance audit of the Victorian Auditor-General's Office, undertaken by Mr Stuart Alford, emphasised the importance of the Committee undertaking this work:

The extent to which audit findings are followed up and acted upon warrants further attention. There is a clear role for the PAEC working with the Auditor-General to become involved with facilitating and monitoring this important aspect of accountability.⁵

The former Committee agreed to follow up the reports of the Auditor-General on a systematic basis, believing this would add value to the audit process. The approach adopted by this Committee and its predecessor is primarily to follow up unresolved issues or issues on which the Government indicated some action would be taken.

1.2 Background to the Auditor-General's audit of reducing landfill: waste management by municipal councils

In 1999 the Auditor-General undertook a performance audit that assessed whether the waste management strategies and practices of municipal councils reflected generally accepted sound practice, were conducive to reducing waste and resulted in cost effective outcomes for rate payers. The audit placed particular emphasis on the extent to which councils had contributed to the Government's objective of reducing landfill deposits.⁶

⁵ Stuart Alford, *Performance Audit of the Victorian Auditor-General's Office*, September 1998, p.2

⁶ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.3

The audit concentrated on waste management in metropolitan Melbourne. The scope of the audit encompassed the waste management activities of the Environment Protection Authority Victoria, EcoRecycle Victoria, and the metropolitan Regional Waste Management Groups.⁷ The waste management systems and practices of the following municipal councils were examined in detail during the audit:⁸

- Bayside City Council;
- Brimbank City Council;
- Frankston City Council;
- Hobsons Bay City Council;
- Hume City Council; and
- Knox City Council.

1.3 Findings of the Auditor-General's audit

The audit report *Reducing landfill: waste management by municipal councils (report no. 65)*, was tabled in the Parliament on 31 May 2000. Overall the report concluded that considerable progress had been made within the community in increasing recycling activities, but some changes were required. These changes related to certain administrative arrangements, amending legislation and improvements to the waste management practices of some councils. In addition, the audit found the Government needed to address the relatively high and increasing levels of waste that the commercial and industrial sectors were depositing in landfill.

The Auditor-General's report made forty seven suggestions for improvement, including:

- changing Victoria's legislative and administrative framework to encourage the adoption and implementation of the waste management hierarchy and to improve accountability; including:
 - developing strategies to achieve a reduction in the total amount of waste generated by the community;

⁷ *ibid.*, pp.25-26

⁸ *ibid.*, p.25

- reviewing the landfill levy applicable to the commercial and industrial sectors to assess whether it provides sufficient disincentive in relation to landfill deposits;
- reviewing the roles and responsibilities of the Environment Protection Authority Victoria, EcoRecycle Victoria, Regional Waste Management Groups and councils in relation to waste management and minimisation.
- undertaking performance measurement and monitoring, including:
 - ensuring waste management policy objectives are clearly articulated and supported by measurable targets; and
 - addressing weaknesses in data collection, collation and analysis.
- reviewing market forces and assessing their impact on waste management, including considering contractual arrangements and developing performance measures.
- increasing public education awareness programs that aim to:
 - reduce confusion about recycling; and
 - improve community performance in reducing waste and recycling.
- expanding the services provided to rate payers by:
 - providing services for green and organic wastes; and
 - identifying other expectation gaps or additional service needs of rate payers.

1.4 Responses to the Auditor-General's audit

Auditees

The audit report contained responses from the following organisations:

- Environment Protection Authority Victoria;
- EcoRecycle Victoria;
- Brimbank City Council;

- Hume City Council;
- Frankston City Council;
- Hobsons Bay City Council;
- Eastern Regional Waste Management Group;
- Northern Regional Waste Management Group; and
- South Eastern Regional Waste Management Group.

Responses were generally supportive of the suggestions for improvement. However, the Northern RWMG criticised the report for not going far enough with its recommendations, EcoRecycle considered that the audit analysis of the issues was superficial and some of the findings were based on incorrect assumptions. EcoRecycle considered the Auditor-General's Report should have given recognition to the good work that was being done at the time of the audit in relation to Victoria's recycling efforts under a voluntary framework.

While the audited councils accepted the general direction of the Auditor-General's recommendations, they expressed concern that implementing the recommendations would impose additional costs on councils. They emphasised the need for greater financial support for making improvements, particularly for providing collection services for green waste and organics; expanding education at the local level and more rigorously monitoring contract performance.

Minister for Finance

The *November 2000, Response by the Minister for Finance to the Auditor-General's Reports* contained a response from the then Minister for Environment and Conservation which indicated that a forthcoming review of the regional waste management system would address many of the issues raised in the Auditor-General's Report.⁹

Batagol Report

In October 2000, the then Minister for Environment appointed an independent panel to examine the adequacy of legislative and administrative arrangements for Regional Waste Management Groups

⁹ Ms C Batagol, Adj. Prof A Seale, Cr N Harvey, *Review of Waste Management Groups*, August 2000, 'The Batagol Report'

and to recommend improvements to the operation of the successful regional waste management system.¹⁰ Chaired by Ms Cheryl Batagol, the panel released its report in August 2001 which is known as the Batagol Report. The thrust of the panel's recommendations were focused on the need to:¹¹

- accelerate programs to reduce commercial and industrial waste;
- introduce consultation mechanisms to engage all sectors of the community in waste management;
- ensure sufficient funding of Victoria's waste management bodies; and
- improve accountability mechanisms governing the operations of Victoria's waste management bodies.

1.5 Review undertaken by the Committee

In March 2002, the previous Public Accounts and Estimates Committee advised the Auditor-General of its intention to undertake a follow-up inquiry in relation to *Performance Audit Report No. 65, Reducing landfill: Waste management by municipal councils*. The Committee invited the Auditor-General to prepare an update on:

- any unresolved issues or recommendations (suggestions for improvements) that had not been implemented;
- changes that had occurred as a result of the performance audit report; and
- the results of any follow-up work undertaken by the Auditor-General's Office.

The Auditor-General's response, received 28 June 2002, indicated that legislative amendments¹² to, and new regulations¹³ for, the *Environment Protection Act 1970* could potentially address some of the suggestions for

¹⁰ Environment Protection Authority Victoria website, <http://www.epa.vic.gov.au/waste/resource_efficiency_act.asp>, viewed 15 March 2004, and Minister for Environment and Conservation, media release, *Review of Waste Management Groups Report Released*, 24 August 2001

¹¹ Environment Protection Authority Victoria website, <http://www.epa.vic.gov.au/waste/resource_efficiency_act.asp>, viewed 8 March 2004

¹² *Environment Protection (Resource Efficiency) Act 2002*

¹³ *Environment Protection (Distribution of Landfill Levy) Regulations 2002*

improvement contained in the audit report. In addition, the Auditor-General advised that improvements had been made in the waste management practices of selected councils, and the Best Practice Kerbside Recycling Program had been further implemented and enhanced since his report was published.¹⁴ The Auditor-General was positive about the reforms in the waste management sector, commenting that they showed substantial progress towards implementing his suggestions for improvement.¹⁵

On 22 April 2003, the PAEC of the 55th Parliament resolved to appoint a Sub-Committee consisting of the following Members to undertake follow-up Inquiries into the reports of the Auditor-General:

Hon C Campbell, MP (Chair)

Hon B Baxter, MLC

Mr R Clark, MP

Mr J Merlino, MP

Ms G Romanes, MLC

Two public hearings were held during November and December 2003. Key Government statutory authorities responsible for administering legislation and developing policy for waste issues, along with peak bodies representing local government and the regional waste management groups and industry representatives, provided information to the Sub-Committee. Details of witnesses providing evidence and submissions to the Sub-Committee are detailed at Appendix 5.

The following chapters discuss in detail the Committee's findings on key issues relating to Victoria's management of solid waste.

¹⁴ The Best Practice Kerbside Recycling Program is managed by EcoRecycle Victoria. EcoRecycle Victoria is a statutory authority established in 1996 to facilitate best practice in waste management

¹⁵ Victorian Auditor-General's Office, *Follow-up review of the Auditor-General's Performance Audit Report No. 65*, prepared for the Public Accounts and Estimates Committee, 28 June 2002, p.5

Chapter 2: Waste management reform

Key findings of the Committee:

- 2.1 Since the Auditor-General's report, legislative changes to the *Environment Protection Act 1970* have clarified the roles of EcoRecycle, the Environment Protection Authority and the Regional Waste Management Groups in the waste management framework to enhance accountability and transparency, and ensure a link between the State's waste management policy body, EcoRecycle and regional planning activities.
- 2.2 The role of municipal councils in the waste management framework is yet to be formally recognised in the *Environment Protection Act 1970*, or in State government policy.
- 2.3 The reform agenda for Regional Waste Management Groups (RWMGs) has been substantial and while it is too early to measure the full impact of the changes, RWMGs have expressed concerns about their financial position.
- 2.4 The *Towards Zero Waste* draft strategy does not adequately address issues involved with the closure of unlicensed landfills.

2.1 Legislative and administrative framework

Legislation

Victoria has an integrated framework of regulatory, economic and planning measures for solid waste management.¹⁶ The *Environment Protection Act 1970* is the primary legislation which provides the regulatory framework for waste management in Victoria.¹⁷ There are also a number of sub-ordinate legislative instruments that help define objectives for the management of specific waste issues.¹⁸ More detailed information about the principal legislation affecting waste management can be found in Appendix 2 to this report.

¹⁶ Environment Protection Authority, response, received 22 December 2003, to the Committee's follow-up questions

¹⁷ Environment Protection Authority Victoria website, <<http://www.epa.vic.gov.au/Waste/legislation.asp>>, viewed 5 March 2004

¹⁸ Refer Appendix 2 for details

Administration

Key organisations involved in the management of solid waste in Victoria are:¹⁹

- The Environment Protection Authority;
- EcoRecycle;
- RWMGs; and
- local councils.

More detailed information about the administrative roles and functions of these organisations can also be found in Appendix 2.

Stakeholders in the framework include the community – rate payers and businesses, industry groups, and private sector organisations providing services for – waste collection, transportation, recycling and reprocessing and landfill operation.²⁰

2.2 Auditor-General’s audit and follow-up

Auditor-General’s findings

The Auditor-General’s Office found that ‘there were aspects of the administrative arrangements and the legislative framework that impeded efficient implementation of waste management policy objectives’.²¹

Specifically the Auditor-General’s report found that the legislative framework was not always conducive to a well coordinated approach to waste management, and that the roles and responsibilities of the individual agencies [were] at times unclear.²²

¹⁹ The Environment Protection Authority Victoria, EcoRecycle Victoria and Victorian Regional Waste Management Groups are established under, and their roles are defined by, the *Environment Protection Act* 1970. Local councils are established under the *Local Government Act* 1989

²⁰ The Department of Sustainability and the Environment is another stakeholder in so far as waste management activities relate to whole of government sustainability outcomes, but DSE’s role in relation to waste is restricted to the area of trade waste standards and regulation. DSE is not directly involved with solid wastes which are the subject of this report

²¹ Victorian Auditor-General’s Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.4

²² *ibid.*, p.8

Auditor-General's suggestions for improvement

The Auditor-General recommended the waste-management framework be reviewed to:²³

- re-assess the appropriateness of the framework, particularly the number of agencies involved;
- clarify the roles and responsibilities of RWMGs and local councils as they relate to the commercial and industrial sectors;
- establish all sectors as accountable stakeholders in regional waste management plans;
- enhance the accountability requirements between the EPA, EcoRecycle and RWMGs; and
- ensure there is a clear link between the regional plans and the annual budgeting process.

Audit follow-up

Both the Northern and Eastern RWMGs agreed a review of the waste management sector would be beneficial.²⁴ The then Minister for Environment subsequently appointed an independent panel to examine the adequacy of legislative and administrative arrangements of RWMGs and to recommend further improvements to the operation of the successful regional waste management system.²⁵

2.3 Subsequent developments

Legislative amendments 2000

In June 2000, a requirement was introduced in the *Environment Protection (Enforcement and Penalties) Act 2000*, for each Regional Waste Management Group to develop a rolling three year business plan. The business plans are required to:²⁶

²³ *ibid.*, pp.11-12, recommendations 5.11, 5.17, 5.20, 5.21, 5.31

²⁴ *ibid.*, p.50

²⁵ Environment Protection Authority Victoria website, <http://www.epa.vic.gov.au/waste/resource_efficiency_act.asp>, viewed 15 March 2004, and Minister for Environment and Conservation, media release, *Review of Waste Management Groups Report Released*, 24 August 2001

²⁶ Victorian Auditor-General's Office, *Follow-up review of the Auditor-General's Performance Audit Report No. 65*, prepared for the Public Accounts and Estimates Committee, 28 June 2002, p.4

- be publicly available;
- establish the objectives and priorities to be pursued by Groups in relation to the regional plan;
- include the Group's program and budget; and
- be aligned with EcoRecycle's business plan.

This amendment addresses the Auditor-General's suggestion that accountability and transparency be improved and ensures a link between the State's waste management policy body, EcoRecycle and regional planning activities.

Batagol Report

In October 2000, a Ministerial Panel chaired by Ms Cheryl Batagol reported on the adequacy of legislative and administrative arrangements for RWMGs with regard to their direction and management, planning, operations, resourcing and accountability.²⁷ This report supported the Auditor-General's suggestions for improvements in waste management framework reform, and made a number of detailed recommendations for changes.²⁸

Legislative amendments 2002

In June 2002, the *Environment Protection (Resource Efficiency) Act 2002* was passed by the Parliament. These legislative changes reflected the Government's response to the Batagol Report and also represented the outcomes of further consultation with key stakeholders.²⁹

One of the key elements of the Act is the clarification of the respective roles of key statutory bodies involved in waste planning and management.³⁰ The Auditor-General's Office advised the Committee the Act:³¹

- provides EcoRecycle with the statutory responsibility for commercial and industrial waste planning;

²⁷ *ibid.*, p.4

²⁸ *ibid.*

²⁹ *ibid.*, p.5

³⁰ *ibid.*

³¹ *ibid.*

- provides EPA with the ability to recommend to the Governor in Council waste management policy;
- removes the potential for conflict between the RWMGs' primary planning role and commercial waste management activities; and
- introduces statutory consultation requirements for plans produced by EcoRecycle and RWMGs.

As part of the legislative changes, voluntary sustainability covenants were also introduced to facilitate identification of resource efficiency gains and reduction of ecological impact by industries and companies.³² Sustainability covenants provide an holistic approach to the management of the environment through consideration of the impact of products and services throughout their entire life cycle, from production to disposal. The environmental benefits that can be achieved through sustainability covenants are potentially far reaching and extend beyond the site of a company's operations.³³

The Environment Protection (Distribution of Landfill Levy) Regulations 2002 were also introduced in 2002. The regulations provide a greater assurance to key agencies that they will receive sufficient funding to perform their statutory functions and meet Government commitments to improve efficiency of resource use and waste management. They ensure certainty and transparency and enable confident planning. They also establish a new sustainability fund for priority projects and initiatives to foster environmentally sustainable use of resources.³⁴

Sharplin Audit

In order to assess the readiness of RWMGs to operate under these amendments, the then Minister for Environment engaged Montgomery, Watson, Harza (MWH) to conduct an organisational status audit. During December 2002 and January 2003 the audit fieldwork was undertaken

³² *Environment Protection (Resource Efficiency) Act 2002*, Section 49

³³ Environment Protection Authority Victoria website, <http://www.epa.vic.gov.au/sustainability_covenants/default.asp>, viewed 15 January 2003

³⁴ Environment Protection Authority, *Regulatory Impact Statement* for the Environment Protection (Distribution of Landfill Levy) Regulations 2002, October 2002

and in April 2003 a final report was prepared by Brian Sharplin of MWH. The audit focused on the following issues:³⁵

- financial and resource management;
- success in meeting waste minimisation objectives;
- organisational development and performance;
- compliance with State Government policies and guidelines; and
- relationship with other agencies.

The overall conclusion of the audit was outlined by the Minister who stated that:

*The audit found that while the standard of financial management was sound, there was a lack of consistent management practices and specific goals for waste minimisation.*³⁶

The overall conclusion as presented in the audit report was more detailed:³⁷

- (a) The groups are not planning and managing their responsibilities in a consistent or holistic way, and there is a lack of focus on outcomes (as opposed to activities and processes).*
- (b) It is impossible to obtain a clear picture of the degree to which progress is being made towards the achievement of stated higher level goals (or what the comparative level of performance of each group is), because of the inadequacy of the groups' annual reports – which in turn is, to some extent, due to the lack of reliable statistical data.*
- (c) While the standard of financial management and of day-to-day administration of each group's affairs appears to be quite good, a number of specific areas for improvement were identified.*

³⁵ B Sharplin, Montgomery Watson Haza, *Victorian Regional Waste Management Groups – Organisational Status Audit (final report, generic findings and recommendations)*, April 2003; and Minister for Environment and Conservation, media release, *Review to Assess Regional Waste Management Groups*, 11 July 2002

³⁶ Minister for Environment, media release, *Regional Waste Groups Audit Released*, 2 July 2003

³⁷ B. Sharplin, Montgomery Watson Haza, *Victorian Regional Waste Management Groups – Organisational Status Audit (final report, generic findings and recommendations)*, April 2003

(d) *The financial condition of all of the groups is sound.*

The review also reaffirmed several of the conclusions reached in the Batagol Report including:³⁸

(a) *The need for a standard Regional Waste Management Plan template.*

(b) *The need for an operational report template.*

(c) *The need for a common framework with performance assessment criteria.*

(d) *The burden of employment administration on the groups as small organisations and a number of employment related issues.*

(e) *Annual report deficiencies.*

An implementation group has been formed with representatives from the EPA, EcoRecycle and the RWMGs and has commenced work to implement recommendations from the Sharplin Audit.³⁹

Policy developments

The Government's policy agenda highlights sustainable development, through the *Growing Victoria Together, Melbourne 2030* and *Victorian Greenhouse* strategies which call for improvements in waste management to:

- reduce the amount of waste generated (and associated greenhouse gas emissions);
- ensure the State's resources are used as efficiently as possible; and
- encourage increased reuse and recycling of waste materials.

The *Growing Victoria Together* and *Melbourne 2030* strategies call for a reduction in the amount of waste generated and encourage increased reuse and recycling of waste materials.

³⁸ *ibid*

³⁹ The first meeting for this group was held on 19 September 2003. The following priority issues were listed in the Agenda for the meeting: 1. Employment arrangements for RWMG staff; 2. Corporate Governance; 3. Linkages (strengthening of linkages between RWMGs and other stakeholders in waste management); and 4. Training and Development

The *Victorian Greenhouse Strategy* commits the Government to continuous improvement in waste management in Victoria to reduce greenhouse gas emissions and ensure that the State's resources are used as efficiently as possible.

To support and build on these goals, EcoRecycle Victoria has developed a draft 10-year strategy, *Towards Zero Waste: A Materials Efficiency Strategy for Victoria*, (and a 5 year operation plan, *Towards Zero Waste: A Solid Industrial Waste Management Plan for Victoria*). The draft strategy was released for comment in March 2003. It proposed improved measures and practices for waste management and contains ambitious targets for reducing and recovery of solid waste. Meeting the targets will require the establishment, over the next decade, of new systems and infrastructure for managing waste.

Other developments

A number of advances in WorkCover standards and occupational health and safety issues have been introduced.⁴⁰ WorkSafe guidance material for the waste collection industry released in June 2003 calls on local government and the industry as a whole to move toward automated collection systems, as far as practicable.⁴¹ These issues are discussed in greater detail in Chapter 6.

2.4 Issues of concern

The role of local government in the waste management framework

Despite the *Towards Zero Waste* draft strategy noting that local government has a pivotal role in the planning and provision of municipal waste management services to their communities,⁴² local councils are not included in the summary of key agencies and roles contained within the strategy or formally recognised in the environment protection legislation (refer Exhibit 3.2).

⁴⁰ Victorian WorkCover Authority and WorkCover NSW, *Health and safety at work, the waste management and recycling industry*, second edition February 2000, and

WorkSafe, *Guidance material for the waste collection industry*, released June 2003

⁴¹ Birt, M. WorkCover, *Learn from worker's death: Coroner*, November 28, 2003

⁴² EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003

The Committee was advised by the Municipal Association of Victoria:⁴³

... the Towards Zero Waste draft strategy needs to give better recognition of local government's role in waste management as separate to, but part of, RWMGs. Recognition of the constraints and opportunities facing local government would lower the risks of not achieving the strategy targets.

The Committee agrees that further consideration needs to be given to formal recognition of local government's statutory role in waste management.

The Committee recommends that:

Recommendation 1 Government policy for waste management (that is, the *Towards Zero Waste Strategy*) formally recognise the role of local government in waste management.

The Committee notes that the recent regulations for the siting, design and management of landfills released by the EPA has recognised and considered the role of local government, and trusts EcoRecycle will follow this lead to include local government in future policy.⁴⁴

Administration of funding

The achievement of financial independence for RWMGs through changes to the landfill levy is a positive development; however, RWMGs expressed concern that financial provisions under the new regulations are only sufficient to cover basic administration.⁴⁵ They also expressed concern that access to additional funds (for projects and infrastructure) through the sustainability fund may become a slow bureaucratic process.⁴⁶ Fund criteria have not been finalised however a draft priority statement has been developed for which comments are currently being sought.⁴⁷ In addition, amendments to the environment protection legislation require RWMGs to divest themselves of waste management

⁴³ Municipal Association of Victoria, response, received 19 December 2003, to the Committee's follow-up questions

⁴⁴ Environment Protection Authority, *Siting Design and Management of Landfills draft policy and policy impact assessment*, November 2003, Section 1.1 pp.13-18

⁴⁵ Association of Victorian Regional Waste Management Groups' response, received 5 December 2003, to the Committee's follow-up questions. Under current funding arrangements through the landfill levy RWMGs receive only sufficient funds to maintain basic administration and education programs

⁴⁶ *ibid*

⁴⁷ Minister for Environment and the Treasurer, Media Release, *\$2 million sustainability fund for local communities to reduce waste*, 25 March, 2004

profit making enterprises such as landfill operations⁴⁸ which impacts further on their ability to derive additional funding over and above the funding provided through the landfill levy. Although the Auditor-General suggested this would remove the potential for conflict between the RWMGs' primary planning role and commercial waste management activities, the removal of these activities will affect the bottom line of RWMGs.

Nevertheless, EcoRecycle indicated to the Committee the RWMGs receive an adequate level of funding through the EPA and EcoRecycle:⁴⁹

EPA has provided regional management groups with assistance in their business planning processes; it has also provided them with a template for regional waste management groups to assist them in developing their KPIs and performing measures and reporting processes. We have provided additional funding support through the landfill levy over the past three years directly to regions to provide for community grants at the local level – about \$460,000 over the past three years; and have given ongoing support to local government to enhance kerbside recycling systems to the tune of \$3.2 million over the past three years, and a further \$3 million in infrastructure funding support to provide for both the upgrade and/or development of new resource recovery facilities in both metropolitan and rural Victoria, particularly related and linked to the role regional waste management plays.

(a) *Sustainability fund*

The sustainability fund is jointly administered by the Minister for Environment and the Treasurer and will provide for a range of sustainability projects and initiatives.⁵⁰ A statutory advisory panel has been established to provide advice on the use of monies from the fund.⁵¹

⁴⁸ *Environment Protection Act 1970* (as amended by the *Environment Protection (Resource Efficiency) Act 2002*) section 50O and section 50P:

a regional waste management group must not undertake any waste management activity that is being carried out on a commercial basis by any other person in Victoria, ... a regional waste management group must ensure that by 30 June 2004 it does not hold any land or assets for the purposes of carrying out any waste management activity that is being carried out by any other person in Victoria

Environment Protection Authority, response, received 22 December 2003, to the Committee's follow-up questions, p.5

⁴⁹ Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria, transcript of evidence, 10 November 2004

⁵⁰ Environment Protection Authority Victoria website, <<http://www.epa.vic.gov.au/Government/SustainabilityFund/default.asp>>, viewed 15 March 2004

⁵¹ As advised by the Minister for Environment and the Treasurer, Media Release, *\$2 million sustainability fund for local communities to reduce waste*, 25 March, 2004, and in accordance with the statement made by the

The *Environment Protection Act* states at section 70D (2) that in appointing advisory panel members, the Minister and the Treasurer must attempt to ensure the members of the panel collectively have skills, expertise or knowledge relating to:⁵²

- (a) environmental protection and conservation;
- (b) issues relating to industry;
- (c) economics and business management;
- (d) local government; and
- (e) rural and regional affairs.

The Association of Victorian Regional Waste Management Groups (AVRWMG) told the Committee it will be important for sufficient safeguards to be in place to ensure that advice provided by the appointed Committee will be environmentally beneficial.⁵³

The AVRWMG also advised the Committee of the importance that monies from the sustainability fund are returned to solid waste management in all sectors.⁵⁴ The EPA's regulatory impact statement similarly points out that:⁵⁵

... one of the key reasons for the general acceptance and support of the landfill levy in Victoria is that all levy funds are used for the purposes of environment protection and fostering environmentally sustainable use of resources and best practice in waste management.

This view has been reinforced by research into economic instruments for solid waste management which indicates that an advantage of hypothecated revenues is they facilitate both behavioural change and provide seed funding for development projects in the sector.⁵⁶ Transparency in the allocation of both the landfill levy and the sustainability fund's monies identifying exactly how the monies are distributed is critical to maintaining this support.

Environment Protection Authority, Regulatory Impact Statement, Environment Protection (Distribution of landfill levy) Regulations, October 2002, p.4

⁵² *Environment Protection Act 1970*, section 70D(2), as amended by the *Environment Protection (Resource Efficiency) Act 2002*, section 36

⁵³ Association of Victorian Regional Waste Management Groups' response, received 5 December 2003, to the Committee's follow-up questions

⁵⁴ *ibid*

⁵⁵ Environment Protection Authority, Regulatory Impact Statement, Environment Protection (Distribution of landfill levy) Regulations), October 2002, pp.11-12

⁵⁶ L Philpott and B Nicholls (Nolan ITU), *Tipping the Balance*, Waste Management and Environment, Vol 14, No 11, December 2003, p.21

The Committee was pleased to note in the recently released Guidelines for the Sustainability Fund that:⁵⁷

To ensure transparency and accountability of the expenditure of fund monies, stringent reporting requirements are imposed. Specifically the Minister and Treasurer are required to table in Parliament a report detailing the expenditure of Fund monies on an annual basis. In addition a section in EPA Victoria's Annual Report details the expenditure of these funds. Once the EPA Annual Report has been tabled in Parliament, a copy of the Advisory Panel's recommendations and the list of grants will be published on the EPA website.

(b) *Specific funding allocations from the landfill levy*

The AVRWMG advised the Committee it had another concern with the allocation of funds from the landfill levy and this related to an undertaking made by the Minister that:⁵⁸

- \$800,000 will be available for competitive distribution to regional waste management groups for 'local projects.'
- \$500,000 will be available to local councils for Neighbourhood Environmental Improvement Plans (NEIP).

NEIPs are a requirement of the *Environment Protection Act* that requires Councils to deal with localised environmental risks and issues.

The Committee was advised that the AVRWMG was not aware of any progress in relation to this undertaking since the introduction of the legislation and this was due to a lack of local government resources.⁵⁹

The Committee was advised by the Secretary of the AVRWMG that it was and still is the strong belief of all RWMGs that the specific allocations were to be on a recurrent and annual basis and this assurance went a long way to gaining both local government and RWMG support for the ultimate passage of the amending Bill. The Committee was told

⁵⁷ The Guidelines are available on the EPA website:
<http://www.epa.vic.gov.au/Government/SustainabilityFund/docs/Sustainability_Fund_Guidelines.pdf>
viewed 29 March 2004

⁵⁸ This funding had been guaranteed for local government and regional projects through ministerial correspondence with the regional waste management groups in 2002 and the matter further discussed with the Minister on December 10, 2004, <www.vicregions.asn.au/docs/minutes.html> viewed 20 March 2004

⁵⁹ Association of Victorian Regional Waste Management Groups' response, received 5 December 2003, to the Committee's follow-up questions

the RWMGs are concerned that the specific allocations might be brought back to a once off allowance and this would be totally unacceptable.

The Secretary of the AVRWMG informed the Committee that the RWMGs would be reassured if the Minister made a clear statement about the current and future status of these specific allocations from the sustainability fund.⁶⁰

The Committee notes that NEIPS and local projects have been afforded precedence in the Sustainability Fund Draft Priority Statement.⁶¹ However, clarification has not been provided in relation to these specific funding amounts. The Committee recommends that:

Recommendation 2 **The Minister for Environment and the Treasurer issue a statement advising the current and future status of specific allocations from the Sustainability Fund (i.e. recurrent annual funding of: \$800,000 for Regional Waste Management Groups; and \$500,000 for Neighbourhood Environmental Improvement Plans).**

Board membership of the Regional Waste Management Groups

The achievement of financial independence from councils is important but actual independence is more difficult to achieve, as most RWMGs board members are council representatives. Although amendments made through the *Environment Protection Resource Efficiency Act 2002*, division 3, section 21, provide for RWMGs to appoint non-councillor members to their boards (as recommended in the Batagol Report), this has not occurred. The Committee was advised:⁶²

While the recent amendments to the Environment Protection Act provided RWMGs the opportunity to amend their Constitutions to allow the appointment of non-Councillors possessing the appropriate skills as Directors to their Boards, the same amendments restricted the role of RWMGs to the planning and management of municipal waste only.

⁶⁰ ibid

⁶¹ The Priority Statement is available on the EPA website:
<http://www.epa.vic.gov.au/Government/SustainabilityFund/docs/draft_Priority_Statement.pdf> viewed 29 March 2004

⁶² Association of Victorian Regional Waste Management Groups' response, received 5 December 2003, to the Committee's follow-up questions

With the current average number of Directors on a RWMG Board being between 5 and 6 the practical position is that any one Board, if it appointed additional Directors, would limit the number of such appointments to a maximum of say 2 and would most likely appoint such persons they would consider possessed the skills necessary to assist them in their prime role of managing municipal waste.⁶³

It would appear more appropriate, given the new role of EcoRecycle Victoria in the planning and management of industrial and commercial waste that their Board has the appropriate industrial and commercial representation.⁶⁴

Irrespective of the above, RWMGs have continual contact with representatives of the industrial and commercial sectors through collection and disposal contracts, recycling and composting facilities, waste reduction programs etc. There is a very real problem of designating only one or two persons as being representative of these broad sectors:⁶⁵

- there is an incredibly wide range of interests in the industrial and commercial sectors ranging from waste generators, packaging industries, wholesale and retail, commerce, waste collectors and transporters including Council kerbside contractors, recyclers and disposal site operators; and
- there is a risk that the appointment of an individual from a commercial or industrial background may introduce an unwanted or restricted view and possibly pecuniary interests in a non-core activity of a RWMG.

The Executive Officer of the Municipal Association of Victoria informed the Committee that regional organisations dealing with local government were sometimes perceived as making decisions in isolation from Councils.⁶⁶ The appointment of Council members to the board of RWMGs helps counter this perception and ensures councils are consulted in important decisions. The Committee accepts that the appointment of board members to RWMGs can be a sensitive issue.

⁶³ ibid

⁶⁴ ibid

⁶⁵ ibid

⁶⁶ Mr R Spence, Chief Executive Officer, Municipal Association of Victoria, transcript of evidence, 10 November 2003

In the absence of non-council members being appointed to boards, the Committee was pleased to learn from the Secretary of the AVRWG that RWMGs would seek advice and cooperate with industrial and commercial sectors as required.⁶⁷ Mr Lyon from the MAV also told the Committee that 'there was a strong sentiment [amongst RWMGs] that where additional skills were needed they would [be called]'.

Accordingly the Committee recommends:

Recommendation 3 Regional Waste Management Groups develop and maintain a flexible approach to consultation and co-operation with the industrial and commercial sectors, to ensure that advice is available when required and all stakeholders receive due consideration in the development of regional waste management plans.

Reforms

It was also suggested to the Committee that because of the number of reforms and audits to which the RWMGs have been subjected, they may not have had sufficient time to bed down and implement all of the changes. Mr Lyon of the MAV told the Committee 'the amount of reform that has gone through those institutions is fairly staggering'.⁶⁸

While recognising there are further issues to be addressed with RWMGs (for example the issue of regional boundaries has not yet been resolved) there is risk of reform fatigue. Mr Lyon advised the Committee it was important to '*allow the RWMGs to settle down a bit following the reforms, now that they have a firm financial footing through the landfill levy, and a stronger sense – hopefully, coming through EcoRecycle – of the state's policy on a range of strategies, they [will be able to bed down some of the changes]*'.⁶⁹

⁶⁷ Mr K Hince, Secretary, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003

⁶⁸ Mr P Lyon, Environmental Policy Officer, Municipal Association of Victoria, transcript of evidence, 10 November 2003

⁶⁹ *ibid*

The Committee recommends that:

Recommendation 4 **The Minister for Environment and the Environment Protection Authority monitor developments with the various reforms being implemented by the Regional Waste Management Groups and in doing so assess their capacity and need for further changes.**

Landfill closures

The Committee were advised by the Municipal Association of Victoria that the issue of landfill closure and the associated cost pressures being imposed on local government had not been adequately addressed through the recent reforms:⁷⁰

Local governments, particularly rural and regional local governments, have been raising concerns with State Government over the costs associated with closure of unlicensed landfills for a number of years. Such concerns have been raised with Government during the Batagol Review and also in more recent negotiations with Government over increases to the landfill levy.

The EPA is currently undertaking an audit and risk assessment of current unlicensed landfills in the state.

However, while the strategy reiterates current Government policy on landfill management, with the goal of upgrading or closing landfills that do not meet best practice standards, the Towards Zero Waste draft strategy is silent on the funding and cost mechanisms for achieving these policy goals.

The costs of rehabilitation and closure of unlicensed landfill is likely to create significant cost pressure on small rural local governments with limited capacity to pay. Such cost pressures will significantly impact on the ability of these councils to contribute to achievement of the Towards Zero Waste strategy targets.

⁷⁰ Municipal Association of Victoria, *Response to the Towards Zero Waste Victorian Solid Waste Strategy*, May 2003, submitted to the Public Accounts and Estimates Committee, 10 November 2003, p.4

The Towards Zero Waste Strategy must also address the issues of appropriate cost share for provision of new landfills or residual waste treatment facilities, given that these facilities will be used by industrial, commercial and residential sectors.

The Municipal Association of Victoria made two recommendations in relation to this issue which the Committee supports and reiterates here:⁷¹

Recommendation 5 **EcoRecycle's Towards Zero Waste Strategy address and articulate cost sharing arrangements between State and Local Governments for the timely closure of unlicensed landfills.**

Recommendation 6 **EcoRecycle's Towards Zero Waste Strategy address the issue of appropriate cost sharing by State and Local Governments and industry sectors for the provision of new landfills or residual waste treatment facilities.**

Towards Zero Waste

The *Towards Zero Waste* draft strategy was issued for comment in March 2003. Since then a series of forums were held at metropolitan and regional venues during March and April 2003 to provide information about the draft strategy and plan.⁷²

Written submissions in response to the draft strategy and plan closed on 30 April 2003. EcoRecycle undertook to review submissions and develop a comprehensive response document before making amendments to the draft strategy.⁷³ A final strategy was submitted to the Government.⁷⁴ In response to a request by the Minister, EcoRecycle has recently commissioned additional modelling to be undertaken to provide more

⁷¹ *ibid*

⁷² EcoRecycle Victoria website, <<http://203.147.170.129/www/default.asp?casid=3316>>, viewed 5 March 2004

⁷³ *ibid*

⁷⁴ EcoRecycle Victoria website, <http://203.147.170.129/asset/1/upload/EcoVoiceSummer_16.pdf>, viewed 6 March 2003, *EcoVoice*, issue 16, Summer 2004, p.3

information on the financial, environmental and sectorial impacts of the strategy.⁷⁵

Given the importance of the strategy in providing common direction for the waste management sector, the Committee is concerned that it has not yet been finalised (March 2004) and recommends that the Government, with EcoRecycle, prioritise its finalisation as a matter of urgency:

Recommendation 7 **The Government and EcoRecycle, as a matter of urgency, finalise the *Towards Zero Waste Strategy*.**

⁷⁵ Association of regional waste management groups, minutes from their meeting of 20 February, 2004 <<http://www.vicregions.asn.au/docs/minutes.html>> viewed 20 March 2004

Chapter 3: Performance management and monitoring

Key findings of the Committee:

- 3.1 The *Towards Zero Waste* draft strategy developed by EcoRecycle sets sector-wide performance targets that are supported by baseline data and milestones, and assigns lead agency and responsible partners to each milestone.
- 3.2 For the first time in 2003, all annual reports of the Regional Waste Management Group were submitted to the Minister for Environment within the statutory timeframe.
- 3.3 Performance data are not available to the Regional Waste Management Group or councils in a timely manner to allow them to respond effectively to trends that the data may highlight.

3.1 Performance targets

In Victoria, Budget funded agencies operate under a performance management and reporting framework designed to improve public sector performance and accountability by aligning the resource allocation process with the Government's environmental, social and economic policy objectives.

The Government's policy outcome for waste management is articulated through the Growing Victoria Together (GVT) vision which identifies that 'promoting sustainable development' is an important issue for Victoria. Regarding that issue, the Government has stated that 'waste recycling efforts will increase and the use of landfill as a waste disposal method will be reduced'.⁷⁶ The success of these actions is measured by 'increases in recycling effort' and 'reduction in the use of landfill as a disposal method'.⁷⁷

⁷⁶ Budget Statement 2003-04, Budget Paper No. 2, Appendix G, pp.334-335

⁷⁷ In the 2003-04 progress report on the Growing Victoria Together strategy the Government recognises that: 'generated waste and landfill use are increasing in both absolute terms and on a per capita basis... however, the tonnage of waste diverted from landfill and subsequently recycled has also increased in every year since 1999'. See Budget Statement 2003-04, op.cit., p.334

However, the key waste management agencies that significantly contribute to the Growing Victoria Together vision are not core budget funded organisations (namely the EPA, EcoRecycle and the RWMGs) and therefore not included in the performance management and reporting framework.⁷⁸ The accountability and reporting framework that is applicable to these organisations, is set out in the following legislation:

- the *Environment Protection Act 1970*;
- the *Financial Management Act 1994*; and
- various national environment protection measures.

EcoRecycle's draft *Towards Zero Waste* strategy articulates specific performance targets for the waste management sector in Victoria. The strategic direction⁷⁹ and annual business plans⁸⁰ of the RWMGs must align with this policy and are subject to approval by the EPA and the Minister for Environment. These targets supersede a previous target, expressed in the preamble to the 1992 amendments to the *Environment Protection Act*, to reduce landfill deposits by 50 per cent.

Agencies and contractors also set performance targets for the internal assessment of program (or business) success. The process of developing measures, setting targets and reporting results through public websites and/or annual reports is an important accountability mechanism and helps achieve transparency.

⁷⁸ The Auditor-General observes in his April 2003 Report: *Performance Management and Reporting* at page 11 that the Environment Protection Authority Victoria, RWMGs and EcoRecycle Victoria report under separate governance arrangements from the Department of Sustainability and the Environment and this limits the accessibility and comprehensiveness of the Government's performance management and monitoring framework

⁷⁹ Mr B Dawson, Director, Environmental Strategies, Air and Waste, Environment Protection Authority Victoria, transcript of evidence, 10 November 2003, explained that the strategic direction of a RWMG is articulated through the regional waste management plan, which is to be reviewed each five years by the Environment Protection Authority Victoria, and looks at planning for waste management and infrastructure development needs within the region over that period

⁸⁰ *ibid.*, explained that the annual business plan for a regional waste management group identifies business activities and planned expenditure over a recurring 12-month period and these plans must be submitted to the Minister for Environment

3.2 Auditor-General's audit and follow-up

Auditor-General's findings

The Auditor-General found that the audited agencies did not have a clear understanding of the status of the 1992 performance target of 50 per cent reduction in waste going to landfill.⁸¹ The audit report indicated that two predominant factors contributed to the confusion:

- the waste sector lacked a leading policy statement;
- the measure was not supported with base level data, articulated milestones or a clear statement of what the 50 per cent related to (weight or volume, household or all solid wastes).

Furthermore, when this measure was adopted, there was no way of reliably or comprehensively measuring waste going to landfill across the State.⁸²

The Auditor-General found a number of weaknesses in the landfill data used to measure waste going to landfill, that diminished the data's usefulness for management purposes.⁸³ He also found that key data required for analytical purposes was either not available or not current.⁸⁴

The audit report indicated that transparency and public accountability in the waste management sector could be improved.⁸⁵

Auditor-General's suggestions for improvement

The Auditor-General made generic suggestions to the Government in relation to his findings, including:

- that there was a need to clearly articulate waste management policy objectives that are supported by strategies, measurable targets and sound monitoring processes: including improving management information systems in key agencies;⁸⁶ and

⁸¹ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.31 paragraph 4.4

⁸² *ibid.*, p.33, paragraph 4.10

⁸³ *ibid.*, p.32, paragraph 4.8

⁸⁴ *ibid.*, p.59, paragraph 5.41

⁸⁵ *ibid.*, p.56, paragraph 5.32, and pp.81-82 paragraphs 6.62–6.69

⁸⁶ *ibid.*, p.41, paragraphs 4.28-4.31, and p.60 paragraph 5.42

- that action should be taken to address weaknesses in the collection, collation, analysis and availability of landfill data.⁸⁷
- the Auditor-General also identified specific improvement opportunities for the RWMGs and councils suggesting that transparency and public accountability could be enhanced if:
- RWMGs provided periodic reports to the public, covering progress against regional plans;⁸⁸ and
- councils included details of all major expenditure areas, such as waste management, in their financial reporting framework.⁸⁹

Audit follow-up

The Chief Executive of Knox City Council agreed councils needed to do more to measure their achievements and that more clearly articulated policy objectives would help achieve greater accountability.⁹⁰

EcoRecycle and the EPA agreed with the Auditor-General's observation that the collection and reporting of data for both planning and monitoring purposes had been inadequate⁹¹ and acknowledged refinements to data collection and analysis were required, particularly more effort was needed to understand the factors that influence the amount of waste being generated, such as population growth and economic activity. Both Agencies indicated gradual progress was being made in this area and they were already working to improve the integrity and availability of data on the amount of waste going to landfill.⁹²

Commenting on the difficulties of developing relevant and meaningful performance measures, the EPA stated:

On an international scale, there is ready recognition that as waste is such a dynamic feature of: production; state of the local and international economy; food processing and packaging technologies; and social culture,

⁸⁷ *ibid.*, p.32, paragraph 4.8

⁸⁸ *ibid.*, p.56, paragraph 5.32

⁸⁹ *ibid.*, p.82, paragraph 6.69

⁹⁰ *ibid.*, p.15, response provided by Knox City Council

⁹¹ *ibid.*, p.61, response provided by EcoRecycle Victoria

⁹² *ibid.*, p.35, responses provided by EcoRecycle Victoria and the Environment Protection Authority Victoria. Also note that the Auditor-General acknowledges this fact later in his report at page 60 paragraph 5.44

*that establishing well-researched, meaningful, explicit numerical performance indicators is extremely difficult and sometimes impractical.*⁹³

Both the Northern RWMG and Eastern RWMG indicated the lack of accurate data had hampered strategic planning in the waste management sector. They felt that all of the key agencies needed to cooperate and participate to improve data.⁹⁴

3.3 Subsequent developments

Auditor-General's report on performance management and reporting:

Subsequent to the Auditor-General's performance audit report no. 65 performance measurement has been the topic of a series of special reviews.⁹⁵ In 2003 the waste management sector was chosen as a case study for the Auditor-General's latest report on this issue.⁹⁶ This report found little improvement on issues that the performance audit report no. 65 had raised about performance management in the waste management sector.

The Auditor-General's April 2003 report stated that measurement, monitoring and reporting practices of the EPA, EcoRecycle and the RWMGs revealed a relative absence of uniform, sector-wide standards, guidelines and protocols for reporting against agency objectives and key Government outcomes.⁹⁷

The report also noted substantial variation across the EPA, EcoRecycle and RWMGs in terms of both the extent and format of performance information these agencies reported.⁹⁸ Findings for each agency are summarised in Exhibit 3.1.

⁹³ *ibid.*, p.31, response provided by the Environment Protection Authority Victoria

⁹⁴ *ibid.*, p.60, responses provided by Eastern RWMG and Northern RWMG

⁹⁵ Victorian Auditor-General's Office, *Report on Ministerial Portfolios, June 2001* contained a chapter on performance reporting in the budget sector, the second report was *Departmental performance management and reporting*, November 2001, and the third report was *Performance management and reporting: Progress report and a case study*, April 2003

⁹⁶ Victorian Auditor-General's Office, Auditor-General Report No.14 (session 2003), *Performance management and reporting: Progress report and a case study*, April 2003

⁹⁷ *ibid.*, p.24

⁹⁸ *ibid.*

Exhibit 3.1: Summary of Auditor-General's findings from the April 2003 Report on Performance management and reporting

REVIEW OF PERFORMANCE INFORMATION IN THE WASTE MANAGEMENT SECTOR	
Agency	Performance information issue in waste sector agencies
EPA	Performance indicators included in the corporate plan and the 2001-02 annual report were predominantly milestones. No supporting quantitative data illustrated the efficiency and effectiveness of activities in achieving agency objectives and Government outcomes.
EcoRecycle Victoria	The 2001-02 business plan and annual report contained a comprehensive range of quantitative performance indicators. These directly related to objectives and government outcomes. Performance indicators were derived from a wide range of waste-related data.
Regional waste management groups	Measuring, monitoring and reporting against objectives and Government outcomes was not generally adopted by the groups. Available waste data generated by EcoRecycle Victoria and the EPA is underutilised by the groups and most of the reported performance indicators are qualitative rather than quantitative in nature (for example, milestones). Only one of 16 groups used quantitative performance indicators that relate to objectives and link with Government outcomes.
<p>The poor range and quality of reported performance indicators is because:</p> <ul style="list-style-type: none"> ▪ as a sector, agencies involved in the waste segment of the Environment portfolio have not enunciated specific effectiveness and efficiency indicators relevant to both themselves and the sector as a whole; ▪ variable skills and limited resources within the groups results in low priority being given to the measurement of performance and development of performance indicators; ▪ there are no formal guidelines, instructions or regulations formalising the need to report performance within the context of waste-related objectives using performance indicators. 	

Source: Victorian Auditor-General's Office, *Performance management and reporting: Progress report and a case study*, April 2003, p.24

The Auditor-General recommended that key agencies responsible for management of solid waste work collaboratively to:⁹⁹

- develop agreed performance measurement, monitoring and reporting standards and protocols for the sector, which specify the nature and format of performance indicators that each agency is to report on publicly;
- develop guidance statements and templates for the preparation of all ex-ante and ex-post documents;

⁹⁹ *ibid.*, p.29, paragraph 2.25

- undertake training for RWMG staff to enable them to:
 - prepare consistent, complementary and logically linked ex-ante and ex-post reports;
 - collect and properly analyse waste data at a regional and local level to inform strategy development, monitoring and review;
 - develop meaningful targets that reflect regional objectives and link with Government outcomes; and
 - publicly report against their articulated ex-ante objectives and Government outcomes.

The EPA, EcoRecycle and the RWMGs agreed with this recommendation and indicated that findings from the then forthcoming Sharplin audit, and EcoRecycle's development of a solid waste management strategy for Victoria, would assist in its implementation.¹⁰⁰ The EPA and EcoRecycle stated the key objective of a coordinated approach is to ensure measures of progress and indicators are complementary and tailored to each agency's statutory waste management role and unnecessary duplication of reporting should be avoided.¹⁰¹

The Executive Officer of the Northern RWMG emphasised the importance of access to detailed performance information and suggested it would be beneficial for RWMGs to become more involved in the collection, checking and analysis of data gathered through EcoRecycle's municipal data collection program.¹⁰² The Executive Officer of the Central Murray RWMG pointed out that the major hurdle for their region in complying with the recommendation would be the availability of relevant and reliable data.¹⁰³

Sharplin Report

The Sharplin Report identified that the waste management sector needed a lead policy, better performance targets and systems to facilitate performance measurement. The findings and recommendations

¹⁰⁰ *ibid.*, pp.30-31, responses provided the Environment Protection Authority Victoria, EcoRecycle Victoria, Northern RWMG and Central Murray RWMG

¹⁰¹ *ibid.*, p.30, responses provided by the Environment Protection Authority Victoria and EcoRecycle Victoria

¹⁰² *ibid.*, p.31, response provided by Northern RWMG

¹⁰³ *ibid.*, p.31, response provided by Central Murray RWMG

reiterated those made in the earlier Batagol Report in relation to performance management.

The Committee was advised by the Association of Victorian RWMGs that in response to the Sharplin audit, 'for the first time since the creation of the 16 RWMGs all 2002-03 annual reports were submitted to the Minister on time, and that in almost all cases these reports contained compliance statements and an evaluation of progress against business plans'.¹⁰⁴ It also advised that professional development work will be undertaken in 2004 to ensure all RWMGs comply with all requirements.¹⁰⁵

Draft Towards Zero Waste strategy

EcoRecycle proposed a number of performance targets in the draft *Towards Zero Waste* strategy. Targets are based on extensive modelling of the solid waste stream and supported by baseline data captured from the following sources:¹⁰⁶

- compositional surveys of waste to landfill and landfill levy data;
- annual surveys of the recycling industry;
- annual surveys of local government; and
- solid industrial waste data collection consultancies.

Base metrics now exist for the following measures:

- tonnes of material to landfill by sector and composition;
- tonnes of material recycled by material category and source; and
- costs and yields of materials from the range of waste management services provided by local government.¹⁰⁷

¹⁰⁴ Mr K Hince, Secretary, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003

¹⁰⁵ *ibid.*

¹⁰⁶ EcoRecycle Victoria's response, received 19 December 2003, to the Committee's follow-up questions

¹⁰⁷ *ibid.*

The proposed strategy defined the following targets for the State over the next decade:¹⁰⁸

- reducing solid waste:
Reduce the quantity of waste generated by 1.5 million tonnes by 2013. (Note: This represents a 15% reduction in the waste that would have been produced by July 2013 if the economy grew at 3.5% per annum, and no new [waste management] programs were undertaken.)
- recovering solid waste:
Increase the recovery rate in all solid waste generated from the current 48% to 75% by 2013 comprising:
 - *45% recovery rate in household (or municipal) solid waste by July 2008 (current rate 28%)*
 - *65% recovery rate in household (or municipal) solid waste by July 2013*
 - *65% recovery rate in solid industrial waste by July 2008 (current rate 55%)*
 - *80% recovery rate in solid industrial waste by July 2013*

To achieve these targets, a range of initiatives, systems and infrastructure will need to be established to ensure the following milestones are met:¹⁰⁹

- by July 2006 - all construction and demolition waste in metropolitan and provincial city regions to be processed for resource recovery prior to disposal to landfill;
- by July 2009 - all commercial and industrial waste in metropolitan regions to be processed for resource recovery prior to disposal to landfill;
- by July 2011 - all commercial and industrial waste in provincial city regions to be processed for resource recovery before disposal to landfill; and
- by July 2012 - all municipal waste in metropolitan and provincial city regions to be processed for resource recovery before disposal to landfill.

¹⁰⁸ EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003, pp.4–5

¹⁰⁹ *ibid.*, p.5

The draft strategy attributes a lead agency and responsible partners to detailed milestones.¹¹⁰

Data collection

EcoRecycle advised the Committee that annual data collection and reporting systems for solid waste are now well established.¹¹¹ It conducts two annual surveys:

- the Annual Survey of Victorian Recycling Industries; and
- the Local Government Data Collection (kerbside waste management services)

Other surveys and instruments used to collect information about the waste management sector in Victoria include:

- landfill levy data collected by the EPA; and
- the Department of Infrastructure's Annual Community Satisfaction Survey (which includes a section on waste management)

3.4 Issues of concern

Development of performance measures

A number of influencing factors need to be considered when developing performance targets and measurement systems for the waste management sector.

The Director of Environmental Strategies at the EPA advised the Committee that 'the factors affecting the amount of waste generated are dependent on a range of issues, including the success of waste recovery and resource recovery programs, enforcement activities – in particular the level of economic activity in any particular time'.¹¹²

The number of influencing factors means it is difficult to develop an accurate model of future waste generation and management in Victoria. This also means it is difficult to set meaningful performance targets, and assess achievements in waste management.

¹¹⁰ *ibid.*, Chapter 8

¹¹¹ EcoRecycle Victoria's response, received 19 December 2003, to the Committee's follow-up questions

¹¹² Mr B Dawson, Director Environmental Strategies, Air and Waste, Environment Protection Authority, Victoria, transcript of evidence, 10 November 2003

The Committee believes that difficulties in setting and assessing performance targets should not be a deterrent to full and comprehensive reporting.

The Committee recommends that:

Recommendation 8 **All State Agencies involved in waste management and the local government sector:**

- (a) make information in relation to performance targets publicly available and ensure that measurement against set targets is robust; and**
- (b) where difficulties are encountered that have an impact on the quality of a target or assessment – this is clearly explained in a note to the relevant performance measure.**

The Committee was advised by the EPA that when developing performance measures it will be important for ‘effective strategies [to be] in place that identify the key waste streams that need to be reduced’.¹¹³ These strategies would partly address some of the difficulties mentioned above by providing a pragmatic focus to the development of meaningful performance information, and assist with directing resources to priority areas.

Voluntary framework

The key waste management agencies that contribute most significantly to the Government’s vision of promoting sustainable development are non budget funded organisations that are not a part of the Government’s performance management and reporting framework.¹¹⁴

As the Auditor-General pointed out in his 2003 review of performance management and reporting ‘there are no formal guidelines, instructions or regulations formalising the need to report performance within the

¹¹³ *ibid.*

¹¹⁴ As articulated through the Growing Victoria Together strategy, refer Appendix G, Budget Statement 2003-04, Budget Paper No. 2

context of waste-related objectives using performance indicators' for the EPA, EcoRecycle or the RWMGs.¹¹⁵

Although these organisations work within their own frameworks for accountability, evidence provided through the Auditor-General's April 2003 performance management report suggests the performance of waste management could be better measured and reported, and performance targets could be better developed.

The Committee noted that local government was not reviewed as part of the waste management framework in the Auditor-General's performance management report, and local councils are not included in the summary of key agencies and roles contained within the *Towards Zero Waste* draft strategy (refer Exhibit 3.2). Yet, local government are an essential part of the framework: they are responsible for providing waste services to households.

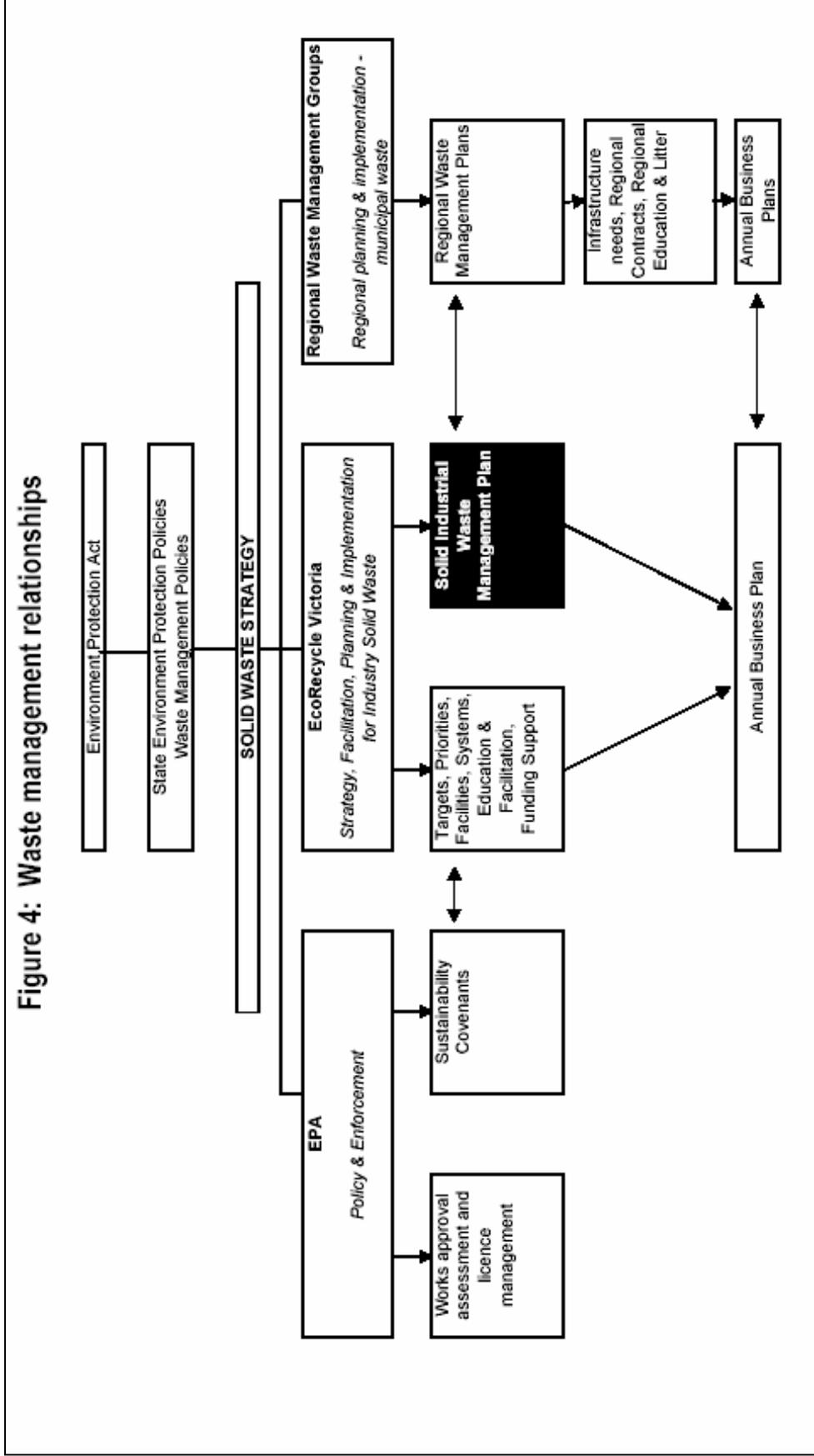
The Committee is aware that local government has had considerable experience in developing and reporting performance measures. The following extract from ICAA's *Triple Bottom Line* newsletter highlights local government's proficiency in developing indicators to measure progress against sustainability objectives:¹¹⁶

Local Government is in many ways at the forefront of sustainability reporting in Australia. Several states including NSW have had compulsory state of environment reporting for some years. Increasingly the trend has been for councils to adopt more holistic triple bottom line and sustainability reporting frameworks. Because of their nature, many have undertaken considerable stakeholder/community engagement exercises to assist in indicator development and selection. For example, City of Port Phillip has recently developed thirteen 'Sustainable Community Progress Indicators' to help measure progress the council is making towards sustainability.

¹¹⁵ Victorian Auditor-General's Office, Auditor-General Report No.14 (session 2003), *Performance management and reporting: Progress report and a case study*, April 2003, p.24, paragraph 2.11

¹¹⁶ Institute of Chartered Accountants in Australia, *Triple bottom Line*, Newsletter, October 2003

Exhibit 3.2: Illustration of the statutory framework, roles and relationships of key agencies charged with the management of solid wastes in Victoria.



Source: EcoRecycle, Towards Zero Waste draft strategy document, March 2003

These observations raise two significant issues. First, because local government is part of the waste management framework but its role is not formally recognised, the chances of achieving broader government policies are reduced. There is a risk that the targets for waste management set by local government may be incongruent with those set by the other agencies (or vice versa), which could impact on efforts to promote sustainability in Victoria. This risk could be mitigated by recognising the role of local government in State Government policy for solid waste and by including local government in future reviews seeking to improve Victoria's waste management systems.

The Committee was advised by the MAV that 'the *Towards Zero Waste* draft strategy needs to give better recognition of local government's role in waste management as separate to, but part of, RWMGs, and that recognition of the constraints and opportunities facing local government would lower the risks of not achieving the strategy targets'.¹¹⁷ The Committee supports this view (refer recommendation 1).

Secondly, EcoRecycle advised the Committee that they provided the RWMGs with indications of the types of performance measures they should adopt and be measuring and reporting on through their business planning process.¹¹⁸ The Committee is nevertheless concerned that an opportunity to draw on local government's expertise and experience in developing performance measures is being missed.

The Committee believes that local government should work together with the RWMGs and EcoRecycle to develop meaningful and measurable performance targets and performance measurement and monitoring systems for their sector.

The Committee strongly supports the Auditor-General's recommendation that 'the key agencies responsible for management of solid waste work collaboratively' in developing performance targets and measures and recommends that local councils be included in the collaboration on these matters.¹¹⁹

¹¹⁷ Municipal Association of Victoria, response, received 19 December 2003, to the Committee's follow-up questions

¹¹⁸ Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria, transcript of evidence, 10 November 2003

¹¹⁹ Victorian Auditor-General's Office, Auditor-General Report No.14 (session 2003), *Performance management and reporting: Progress report and a case study*, April 2003

The Committee recommends that:

Recommendation 9 **Councils work with the Regional Waste Management Groups to develop performance targets and systems relating to waste management and councils be involved in the evaluation of the results.**

Accuracy and availability of data

The Committee regards timely performance information as integral to good management. This view concurs with EcoRecycle who indicated that such information is crucial for assessment purposes, for the formulation of policy and measurement of progress against targets:¹²⁰

The [Local Government Data Collection 2002-2003] survey collects important baseline data useful for such activities as developing Regional Waste Management Group Business Plans, which in turn are crucial in assessing the impact of waste minimisation and recycling initiatives. The data will play a vital role in the formulation of future policy directions for waste management services throughout the state, as well as provide a measure of Victoria's progress towards the delivery of efficient and sustainable kerbside services.

Although many useful instruments are being used to collect data about waste management, and the quality of that data is gradually improving by more thorough crosschecking,¹²¹ the Committee was surprised to learn some data was not available for up to a year after collection.

The Committee noted that waste management information relating to 2002-03 is still not available nine months after the end of the financial year, and the 2001-02 survey results were not published until May 2003, eleven months after the end of the financial year.¹²² These delays impact on the usefulness of the data from a management perspective.

¹²⁰ EcoRecycle Victoria website, <<http://www.ecorecycle.vic.gov.au/asset/1/upload/UpdateJan04.pdf>>, viewed 5 March 2004, Reviews and Surveys update for January 2004

¹²¹ Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria, transcript of evidence, 10 November 2003, as advised

¹²² EcoRecycle Victoria, *Local Government Data Collection 2001-2002 Kerbside Waste Management Services*, May 2003

EcoRecycle's survey relating to Local Government Data Collection for 2002-2003 was sent out in October 2003 to all local government waste management officers. In January 2004 EcoRecycle reported that approximately 95 percent of local government had returned the survey. EcoRecycle advised they were currently analysing the data and aimed to provide a report late in 2004.¹²³

Because information is collected at year end, information from these surveys are 'lag' indicators. The Committee recommends consideration be given to developing appropriate lead indicators.

The Committee was informed that Councils and RWMGs are not involved in analysis of the data. Analysis is undertaken by EcoRecycle. It was suggested to the Committee that it would be beneficial for Councils and RWMGs to have access to and be involved with the analysis of the data at an earlier stage.¹²⁴

This would necessitate all parties agreeing on their respective roles in the process and for those persons involved in the data analysis to receive appropriate training.

The Committee recommends that:

Recommendation 10 **EcoRecycle send out data collection instruments earlier (i.e. closer to the end of the financial year), and councils make a concerted effort to return completed surveys within specified timeframes.**

¹²³ EcoRecycle Victoria website, <<http://www.ecorecycle.vic.gov.au>>, viewed 5 March 2003: Community and Government Update, October 2003 - <http://www.ecorecycle.vic.gov.au/asset/1/upload/Update_Oct03.pdf>; Surveys and Data Update, November 2003 - <http://www.ecorecycle.vic.gov.au/asset/1/upload/Update_Nov03.pdf>; Surveys and Data Update, December 2003 - <http://www.ecorecycle.vic.gov.au/asset/1/upload/December_Update.pdf>; and Reviews and Surveys update, January 2004 - <<http://www.ecorecycle.vic.gov.au/asset/1/upload/UpdateJan04.pdf>>

¹²⁴ Mr K Hince, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003

Chapter 4: Development of markets for waste and recycled products

Key findings of the Committee:

- 4.1 The landfill levy has been revised in line with the Auditor-General's suggestion. It is too early to ascertain the impact of the revised levy structure on reducing the amount of waste deposited in landfill.
- 4.2 Markets for green and organic waste are immature. The development of strong markets in this area will be essential in reducing the amount of waste being deposited in landfills and in reaching targets set out in the draft *Towards Zero Waste* strategy.
- 4.3 Markets for recycled concrete and paper are working well to the point where reprocessors of materials are generating profits and the use of reprocessed materials represents cost savings for industry.
- 4.4 Pricing decisions being made by landfill operators may not be indicative of the true cost of landfill operation in the long term.
- 4.5 State and local governments have introduced strategies and programs such as the Environmental Management Strategy, and EcoBuy™ to promote the concept of sustainability and the environmental importance of recycling. Australian quality standards are continually being reviewed, and EcoRecycle promotes these standards in its best practice guidance. The standards improve purchaser confidence in recycled products.

4.1 Markets for waste and recycled products

The Committee's research indicated that internationally and locally there is a shift away from 'command and control' regulation towards the use of environmental protection instruments based on market incentives.¹²⁵ Lack of strong markets and good commodity prices can undermine efforts to divert waste from landfill. As long as commercial organisations

¹²⁵ L Phillpott and B Nicholls (Nolan ITU), *Tipping the Balance*, Waste Management and Environment, Vol. 14, No. 11, December 2003, pp.20-21

believe it is cheaper to deposit waste in landfill than recycle, they will be unlikely to fully embrace recycling.

A large range of market based instruments exist for the development of markets for waste and recycled products; some examples are listed in Appendix 3. The issues surrounding markets and market based instruments involve all tiers of Government and macro-economic and micro-economic reforms. These issues are beyond the scope of issues raised by the Auditor-General and reviewed by this Committee.

Only progress made on specific market issues raised by the Auditor-General will be reviewed in this Chapter: that is, the application of the landfill levy, user charges for waste, and the development of products and processing methods for recyclables.

4.2 Auditor-General's audit and follow-up

Auditor-General's findings

The Auditor-General's performance audit found that reasons for non-achievement of the desired '50 per cent reduction in waste to landfill' included:¹²⁶

- the costs involved with recycling;
- a lack of mature markets for recycled goods; and
- perceptions that recycled goods are of inferior quality.

The Auditor-General's report stated that, it was more costly to recycle materials than to place them directly in landfill, and this might have been partly due, in most cases, to a lack of viable markets.¹²⁷

Auditor-General's suggestions for improvement

The performance audit report suggested that future strategies should consider the development of sustainable markets for recyclable materials, including green and organic waste.¹²⁸

The Auditor-General also commented briefly on other market related issues, such as the landfill levy (in his review of the State-wide waste

¹²⁶ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000

¹²⁷ *ibid.*, p.7 and p.39

¹²⁸ *ibid.*, pp.4, 11, 38 and p.41

management framework),¹²⁹ and the provision of incentives to contractors to encourage recycling rather than depositing waste to landfill.¹³⁰

Audit follow-up

However, the Auditor-General's report was criticised by EcoRecycle Victoria for failing to fully recognise the importance of the development and maintenance of effective markets for recycled material in achieving sustainable solutions to waste management.¹³¹

*The development and maintenance of effective markets for recycled materials is critical for sustainability. The Report fails to recognise the importance of markets in this context. For example, it is stated that green organics and food waste are major components of municipal waste that can be recovered and recycled. This will be true only if there are viable and sustainable markets for the products produced. Without markets, additional collection and diversion of these materials from the municipal stream will be a waste of everyone's efforts. Recovery and recycling systems need to reflect demand rather than supply.*¹³²

EcoRecycle advised the Auditor-General it had a market development program that:¹³³

- established quality standards to improve utility and competitiveness of the end product; and
- supported businesses operating in the sector with market research data and the development of marketing plans and campaigns.

4.3 Subsequent developments

Review of landfill levy

Market intervention aims to decrease the differential between the cost of using landfill and the net cost of reuse/recycling to generate greater incentives to reduce waste and introduce alternative technology.¹³⁴

¹²⁹ *ibid.*, p.50, paragraph 5.17

¹³⁰ *ibid.*, p.66, paragraph 6.9

¹³¹ *ibid.*, p.42

¹³² *ibid.*, p.42, response provided by EcoRecycle Victoria

¹³³ *ibid.*

Although the landfill levy is only one component of the fee charged to deposit waste to landfill, it is the key economic instrument that the State Government uses to reduce waste deposited to landfill. The landfill levy was recently reviewed and a new regulation and levy structure was issued.¹³⁵ The levy applies across Victoria but is now charged at a lower rate in rural areas. Levy increases and differential pricing have been introduced in response to recommendations made in the Batagol Report, which elaborated on the Auditor-General's original suggestion that the State Government review the landfill levy applicable to commercial and industrial sectors.¹³⁶

As the landfill levy is one component of the price charged to deposit waste at landfills, it necessarily contributes to the weight of the price signal to the market.

The Committee was informed that levies are currently \$3-\$5 per tonne for municipal waste and \$5-\$7 per tonne for industrial waste. Levies will increase progressively each year, and will rise to \$7-\$9 per tonne for municipal waste and \$13-\$15 per tonne for industrial waste by 2007-08.¹³⁷ The EPA anticipates that the increased levies will provide greater incentives to reduce disposal of waste to landfill and encourage greater reuse and recycling of resources.

The landfill levy funds the cost to the Government of providing environment protection and fostering environmentally sustainable use of resources and best practice in waste management.

¹³⁴ The Government may not engage in anti-competitive behaviour in accordance with the National Competition Policy. Appendix 4 of the *Regulatory Impact Statement for the distribution of landfill levy regulations* provides a summary of the competition policy review. It found that the levy was 'not raised as a competition issue by industry stakeholders' and concludes that 'the proposed regulations themselves do not impose any barriers to market entry and do not restrict competition'

¹³⁵ Environment Protection (Distribution of Landfill Levy) Regulations 2002, and the *Environment Protection (Resource Efficiency) Act 2002*

¹³⁶ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.50, paragraph 5.17

¹³⁷ Environment Protection Authority Victoria's response, received 22 December 2003, to the Committee's follow-up questions

Market development in State Government policy

The draft *Towards Zero Waste* strategy acknowledges the impact of market forces on resource recovery, particularly the influence of price sensitivities on the success of competing alternatives.¹³⁸

The strategy advocates a change in how Victorians think about waste. The strategy encompasses waste elimination at the source (through product design and producer responsibility), along with waste reduction strategies down the supply chain.¹³⁹ Communities that implement Zero Waste strategies are aiming to switch from wasteful and damaging waste disposal methods to value-added resource recovery systems that will help build sustainable local economies.¹⁴⁰

Demand for waste products is an important success factor in any zero waste approach. Markets must exist as economically viable alternatives to landfill. As the draft strategy stated:¹⁴¹

Lack of accessible and competitively priced alternatives to landfill can be the greatest obstacle to resource recovery. Landfill disposal is sometimes discounted below the full costs required to cover site rehabilitation and aftercare. Where this occurs, it is difficult for recycling services to successfully compete.

EcoRecycle believes a proactive approach will greatly assist in managing the recycling system. Where markets exist for diverted materials and where disposal of products and materials pose an environmental hazard, landfill prohibitions may be considered. Industry investment in appropriate resource recovery infrastructure can then be planned with certainty.

This approach also involves working closely with industry to implement product stewardship through their supply chains. This will also require ongoing engagement with the waste management industry to improve recycling services to industry.

¹³⁸ EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003

¹³⁹ Jessica C North, *Waste Not, Zero Waste – the emergent waste technology*, paper presented at the ISWA2003 Congress, Melbourne, 11 November 2003

¹⁴⁰ *ibid.*

¹⁴¹ EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003

The draft strategy also stated:¹⁴²

The Victorian Government, through EcoRecycle, has provided assistance to develop markets for recovered materials through initiatives including market development grants. These efforts will continue over the period of the strategy, with assistance linked to market development activities identified through product stewardship agreements with industry for waste avoidance (i.e. product design) and/or recovery. Priority materials – processed organics, timber, construction and demolition rubble and fill material – will also be a focus of market development activities.

There will be an increased emphasis on environmental purchasing and use of recycled content products through State Government Departments and agencies and local government.

Developments in the commercial and industrial sectors

The Auditor-General recommended that the State Government ‘encourage greater involvement by the commercial and industrial sectors in recycling and waste reduction activities, after identifying that compared to the residential sector, commercial and industrial enterprises were generating relatively high and increasing levels of waste going to landfill’.¹⁴³

The Committee was advised that recycled concrete and asphalt are now commonly used in road base and pavement construction, and the use of these reprocessed materials represents a cost savings to industry.¹⁴⁴ The Committee was also advised that facilities in the Melbourne area¹⁴⁵ accepted and reprocessed brick, concrete, asphalt and tiles – all major components of the construction and demolition waste stream.¹⁴⁶

The Committee was concerned by reports suggesting that recycling contractors were either dumping recycled materials into landfill or stockpiling recycled products.¹⁴⁷ EcoRecycle advised there were certainly issues in the mid-1990s, but improvement in technologies and markets

¹⁴² *ibid.*

¹⁴³ Victorian Auditor-General’s Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, pp.35-38

¹⁴⁴ Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria, transcript of evidence, 10 November 2003

¹⁴⁵ EcoRecycle Victoria allocated \$200,000 to the Alex Fraser Group in 2000-2001 under the infrastructure investment program. The grant helped establish a new mobile asphalt recycling plant. The company contributed \$400,000 to the project.

¹⁴⁶ K&S Waste’s response, received 13 January 2004, to the Committee’s follow-up questions

¹⁴⁷ Reid, J. *Questions on the waste*, Leader – Doncaster Templestowe, 10 March 2004, p.26

mean recycling is becoming economically more viable.¹⁴⁸ EcoRecycle told the Committee that in the last 10 years the sorting industry has moved to a situation where it can handle fully commingled streams – paper, cardboard, plastics, steel, everything – all in one bundle together.¹⁴⁹ The Municipal Association of Victoria advised councils are not having problems with the contractors who sort and then dispose of recyclables. The Association informed the Committee of a huge increase in the range and type of products made directly from recycled products, except green waste.¹⁵⁰

EcoRecycle grants for market development

EcoRecycle is actively involved in identifying and encouraging market development initiatives for innovative product design and/or recovery. This work is enhanced by investment in related infrastructure (for example transfer stations and drop off facilities for municipal waste and construction and demolition waste sorting facilities) as well as product stewardship agreements (with the EPA) and sustainability covenants (by the EPA).

EcoRecycle has provided a number of grants for market development initiatives.¹⁵¹ The total value of these grants to 30 June 2003 was estimated to be a direct funding investment of \$7.1 million, which translates to an estimated investment leverage of \$29.1 million.¹⁵² (refer Exhibit 4.1)

Exhibit 4.1: EcoRecycle’s investment in industry development

Industry Development (estimates)	to 2002-03	to 2001-02
Total grant funding	\$7,078,532	\$4,527,543
Investment leverage of grant projects	\$29,804,881	\$19,755,006

Source: EcoRecycle Victoria Annual Report 2003, Corporate Key Performance Indicators – effectiveness of programs, p.6

¹⁴⁸ Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria, transcript of evidence, 10 November 2003

¹⁴⁹ *ibid.*

¹⁵⁰ Mr P Lyon, Environmental Policy Officer, Municipal Association of Victoria, transcript of evidence, 10 November 2003

¹⁵¹ EcoRecycle Victoria’s website, <<http://www.ecorecycle.vic.gov.au>>, viewed 17 January 2004, lists 17 market development case studies which it has supported, seven of these are directly related to organics, the other 10 relate to plastics and rubber.

¹⁵² EcoRecycle Victoria, 2002–03 Annual Report, Corporate Key Performance Indicators – effectiveness of programs, p.6

Quality standards for green waste

The introduction of accreditation of collectors and sorters of material¹⁵³ has assisted in improving the reputation of markets and products, and 'there has been a progressive improvement in the managerial, entrepreneurial and marketing side of recycling'.¹⁵⁴

Quality standards are important in overcoming the perception that recycled products are of inferior quality.¹⁵⁵

The following quality standards and best practice guidelines relate to green and organic products.

- The guide to best practice - composting green organics: An easy-to-follow step-by-step guide to making compost commercially, by EcoRecycle Victoria
- The standards AS4454 - *Composts, soil conditioners and mulches*, Standards Australia, released June 1999 and AS4419 - *Soils for landscaping and garden use*, Standards Australia released November 1998
- Environmental guidelines for composting and other organic recycling facilities, by the EPA

Management accounting and costing

Over the last three years EPA has been working with the Institute of Chartered Accountants in Australia and Environment Australia to promote environmental management accounting. This initiative began because EPA found that some companies choose waste disposal over waste reduction because their accounting systems record disposal as a cheaper option. Often, waste disposal appears cheaper because most environmental costs are placed in overhead accounts and are therefore not correctly allocated.

¹⁵³ EcoRecycle Victoria has developed an accreditation system for collectors and sorters to improve standards and performance. It is based on ISO 9002 which is a Quality Assurance program based on systems

¹⁵⁴ Mr K Hince, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003

¹⁵⁵ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000. This report observed that there was a perception that recycled products were of inferior quality

By introducing environmental management accounting, companies can determine the 'true costs' of options, which often leads to decisions that facilitate better financial and environmental outcomes.¹⁵⁶

Other developments

State and local governments have an important role in supporting markets for recyclables by becoming active market participants. The adoption by Departments of environmental management systems in accordance with ISO 14001 and triple bottom line reporting, and the release of Finance directive FRD24 *Reporting of Office-Based Environmental Impacts by Government Departments, Guidance to Financial Reporting Direction*, are positive steps recently taken by the Government. These initiatives will promote the purchase of recyclables within Departments as well as discouraging the generation of waste and other environmentally unfriendly practices.

Local government's EcoBuy™ program and the introduction of green purchasing and procurement policies in State Government Departments are also examples of Government actively supporting the recyclables market. Appendix 4 contains a summary of the EcoBuy™ program along with information about Government's Environmental Management System.

4.4 Issues of concern

Illegal dumping

Increasing the landfill levy is intended to promote sustainable alternatives, but it also introduces a risk that the incidence of illegal dumping will escalate. A strengthened State Government enforcement regime is necessary to both mitigate the possibility of increased occurrence of illegal dumping, and address the environmental impacts if the risk materialises. The Committee was advised by the Environment Protection Authority that three key elements are required to effect strategic improvements in the management of waste:¹⁵⁷

¹⁵⁶ Mr M Bourke, Chairman, Victorian Environment Protection Authority, *Sustainable Development in the Public Sector: Critical Issues for Public Accounts Committees*, ACPAC conference papers, 2 to 5 February 2003, p.8

¹⁵⁷ Mr B Dawson, Director, Environmental Strategies, Air and Waste, Environment Protection Authority Victoria, transcript of evidence, 10 November 2003

In terms of strategies to reduce waste generation, you need the elements of all of those to have effective waste management.

- (1) Particularly you need some sort of economic signal, such as that provided by the landfill levy and things such as licence fees for landfills.*
- (2) We need to have regulatory and enforcement mechanisms in place. Not only do we have the measures that are available under the Environment Protection Act, but we also have a State-wide protection policy for the management of landfills, and licensing arrangements that establish requirements for waste management facilities and the like.*
- (3) We also have the need to provide information and education programs - not just to the community but to industry as well; in particular, cleaner production programs are an effective way of illustrating to industry some of the inefficiency of waste production and how they can in fact save money by reducing the amount of waste that is generated.*

In summary, I think you need all three elements to have an effective program in place to drive waste management.'

The first element relates to the landfill levy and to licence conditions for landfills, both of which have been recently reviewed. The reviews resulted in levy increases, and the introduction of differential pricing, and strengthened licence conditions for the siting, design and management of landfill operations.

The second element - regulatory and enforcement mechanisms - is the responsibility of the EPA. The Committee notes that statutory regulations are in place, but is concerned that the EPA may not have the capacity to adequately monitor the illegal dumping of solid waste. Statistics on illegal activities are difficult to interpret. The EPA reports that the number of prosecuted offences increased from the period 1999-2000 to 2002-03. The EPA annual compliance report for 2002-03 shows, for example, that seven organisations were successfully prosecuted under

section 27A (2)(a) of the *Environment Protection Act*.¹⁵⁸ In 2001-02 only two major prosecutions were made under this section.

The third element - information and education programs – is discussed in Chapter 5.

The Committee recommends that:

Recommendation 11 **As a result of the increases in the landfill levy, the Environment Protection Authority assess whether the increased risk of illegal dumping can be adequately addressed under current strategies.**

Landfill prices and the landfill levy

Despite the work being done by the EPA in conjunction with the ICAA and the Commonwealth Department of Environment and Heritage, the Committee believes the prices charged at landfills do not take account of the full cost of operating a landfill (including site remediation and after care).¹⁵⁹ The Committee believes that this is acting as a barrier to the development of economically viable landfill alternatives.

The Committee noted for example, that the financial statements of all landfill operators do not make provision for site remediation and after care.¹⁶⁰ If these expenses are significant, but not factored in to pricing decisions, then the current differential between the price paid to deposit waste in landfill and the cost of alternatives is unrealistically large.

¹⁵⁸ Section 27A(2)(a) of the *Environment Protection Act* 1970 states that:
'Any person who dumps or abandons or permits to be dumped or abandoned industrial waste--
(a) at a place not being a site licensed to accept industrial waste under this Act; or
(b) at a site which is licensed to accept industrial waste under this Act without the knowledge or consent of the licence holder

is guilty of an offence against this Act and liable to a penalty of not more than 400 penalty units.'

¹⁵⁹ Environment Protection Authority Victoria's response received 22 December 2003, to the Committee's follow-up questions, 'currently, in metropolitan Melbourne, the price charged for landfilling non-prescribed putrescible waste is generally in the order of \$30 per tonne (EcoRecycle Victoria 2003)'

¹⁶⁰ See for example the 2002 Financial Statements (Note 22: Contingent Liabilities) of Darebin Municipal Council which state: 'Council may become liable ... for rehabilitation of certain tip sites and contaminated sites. At the reporting date, the costs that would be incurred in relation to these matters cannot be reasonably estimated'; the 2003 Financial Statements (Note 34: Contingent Liabilities) of Surf Coast Shire which state: 'Remedial costs associated with the two operating waste disposal sites, to which the council is obligated to provide financial assurance under Section 194(2A) and 21 of the *Environment Protection Act* 1970, are not known as at the reporting date.'

The Committee was advised, for example, that the costs of establishing 'energy from waste' (EfW) solutions are prohibitive in Victoria, given the relatively much lower cost of landfill.¹⁶¹ The Batagol Report also expressed this view, stating that the introduction of new technologies could not compete economically with the low gate fee at landfills in Victoria.¹⁶²

The report emphasised that it is important for licensed landfill operators to ensure costing methods and pricing strategies reflect the true cost of their landfill operation, including its closure, its rehabilitation and an allowance to return a benefit to the community.¹⁶³

The Committee recognises that future costs for closure and rehabilitation of landfills are inherently difficult to estimate due to the timelines involved and the pace of technology for site remediation.

The Committee is also aware that some organisations undertaking landfill operations are small and have limited resources.¹⁶⁴ Such organisations are unlikely to have sophisticated management accounting or costing systems. In these circumstances landfill operators are more likely to focus on covering recurrent costs (that is, the known day-to-day running costs¹⁶⁵) rather than to base their pricing decisions on full costs.

Nevertheless, the Committee considers that the price charged at landfills is an important signal to the market and therefore recommends:

Recommendation 12 **The Environment Protection Authority, through its audit program with operators, encourage landfill operators to regularly review their costs to ensure pricing models and pricing decisions are based on the best available information.**

¹⁶¹ K&S Waste's response, received 13 January 2004, to the Committee's follow-up questions

¹⁶² Ms C Batagol, Adj. Prof A Seale, Cr N Harvey, *Review of Waste Management Groups*, August 200, 'The Batagol Report' p.23

¹⁶³ *ibid.*, p.62

¹⁶⁴ Environment Protection Authority, *Siting, Design and Management of Landfills*, December 2003, see introduction and context

¹⁶⁵ Some of the factors that landfill operators consider when making their pricing decisions are: transport costs, the availability of suitable sites and the costs of complying with best practice standards and obtaining financial assurance as well as the State Government imposed landfill levy

Recommendation 13 **The Environment Protection Authority continue to work with the Institute of Chartered Accountants in Australia and the Commonwealth Department of Environment and Heritage to actively promote environmental management accounting to the public and private sectors.**

Green waste

The Committee was advised that the markets for green waste were currently immature and all parties agreed that development of strong markets for green and organic waste would be instrumental in reducing the amount of green and organic waste going to landfill.¹⁶⁶

(a) Investing in new technology

The Committee was advised that lack of technology is the underlying reason for difficulties in placing end product in the market, (difficulties that have led to stockpiling of waste and related issues such as combustion).¹⁶⁷ More sophisticated technologies are not being used, as a result of the costs involved.

Information provided by Cleanaway suggests that approximately \$60 per tonne is required to safely process green waste into a high quality end product. However, at present, only around \$30 per tonne is being spent on rudimentary green waste processing.¹⁶⁸ In metropolitan Melbourne, the price charged for landfilling non-prescribed putrescible waste is generally around \$30 per tonne.¹⁶⁹ The cost of moving to a best practice model, therefore, is greater than the cost of sending the waste to landfill. Coupled with the immaturity of the market, which means there are currently only limited returns on end product, these factors present financial restrictions that ultimately have an adverse impact on the landfill diversion rates for green and organic waste.

¹⁶⁶ Mr K Hince, Secretary, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003 and others

¹⁶⁷ Mr P Beath, Cleanaway, transcript of evidence, 15 December 2003

¹⁶⁸ *ibid.*

¹⁶⁹ Environment Protection Authority Victoria's response, received 22 December 2003, to the Committee's follow-up questions, statistic sourced from EcoRecycle Victoria 2003

The Committee notes that investment in new technology has proven successful in a number of areas such as paper and concrete recycling.¹⁷⁰ The success with these wastes is encouraging.

The Committee anticipates that grants will be targeted in future to priority areas such as green waste.

Accordingly the Committee recommends that:

Recommendation 14 **EcoRecycle use market research and assessment of demand to strategically allocate grants to areas that in particular encourage the recycling of green and organic waste.**

(b) Grants supporting improvement in processing technology and quality

While quality standards have strengthened the market for existing products, the Committee was also advised that the compost produced by some municipal councils from their green waste collections is not in high demand (possibly because it is of insufficient quality). The Committee was informed that there would be a stronger market if organic blended soil materials were being produced instead of just compost, as soils were beneficial to certain municipal uses such as top-dressing of golf courses or playing fields.¹⁷¹

Government provides support and encouragement for industry to explore processing options for green waste. EcoRecycle has run a Green Waste Action Plan for a number of years, which includes the Garden Organics Marketing Program to help increase awareness and sales of composted mulches and soil conditioners. The program has been developed in conjunction with the Institute of Horticultural Development (IHD), and the Garden Organics brand ensures only the very best products enter the marketplace. The program aims to increase customer confidence, minimise the risks involved in using recycled garden organics products and stimulate market demand and growth.¹⁷²

¹⁷⁰ Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria, transcript of evidence, 10 November 2003

¹⁷¹ Mr K Hince, Secretary, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003

¹⁷² EcoRecycle Victoria's website, <<http://www.ecorecycle.vic.gov.au/www/default.asp?casid=2924>>, viewed 2 March 2004, Garden Organics Marketing Program

However, commercial users remain wary of compost, mulches and soil conditioners made from recycled garden waste because of the risk of weeds, seeds and pathogens.

Concern about the quality of recycled green and organics products (i.e. composts and soil conditioners) was also expressed by the Association of Victorian RWMGs:¹⁷³

If there is a good product around, people will buy it. There is a big demand for high-quality product. One of the problems has been the rubbishy material that has come through – and people have used it and lost faith in it. And it is a long time before you build the market up again.

EcoRecycle's program expenditure during 2002-03 for the Green Waste Action Plan was \$146,000 representing two per cent of total program expenses for the year. Program expenditure includes grant expenses accrued on the basis of the percentage of the contract performed at 30 June 2003.¹⁷⁴ In 2001-02, the Green Waste Action Plan represented 7 per cent of EcoRecycle's total program expenses. Grant commitments for 2003-04 total \$108,000.

EcoRecycle's 2004 business plan recognises that significant investment will be required over the next three years to develop facilities to:

- process municipal green waste and food organics; and
- process and compost commercial food organics.

The Committee supports investment in this area and recommends that:

- Recommendation 15** **EcoRecycle's grant funding for green organics be significantly increased to assist with:**
- (a) the development of facilities and markets for green waste; and**
 - (b) improvements in the quality of recycled green and organic products.**

¹⁷³ Mr K Hince, Association of Victorian Regional Waste Management Groups, transcript of evidence, 10 November 2003

¹⁷⁴ EcoRecycle Victoria, 2002-03 Annual Report, Financial Statements, note 1.4, p.46

(c) *Landfill bans*

Garden organics and food waste are listed as priority materials in the *Towards Zero Waste* draft strategy.¹⁷⁵ The strategy also identifies the need to support the development of kerbside services in line with best practice. Best practice models promoted by EcoRecycle advocate a regular collection service for green and organic waste.

After finding that green and organic waste comprised over 50 per cent of all landfill deposits, the Auditor-General also suggested placing greater emphasis on the development of strategies that reduce the amount of green and organic waste deposited to landfill.¹⁷⁶

The Committee noted the comments contained in EcoRecycle's annual report for 2002-03, that:¹⁷⁷

... gaining support and acceptance for recycled composted products amongst growers is essential if we are to eliminate much of the organic waste still finding its way to landfills.

Cleanaway also provided to the Committee a summary of key findings from a recent independent review of green organics processing in Greater Melbourne:¹⁷⁸

- currently the recycled organics industry is at a crisis point;
- low-tech open windrow and low quality processes currently in use do not guarantee product stabilisation and product quality;
- the majority of operators have not invested sufficient funds and resources into product development, market development and distribution channels;

¹⁷⁵ *ibid.*

¹⁷⁶ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, pp.4, 11, 38 and 41

¹⁷⁷ EcoRecycle Victoria, *2002-03 Annual Report*, p.30

¹⁷⁸ The review referred to was undertaken by Cleanaway and involved discussions with the Environment Protection Authority Victoria and EcoRecycle Victoria as well as an independent overview of green organics processing in Greater Melbourne Nolan ITU. The summary of key findings was extracted from Cleanaway's submission to EcoRecycle Victoria's Guide to the Preferred Standards for Kerbside Recycling in Victoria – 2003 and beyond, (Draft for Consultation), 20 November 2003, p.3. A copy of the submission was provided to the Committee as part of Cleanaway's response, received 25 January 2004, to the Committee's follow-up questions

- market perception of recycled organics from low-tech windrow composting processes is that the products are too variable with respect to quality; and
- the abundance of stockpiled low quality products are proving difficult to market and, given the volatile nature of the stockpiles, are prone to fires.

The *Towards Zero Waste* draft strategy considers introducing landfill prohibitions 'where markets exist for diverted materials and where disposal of products and materials pose an environmental hazard.'¹⁷⁹ The state environment protection policy (on siting and managing landfills receiving municipal wastes) allows for the EPA to ban a material from landfill where a higher waste management option is available.¹⁸⁰

This policy attempts to achieve greater efficiency in existing markets by prohibiting certain substances from landfill. Technology to process those substances away from landfills will improve – so long as the enforcement regime and penalties prove sufficient disincentive. The Committee also received a submission from Global Renewables supporting banning landfilling of organic and recyclable products.¹⁸¹ A similar recommendation made by the Victorian Local Governance Association was reported in the Batagol Report.¹⁸²

The Committee supports the proposal to introduce landfill bans, but only where there are developed markets (as stated in the *Towards Zero Waste* draft strategy). The Committee considers the premature introduction of landfill bans where there are immature markets (as appears to be the case for green and organic waste) would greatly increase the risk of illegal dumping of those materials, and is concerned that significant resources could be consumed in controlling such a risk.

¹⁷⁹ EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003

¹⁸⁰ That is: a more desirable option based on the waste hierarchy introduced to the *Environment Protection Act* in 2000. The Waste Hierarchy is one of ten principles outlined in the *Environment Protection Act* 1970, as introduced by the 2000 amendments. It states that wastes should be managed in accordance with the following order of preference: Avoidance; Reuse; Recycling; Recovery of energy; Treatment; Containment; Disposal

¹⁸¹ Global Renewable submission, to the Committee, p.6, received 16 January 2004

¹⁸² Batagol op. cit., p.23

The Committee therefore recommends that:

Recommendation 16 **Efforts to reduce the amount of green waste going to landfill focus on developing markets for recycled green products and also on educating rate payers on how they can successfully reprocess green waste 'on site'.**

Commercial & industrial and construction & demolition waste

While there appears to be a healthy market for reprocessed commercial and industrial (C&I) and construction and demolition (C&D) waste, the Committee was advised a number of factors still limit the diversion of these waste materials from landfill, such as:¹⁸³

- transportation costs where the distances to reprocessing facilities is greater than the distance to landfill sites;
- the fact that reprocessing facilities do not accept some materials including treated timbers (especially treated pine), masonite, laminate, medium density fibreboard and some imported pallets and shipping crates; and
- the higher costs to smaller commercial organisations, in particular, to sort, store and transport recyclable and non recyclable materials.

The Committee is also concerned by reports that illegal dumping of construction and demolition waste, particularly in rural areas, is rising.¹⁸⁴ Illegal dumping of these wastes has a number of environmental impacts such as contamination of water and ground water, contamination of soil and general environmental degradation of the land.¹⁸⁵ The Committee believes it is the responsibility of all stakeholders to meet increasing environmental standards and seek out alternatives for unsustainable products and disposal techniques and is supportive of the Government providing assistance in this regard.

¹⁸³ K&S Waste's response, received 13 January 2004, to the Committee's follow-up questions

¹⁸⁴ EPA Victoria, Media release, *EPA alarmed at illegal dumping*, 24 October 2002

¹⁸⁵ *ibid.*

The Committee recommends that:

Recommendation 17 **In line with the waste hierarchy that advocates avoiding waste as the preferred waste management option, the Victorian Government through the National Environment Protection Council examine alternative options to using materials in production that are not sustainable or cannot be recycled.**

Chapter 5: Community awareness programs and strategies

Key findings of the Committee:

- 5.1 The Victorian community actively participates in the voluntary kerbside recycling program. It is important that successful education programs continue in order to maintain awareness of environmental issues and encourage participation in programs to minimise waste.
- 5.2 Comprehensive education and awareness programs are developed through the Regional Waste Management Groups in conjunction with EcoRecycle Victoria.
- 5.3 Victoria's *Towards Zero Waste* draft strategy demands that the focus of future State-wide programs be on waste avoidance and reduction, rather than on recycling which occurs later in the supply chain.
- 5.4 The community looks to councils for information in relation to waste issues. Councils need to be assisted in meeting public expectations.
- 5.5 Councils have an opportunity to engage contractors in education delivery through contractual agreements for kerbside and other waste management related services. Councils should be encouraged and supported to take up this opportunity.

5.1 Community awareness

Community awareness programs and strategies are important in improving the management of solid waste. As indicated by the Auditor-General they have potential to:¹⁸⁶

- motivate households and commercial premises to reduce the amount of green waste sent to landfill;

¹⁸⁶ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.75, paragraph 6.36

- promote significant reductions in the amount of waste generated per person; and
- improve the efficiency and effectiveness of waste collection, segregation and disposal systems.

The delivery of community awareness and education programs occurs through a network of education providers within local government, industry and environmentally conscious community groups. A range of delivery methods exist including:

- school based programs;
- community and workplace events;
- radio, television and print media (advertisements);
- community brochures and pamphlets, Council and Regional Waste Management Group websites; and
- industry agreements, triple bottom line reporting and the distribution of better practice guidance.

5.2 Auditor-General's audit and follow-up

Auditor-General's findings

The Auditor-General found that despite Victoria having a high participation rate in voluntary recycling programs, there was still considerable need for public education initiatives.¹⁸⁷

The Auditor-General also found that while councils generally included public education objectives in their strategies,¹⁸⁸ *'councils considered that the responsibility for public education on broader waste management issues rest[ed] with the Environment Protection Authority and EcoRecycle Victoria.'*¹⁸⁹

The Auditor-General noted that EcoRecycle runs a comprehensive State-wide Waste Wise education program,¹⁹⁰ but considered councils, and contractors, providing services on behalf of councils, had an important

¹⁸⁷ *ibid.*, p.75, paragraph 6.37

¹⁸⁸ *ibid.*, p.76, paragraph 6.38

¹⁸⁹ *ibid.*, p.77, paragraph 6.43

¹⁹⁰ *ibid.*, p.79, response provided by EcoRecycle Victoria

role to play in providing public education. The Auditor-General's report noted that:

- councils are in a unique position to assist in the implementation of Government policies through influencing the behaviour of households;¹⁹¹ and
- it was appropriate for contractors to participate in providing public education for, indeed in their interests to raise awareness about, proper recycling practices in order to reduce the level of contaminated materials presented for collection.¹⁹²

Auditor-General's suggestions for improvement

The Auditor-General suggested that councils:¹⁹³

- implement public education initiatives contained within council waste management strategies;
- expand education at a local community level beyond service descriptions and explanations, and develop public education strategies that improve community performance in reducing waste and recycling;
- in conjunction with EcoRecycle Victoria and RWMGs, develop education strategies that aim to reduce confusion about recycling, promote existing economic incentives and develop measurable waste reduction targets; and
- encourage contractors to participate in providing public education to residents.

Audit follow-up

In response to the Auditor-General's suggestions for improvement, councils advised that funding had constrained the expansion of education activities, indicating that further support, including financial, would be required to implement the suggestions.¹⁹⁴

¹⁹¹ *ibid.*, p.9

¹⁹² *ibid.*, p.94

¹⁹³ *ibid.*, p.13, (suggestions for improvement made at paragraphs 6.41, 6.44, 6.54, 7.44)

¹⁹⁴ *ibid.*, p.77, paragraph. 6.41

In particular the Frankston City Council explained that the council supported the general direction of the report's recommendations, but was concerned about the added-cost to local government in terms of a number of matters, including the expansion of education at the local level.¹⁹⁵ The Chief Executive of the Hume Council echoed this concern, noting that additional support was required for councils to improve the effectiveness of waste minimisation efforts.¹⁹⁶

EcoRecycle highlighted the fact that its State-wide Waste Wise education program was the most comprehensive in Australia and among the best in the world.¹⁹⁷

5.3 Subsequent developments

During 2002 a benchmarking study by Nolan ITU¹⁹⁸ concluded that 'considerable effort is required in Australia in order to maintain recycling levels through community education...'¹⁹⁹ This view confirmed the Auditor-General's finding that there was further need for public education²⁰⁰.

Towards Zero Waste

The *Towards Zero Waste* draft strategy recognises the importance of 'implementing communication and education programs focused on materials efficiency and sustainable consumption'²⁰¹ to reduce the generation of solid waste. The strategy document makes the following observations about community behaviour:²⁰²

- *Community awareness and concern about environmental issues remains high. There continues to be strong community participation and support for kerbside recycling, resulting in an increased supply of recyclable materials.*
- *Changes in consumer demand and lifestyles are affecting the way products are packaged and the way we consume goods and services.*

¹⁹⁵ *ibid.*, p.14

¹⁹⁶ *ibid.*

¹⁹⁷ *ibid.*, p.79, response provided by the Environment Protection Authority Victoria

¹⁹⁸ Nolan ITU (sponsored by Visy Recycling), *Recycling – How does Australia Compare?*, April 2002

¹⁹⁹ *ibid.*, p.14

²⁰⁰ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.75, paragraph 6.37

²⁰¹ EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003, p.15

²⁰² *ibid.*, p.6

- *While many people are concerned about the environmental impacts of the goods and services they purchase, only the most committed take action to reduce the amount and/or impact of the goods and services they buy. For the bulk of consumers, cost, lifestyle and convenience are key factors in their purchasing decisions.*
- *Community opposition to siting of waste management facilities presents obstacles both to resource recovery and reprocessing facilities and landfills.*

EcoRecycle summarise its strategic approach to community engagement by stating that it will 'redirect the focus of current programs from recycling to waste avoidance and reduction'.²⁰³ This approach is in line with the zero waste philosophy.

Distribution of landfill levy

The reform agenda (discussed in Chapter 2) has been instrumental in ensuring waste management programs are sufficiently resourced.

Through the *Environment Protection (Distribution of Landfill Levy) Regulations*, all RWMGs are funded to cover the cost of employing (either directly or on a contract basis) at least one full time regional education officer.²⁰⁴

In the regulatory impact statement for the revision of the landfill levy the Government proposed that RWMGs would require a total annual allocation of \$2.78 million to adequately fund core administrative activities. In addition, they would require a further \$1.2 million for regional education officers on an ongoing basis.²⁰⁵ This requirement is provided by the landfill levy, therefore providing some stability for the future.²⁰⁶

After the *Environment Protection (Distribution of Landfill Levy) Regulations* were introduced, the Sharplin audit was undertaken. In this audit, anomalies in the roles and responsibilities and remuneration of education officers were noted. A working party is reviewing the roles,

²⁰³ *ibid.*, p.16

²⁰⁴ Environment Protection (Distribution of Landfill Levy) Regulations, 17 December 2002

²⁰⁵ Environment Protection Authority Victoria, *Regulatory Impact Statement*, Environment Protection (Distribution of Landfill Levy) Regulations, October 2002, pp.11,13, 14

²⁰⁶ Environment Protection (Distribution of Landfill Levy) Regulations, 17 December 2002

expectations and arrangements in place for education officers across the waste management sector.

Education programs in Victoria

The development and provision of education and community awareness programs is currently a combined effort between the RWMGs, local councils and EcoRecycle.

Examples of education programs were provided to the Committee by the Association of Victorian RWMGs. They included Waste Wise Schools, Litter Task Forces, the Master Composter Programs and others. These programs involve:²⁰⁷

Waste Wise Schools

Regional Education Officers and member Council Officers work with schools to set achievable waste reduction and litter reduction targets and develop performance measures.

The Committee was advised that 'without a doubt a key factor [in shaping community attitudes about waste management and recycling] is education about the environment in schools'.²⁰⁸

Litter Task Forces

These task forces are generally created to address a litter hot spot. They involve concerned local residents in the vicinity of the litter problem, Regional Officers, Council Officers and representatives of other parties such as creek management committees, railways etc - depending on the location of the problem area. The work is carried out and the area is closely monitored to determine the success or otherwise of the measures taken.

Master Composters Program

The Northern RWMG has funded and overseen a community education program recently which involved the training of Neighbourhood Master Composters (Compost Champions). Qualified Master Composters are now visiting their neighbours and encouraging home composting in order to reduce the amount of organic and green waste entering the garbage stream and improve horticulture in the home.

²⁰⁷ AVRWMGs, response to the Committee's follow up questions

²⁰⁸ K&S Waste's response, received 13 January 2004, to the Committee's follow-up questions

Other program areas

There are numerous other program areas considered important in maintaining awareness of waste and litter issues. For example; Waste Wise Public Events which aim to reduce waste generated at the events; Cigarette Butts/Litter campaigns; and the Dog Poo Program.

5.4 Issues of concern

EcoRecycle sponsorship and grants 2002-03

The EcoRecycle 2002-03 annual report listed 15 recipients of grant funding (including one sponsorship agreement) that specifically relates to 'Community Engagement and Education'. The total value of funding provided was \$121,884.²⁰⁹ (refer Exhibit 5.1)

Exhibit 5.1: EcoRecycle's 2002-03 grant and sponsorship funding

Category	Funding amount (\$)	Percentage (%)
Strategy development and data collection	5,000	0.2
Kerbside recycling	10,000	0.4
Advisory and Information Services	118,950	4.3
Infrastructure investment	771,800	28.1
Community engagement and education	120,884	4.4
Litter prevention and control	120,000	4.4
Waste reduction in industry commerce and government	280,000	10.2
National Packaging Covenant implementation	1,320,842	48.1
TOTAL	2,747,476	100.0

Source: EcoRecycle Annual Report for 2002-03, pp.34-36

The *Towards Zero Waste* draft strategy recognises that 'the community looks to local government as the prime source of information and assistance in relation to waste management issues'.²¹⁰ Accordingly, local government is a worthy recipient of grant funding from EcoRecycle.

As recognised by the Auditor-General, local government is in a good position to raise awareness about waste management issues via rates notices, pamphlets and provision of resident education as a contract requirement (for collectors and/or processors). Councils often work under constrained financial limitations that may affect their ability to capitalise on the opportunities presented by their relationship with the public.

²⁰⁹ EcoRecycle Victoria, *2002-03 Annual Report*, p.35

²¹⁰ EcoRecycle Victoria, *Towards Zero Waste – A Materials Efficiency Strategy for Victoria, Draft for consultation*, March 2003, p.15

In 2002-03, only two councils (the East Gippsland and Bass Coast Shire councils) received direct funding through EcoRecycle for community engagement and education; the remaining grants were given to the RWMGs, but were then distributed to councils and community groups within each region.

Having recognised the important role of local government in the provision of education, the Committee considers it would be timely for EcoRecycle to reassess the level of funding provided to regions and councils and to consider whether it may be appropriate to provide more grants directly to councils.²¹¹

The Committee recommends that:

Recommendation 18 **EcoRecycle reassess the level of funding provided to Regional Waste Management Groups and councils and consider whether it may be appropriate to provide more grants directly to councils that are implementing approved regional plans.**

Contractor involvement in education

The Committee was advised that, in order to achieve goals and performance targets, it was essential for private sector organisations involved in the management of waste to provide a level of community education. For example, in relation to contamination of recyclables, the EPA advised the Committee that education of householders was 'not just the responsibility of the respective municipal council, but also in many cases the contractors that they engage to collect and process material'.²¹²

The EPA explained that:²¹³

Large companies involved with processing material have a very clear interest in making sure that the material they are getting in has a minimal level of contaminants in it, and a number of these companies do put

²¹¹ In making recommendation 18, the Committee reiterates the Auditor-General's original suggestion that councils take a greater role in the provision of education. Refer Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.13, suggestions for improvement made in paragraphs 6.41, 6.44 and 6.54. Additional direct grant funding would also alleviate council concerns in relation to financial constraints

²¹² Mr B Dawson, Director, Environmental Strategies, Air and Waste, Environment Protection Authority Victoria, transcript of evidence, 10 November 2003

²¹³ *ibid.*

significant effort into assisting local government in educating the community on this issue.

K&S Waste advised the Committee that they expected their role in providing community education to increase in the future:²¹⁴

We foresee that as a waste and recycling contractor our role in providing education will grow immensely and become part of our overall service solution. Greater public place education will be part and parcel of commitment to the waste industry.

The Committee recognises the commitment of waste management service providers to the development of the industry and is encouraged by these providers' recognition of education as a 'part and parcel' of that commitment. The Committee believes private sector organisations should be further encouraged to provide community education and recommends that:

Recommendation 19 Councils and other Government Agencies contracting with waste management providers consider including community education as a key result area of the contractual agreement.

Major events

Major events pose a significant challenge to effective waste management and the recycling rate at major events is much lower than that for residential areas. Part of the reason is confusion over bin types, an area in which improvements can be made. For example, improvements might include venue retailers agreeing to sell recyclable products, the placement of receptacles that are easily understood and easily accessible. At the Australian Open clear bins were trialled to see if this assisted in reducing contamination – if people can see a bin full of plastic bottles they are less likely to throw their half eaten lunch on top.²¹⁵ Such improvements require planning and sufficient lead time to implement.

The Committee was advised by the Office of Commonwealth Games Coordination that a comprehensive environment strategy which includes

²¹⁴ K&S Waste's response, received 13 January 2004, to the Committee's follow-up questions, p.8

²¹⁵ K&S Waste paper as presented at ISWA 2003 November 2003

efforts to minimise waste has been developed.²¹⁶ However the contract for providing waste education and services had not been finalised by the time this report was prepared.

Evidence received by the Committee from K&S Waste, who were involved in providing waste services to Melbourne based soccer fixtures for the Sydney 2000 Olympic Games and to the Australian Open for a number of years, suggests that to achieve the ambitious zero waste targets set for the Commonwealth Games, a long lead time would be required to enable the eventual contractor to maximise waste avoidance, minimisation and recycling opportunities.²¹⁷

Accordingly, the Committee recommends that:

Recommendation 20 **The Office of Commonwealth Games Co-ordination give urgent consideration to finalising the contract for waste management so the successful contractor can maximise opportunities for achieving a zero-waste games.**

The Committee also recommends that:

Recommendation 21 **The Department for Victorian Communities require all major sporting and community events being held in Victoria to consider waste management as part of their planning process.**

²¹⁶ Office of Commonwealth Games Coordination website, <http://www.dvc.vic.gov.au/ocgc/enviro/Environemnt_Home.htm> viewed 13 February 2004

²¹⁷ K&S Waste's response, received 13 January 2004, to the Committee's follow-up questions

Chapter 6: Delivery of waste management services in Victoria

Key findings of the Committee:

- 6.1 Ninety-seven per cent of householders are now provided with regular kerbside collections and 90 per cent of households in Victoria have access to green waste removal.
- 6.2 Occupational health and safety is a significant issue for councils and contractors. A review of EcoRecycle's guide to preferred service standards for kerbside recycling is providing an opportunity for occupational health and safety and other related economic, performance and financial issues to be discussed by interested parties.
- 6.3 EcoRecycle has undertaken a survey of local government since the 2000-01 which has established baseline costs and yields for local government waste management services, and against which performance will be evaluated over time.

6.1 Waste management services in Victoria

The following State Government agencies have responsibilities for implementing waste management policies and strategies: the Environment Protection Authority, EcoRecycle Victoria, and the Regional Waste Management Groups. However, the actual delivery of kerbside services to householders is primarily the responsibility of councils.

The following is a summary of council responsibilities in relation to solid waste:

- municipal solid waste

... to provide a kerbside recycling service for household garbage and recyclables (including green waste in increasing numbers of municipalities), and hard waste. These services (which include both the collection (transportation) and disposal either to landfill or to reprocessing) may be contracted out to private sector

organisations, although some councils own and operate their own fleet of garbage trucks and/or landfill operations;

- solid industrial waste

in some instances kerbside services are being offered, but generally limited provision of services to commercial organisations (following the reforms, the responsibility for these organisations has been transferred to EcoRecycle);

- litter and litter prevention

to provide street sweeps and street garbage bins

- provision of education and promoting awareness of waste issues; and
- provision and management of transfer stations and other facilities for the disposal of wastes.

Councils are responsible for providing waste services to household rate payers within their municipalities. Councils generally contract with private sector operators to collect, transport and process municipal waste, although there are some councils that maintain and manage their own fleet of garbage collection trucks, processing and landfill facilities. (Councils charge rate payers for these services as an additional cost to land rates.)

Waste generated by small to medium enterprises, conducting commercial and industrial activities within a municipality, is currently collected independently from council contracts. (for example, SMEs contract with private sector organisations to arrange collection and processing of their wastes), although there are some councils that provide kerbside services to businesses operating in close proximity to residential areas.

6.2 Auditor-General's audit and follow-up

Auditor-General's findings

The Auditor-General recognised that councils may legitimately adopt a different mix of services and practices depending on the demographics of the municipality, and the expectations and

attitudes of rate payers.²¹⁸ Bearing this in mind, the Auditor-General found that after reviewing the systems and practices used by councils to deliver services:

- there was scope to improve services in the area of green waste - more councils could introduce green waste services and the frequency of existing services could be increased;²¹⁹
- the type and size of container provided for garbage collection and recycling impacted on diversion, recovery and contamination rates - positive effects were noted where smaller bins were used or where householders wanting larger bins had to pay additional charges;²²⁰
- a number of kerbside collections were observed and found to be unsound from an occupational health and safety perspective;²²¹ and
- the costs of providing waste services were not always made transparent to rate payers by councils.²²²

The Auditor-General's report also made a number of findings in relation to contractual arrangements between councils and private sector providers of garbage collection, transport and processing services.²²³

Auditor-General's suggestions for improvement

The Auditor-General suggested improvements could be made through:

- conducting periodic surveys to identify any service gaps or additional service needs of rate payers;²²⁴
- introducing smaller garbage bins and appropriate recycling containers, where not yet adopted;²²⁵

²¹⁸ Victorian Auditor-General's Office, Auditor-General Report No.65 – *Reducing landfill: waste management by municipal councils*, May 2000, p.65, paragraph 6.1

²¹⁹ *ibid.*, pp.65-66, paragraphs 6.5-6.10

²²⁰ *ibid.*, pp.67-69

²²¹ *ibid.*, pp.70-74

²²² *ibid.*, pp.80-83

²²³ *ibid.*, part 7, pp.85-95

²²⁴ *ibid.*, p.81, paragraph 6.61

- ensuring adequate training on occupational health and safety is provided to all staff and the collection practices of contractors are appropriately monitored;²²⁶ and
- including details of all major council expenditure areas, such as waste management, in council annual reports.²²⁷

Audit follow-up

Limited follow-up comment on these matters were provided.

The Chief Executive of the Hume City Council said the council had just undertaken an internal review that would allow it to identify their community's needs and focus on appropriate mechanisms to provide effective and sustainable waste management services and infrastructure.²²⁸

No comments were made in relation to occupational health and safety.

Regarding waste management costs, the EPA suggested that the inconsistency of the economic incidence of waste management costs across different municipalities with different rating systems and rate bases was worthy of further consideration.²²⁹

6.3 Subsequent developments

The Auditor-General's follow-up review advised that some progress on the suggested improvements had been made through:²³⁰

- the Best Practice Kerbside Recycling program;
- the National Packaging Covenant; and
- the implementation of Best Value across the local government sector

²²⁵ *ibid.*, p.69, paragraph 6.18, 6.20

²²⁶ *ibid.*, p.74, paragraph 6.34

²²⁷ *ibid.*, p.82, paragraph 6.69

²²⁸ *ibid.*, response from Chief Executive Hume City Council

²²⁹ *ibid.*, p.83, response provided by the Environment Protection Authority Victoria

²³⁰ Victorian Auditor-General's Office, *Follow-up review of the Auditor-General's Performance Audit Report No. 65*, prepared for the Public Accounts and Estimates Committee, 28 June 2002, p.2

Best practice standards in kerbside collection

The Auditor-General advised that in 2001, \$8.1 million in funding from the National Packaging Covenant Kerbside Recycling Transitional Arrangements was committed to EcoRecycle Victoria's Best Practice Kerbside Recycling program to support local government in their implementation of sustainable and efficient kerbside recycling collection systems.²³¹

The Committee was advised by the EPA that the kerbside collection services were an important element in providing for the recycling of green and organic wastes:

*I think if we are going to have substantial reductions in waste being sent to landfill, we need to ensure that we have effective kerbside collection programs, particularly for things like green wastes and organic wastes.*²³²

Current statistics show that there has been an increase in the range of waste services being offered to rate payers throughout Victoria. Ninety-seven per cent of householders are now provided with regular kerbside collections and 90 per cent of households in Victoria have access to green waste removal.²³³

These statistics show considerable improvement since the Auditor-General's report.

There have also been a number of developments in the type of container used for waste collection and good options are available now. The Bio Bin is an example of innovation in this area.²³⁴

In February 2004 EcoRecycle released a second draft for public consultation of their updated 'Guide to preferred Standards for Kerbside Recycling in Victoria - 2004 and beyond'.

²³¹ *ibid.*, p.7

²³² Mr B Dawson, Director, Environmental Strategies, Air and Waste, Environment Protection Authority Victoria, transcript of evidence, 10 November 2003

²³³ EcoRecycle Victoria 2003 see website for detailed statistical information

²³⁴ As featured in Public Works Engineering Journal, *Moonee Valley trial improves green waste collection*, June/July 2002, pp36-37, and Waste Management and Environment, *Kerbside breakthrough*, April 2002

The purpose of the review of EcoRecycle's Guide to preferred service standards for kerbside recycling was to update the guide, taking account of changes and improvements in waste management practices, Worksafe Victoria's occupational health and safety legislation and the degree of differences between metropolitan and non-metropolitan kerbside services.²³⁵

National Packaging Covenant

The National Packaging Covenant provides a framework for recycling based on the principle of shared responsibility between industry and all spheres of Government to achieve national consistency in the life cycle management of packaging and paper and the implementation of sustainable and efficient kerbside recycling systems.

The Committee note that \$1.3 million has been provided in grant funding by EcoRecycle for implementation of the National Packaging Covenant.²³⁶ (refer Exhibit 5.1) The EPA advised the Committee that the NPC applies to the entire packaging chain and has over 600 signatories to address packaging on a lifecycle basis, with a focus on avoidance, reduction and recycling. It also includes a multi-million dollar (government/industry) funding program to support the sustainability of kerbside recycling systems.²³⁷

Best value

The *Local Government (Best Value Principles) Act 1999* introduced six principles that must be considered when supplying services to a municipality. Environmental sustainability is considered an important quality consideration under the best practice framework developed in response to the Act.

Local Government (Democratic Reform) Act 2003

Introduces triple bottom line concepts into legislation by stating (at section 3C) that *councils' primary objective is to endeavour to achieve the best outcomes for the local community having regard to the long term and cumulative effect of decisions. In seeking to achieve their primary objective councils must have regard to promoting the social, economic*

²³⁵ See preface to EcoRecycle Victoria's *Guide to preferred standards for kerbside recycling in Victoria – 2004 and beyond, second draft for public consultation*, February 2004

²³⁶ EcoRecycle Victoria, *2002-03 Annual Report*, pp.34-36

²³⁷ Environment Protection Authority Victoria's response, received 22 December 2003, to the Committee's follow-up questions, p.3

and environmental viability and sustainability of the municipal district.²³⁸

Survey instruments

Survey instruments are used regularly but (as discussed in Chapter 3) there is an issue in relation to delays in the analysis of data collected through survey instruments.

EcoRecycle's first survey of local government was undertaken for the 2000-01 financial year. The 2000-01 survey established a baseline of the costs and yields of local government waste management services, to enable the performance of these services to be evaluated over time. The introduction and regular undertaking of this survey addresses the Auditor-General's suggestion that periodic surveys be conducted.

Findings from this survey could be compared to information gained through the Annual Community Satisfaction Survey currently undertaken by the Department for Victorian Communities.²³⁹

The 2001-02 survey provides a measure of Victoria's progress in delivering greater efficiency and sustainability in the provision of waste management services to the Victorian community.

Both surveys cover a range of waste management services including garbage, recyclables, green organics, litter, street sweeping and hard waste collection services. Additional data was

²³⁸ *Local Government Act 1989* Section 3C (as inserted by the *Local Government (Democratic Reform) Act*, No 109/2003 s.5

²³⁹ Annual Community Satisfaction Survey, undertaken by the Department for Victorian Communities in 2003. The survey results include a section on waste management. Findings from the 2003 Survey (Results published September 2003) show that of the 5104 respondents who made an improvement suggestion regarding waste management, there were two main issues to emerge. While the first was also a priority issue in 2002, the second has increased in importance:

- (1) lower fees for tips etc. (15% of all 5104 respondents rated this as an issue needing improvement -with the percentage rate higher in the respondents representing large rural cities and regional centres (21%) and large rural shires (22%));
- (2) frequent hard waste collection (14% of all 5104 respondents rated this as an issue needing improvement -with the percentage rate higher in the respondents representing Inner Melbourne Metropolitan Councils (18%), outer Melbourne metropolitan councils (28%) and older citizens aged 65 years plus (19%).

The results highlight the different needs of people living in rural areas (lower tip fees) compared with those living in metropolitan areas (more frequent hard waste collections).

gathered in 2001-02 from transfer stations and landfills operated by local government.²⁴⁰

Data for 2002-03 has been collected and is currently undergoing analysis.

With three years data trend lines can start to be established, but it is too early to make definitive statements about municipal waste management trends yet. (Nevertheless, the Auditor-General's follow-up review advised that the general trend from 1998 in community perception was positive with a 4 per cent shift from community perception that services needed improvement in 1998, to being adequate to good in 2001.)

6.4 Issues of concern

Occupational health and safety

The Committee was concerned that occupational health and safety had become a significant issue for the waste management sector due to the incidence of injury and deaths of workers in the industry.²⁴¹

The Victorian coroner has recommended safety improvements be made to rubbish collection trucks and contractors stop the practice of having workers ride on the outside of vehicles.²⁴² The Committee was advised by the Municipal Association of Victoria that available evidence was not able to clearly indicate, from an occupational health and safety perspective, that there was a preferred collection or bin system and different systems were required in different areas.²⁴³

The Committee was advised that the current situation is councils are required to perform a risk assessment of their waste service and from that, implement strategies to ameliorate unacceptable risks. The MAV advised the Committee they worked with councils to ensure they understood their responsibilities in relation to worker and community health and safety issues.

²⁴⁰ N Chrisant, EcoRecycle Victoria, IW082, Paper presented at the ISWA conference November 2003

²⁴¹ Herald Sun, *Coroner's plea on garbo trucks*, 22 November 2003. There have been eight deaths of workers and pedestrians since 1997

²⁴² *ibid.*

²⁴³ Municipal Association of Victoria, transcript of evidence, 10 November 2003

The Committee was also advised by MAV that even though research shows that there may be environmental and possibly occupational health and safety benefits in moving to new bin systems, the costs of changing from the current service systems may be prohibitive for some councils.

Occupational health and safety issues are currently under discussion as part of EcoRecycle's review of their guide to Best Practice Kerbside Recycling. The following is an extract from the second draft dated February 2004:

Kerbside collection methods and systems used by Councils and contractors for kerbside recyclables must comply with the requirements of the OH&S Act 1985 and associated regulations, and be informed by relevant guidelines including the recommendations of the WorkSafe Victoria (2003) Occupational Health and Safety Guidelines for the Collection, Transport, and Unloading of Non-Hazardous Waste and Recyclable Materials.

These guidelines were designed to assist the industry to improve occupational health and safety performance in general, and to prevent injuries and fatalities, by implementing, wherever practicable:

- *a 'no-lift' approach to the handling of containers, bundles/packages;*
- *a 'no-riding on the outside of vehicles' approach;*
- *a 'no-work at heights' approach (except in workshops or by fully-equipped service crews, where practicable); and*
- *compliance with occupational health and safety legislative requirements.*

These guidelines state that where there are difficulties adopting these approaches, an employer needs to:

- *prepare and implement a Risk Control Plan and be able to demonstrate alternative methods of controlling risks as far as is practicable, and*
- *prepare and implement an action plan to achieve these approaches over time and be able to demonstrate the steps or stages and changes being undertaken, according to the documented schedule, towards full implementation.*

Practicable means having regard to the:

- *the severity of the hazard or risk in question;*
- *the state of knowledge about the hazard or risk and any ways of removing or mitigating that hazard or risk;*
- *the availability and sustainability of ways to remove or mitigate the hazard or risk; and*
- *the cost of removing or mitigating that hazard or risk.*

Employers need to take into account all practicability factors, not only cost, when evaluating new or upgraded kerbside recycling systems.

The Committee supports vigorous debate on these issues and suggests the current review is an appropriate forum for this debate.

Financial and contract risks in service provision

The timeliness of councils' ability to respond to the Auditor-Generals' recommendations relating to services is limited by their current contractual arrangements. Most councils enter into contracts for waste services that run for up to 10 years.

At the time of the Auditor-General providing his follow-up report to the Committee, he advised that the timetable of councils' reviews of particular services (including waste management services) would see 99 per cent of all service reviews completed by December 2005.²⁴⁴ For this reason, a number of contractual arrangement issues raised by the Auditor-General have not been pursued in this report as the Committee felt it would be more appropriate to address these matters after all councils have reviewed their arrangements under best value principles and in line with the democratic reforms introduced by the *Local Government Act* in December 2003.

²⁴⁴ Victorian Auditor-General's Office, *Follow-up review of the Auditor-General's Performance Audit Report No. 65*, prepared for the Public Accounts and Estimates Committee, 28 June 2002, p.9

Report adopted by the Public Accounts and Estimates Committee at its meeting held on 29 March 2004 in the Legislative Council Committee Room at Parliament House, Melbourne.

Appendix 1:

Acronyms and abbreviations

Some of the following terms do not appear in this report but are commonly used in the discussion of waste management.

C&D	Construction and demolition (solid waste). This waste includes waste from residential, civil and commercial construction and demolition activities, such as fill material (for example, soil), asphalt, bricks and timber. It excludes construction waste from owner - occupier renovations, which are included in the municipal waste stream. Unless otherwise noted, construction and demolition waste does not include waste from the commercial and industrial waste stream.
C&I	Commercial and industrial (solid waste) . This waste comprises solid waste generated by the business sector as well as solid wastes created by state and federal government entities, schools and tertiary institutions. Unless otherwise noted, commercial and industrial waste does not include waste from the construction and demolition sector.
EfW	Energy from Waste (also known as 'waste to energy'). EfW proposals seek to recover energy from waste through a variety of technologies including: anaerobic technology (organic wastes produce methane gas suitable as a fuel for energy generation, and sludge suitable for use in compost products); Landfill (waste decomposition produces methane and carbon dioxide suitable as a fuel for energy generation); and Thermal technology (high temperatures applied to waste generates electricity through production of heat and steam, liquid fuel (pyrolysis oil) or fuel gas (syngas)).
MGB	Mobile garbage bin (that is, the standard wheelie bin – usually 240 litre, but also comes in 140 litre, 120 litre and 80 litre)
MSW	Municipal solid waste. The solid waste generated from domestic premises (garbage and hard waste) and council activities such as street sweeping, litter and street tree lopping. It includes waste dropped at transfer stations and construction waste from owner/occupier renovations.

Appendix 1: Acronyms and abbreviations

NEPC	National Environment Protection Council. This Ministerial Council has representatives from all states and territories and the Australian Government. It has the same representation as Environment Protection and Heritage Council, and is based in Adelaide. It receives 50% of its funding from the Commonwealth Government and meets between 2 to 8 times each year to determine those environmental issues that are of national importance.
NEPM	National environment protection measure. NEPMs are developed by the NEPC, they must then be enacted in each State, for example the National Packaging Covenant for Used Packaging Materials is a NEPM which in Victoria is given effect through the State environment protection policy for Used Packaging Materials.
NPC	National Packaging Covenant. This is the voluntary component of a co-regulatory system. It was established by representatives of the Australian, State and Territory Governments, together with representatives of local government, companies and industry associations from across the packaging supply chain. The co-regulatory system was agreed in August 1999 with a five-year timeline. The voluntary component aims to promote product stewardship by its packaging industry signatories, through the application of the concept of 'shared responsibility' - that is, a sharing of responsibility among all signatories for avoiding and reducing waste and promoting recycling.
RWMG	Regional Waste Management Group. Currently there are 16 RWMGs in Victoria each covering one or more municipalities). These statutory authorities (State-level entities) are established under the <i>Environment Protection Act 1970</i> and are responsible for planning for municipal solid waste. They are directly accountable to the Minister for Environment.
SEPP	State Environment Protection Policy. This is a regulatory instrument that the Victorian Governor in Council signs off under the <i>Environment Protection Act 1970</i> . These policies identify beneficial uses of the environment that are to be protected, establish environmental indicators and objectives and define attainment programs to implement the policies. They are usually introduced to give effect to a NEPM, for example the SEPP for Used Packaging materials.

WMP Waste Management Policy. This is a regulatory instrument that the Victorian Governor in Council signs off under the *Environment Protection Act 1970*. These policies provide the basis for the management of waste and can cover generation, use, transport, storage, treatment, handling, recovery, recycling, reuse and disposal of waste)

Appendix 2: Principal legislation affecting waste

The Australian Government's main role in waste management is to establish and promote cohesive national waste reduction arrangements. Legislative and policy arrangements for waste management are primarily the responsibility of the State and Territory Governments. Local governments have a regulatory role, as well as operating waste facilities and implementing local programs.

International agreements

The **United Nations Environment Protection's Basel Convention** deals with hazardous waste. The convention was originally designed to address the uncontrolled movement and dumping of hazardous wastes, including incidents of illegal dumping in developing nations by companies from developed countries.

Hazardous waste is a problem when it is dumped indiscriminately, spilled accidentally or managed improperly, because it can cause severe health problems (even death) and poison water and land for decades.

Generally hazardous waste is regulated more tightly than non hazardous waste; given the immediate risk that hazardous waste poses to the environment and health. In Victoria the EPA regulates and manages hazardous waste.

Internationally there is minimum regulatory activity related to non hazardous solid and municipal waste.

Federal regulations

Federal regulations are limited by the fact that the Constitution, s.51 does not list the environment. This means that the States have primary responsibility for environmental issues.

Nevertheless the Australian Government has an important role in international agreements relating to the environment and it is responsible for regulating the import and export of hazardous waste (under the Basel Convention), developing voluntary programs and product stewardship frameworks such as the National Packaging Covenant,²⁴⁵ and developing environmental impact assessments (which were introduced by the Environment Protection and Biodiversity Conservation Act 1999).

²⁴⁵ The aim of the covenant is to provide more effective management of used packaging based on the principles of shared responsibility and product stewardship

National agreements

The Australian Government coordinates national approaches to problematic wastes by facilitating national agreements (which involve State, Territory and the Australian Governments) and providing support to Ministerial Councils. The **National Environment Protection Council** (NEPC) and the Environment Protection and Heritage Council are both represented by the same members²⁴⁶ – comprising a Minister from each State and Territory and the federal Minister. The NEPC is a statutory body with law making powers established under the National Environment Protection Council Act 1994 (Cwlth) and corresponding legislation in the other jurisdictions. The **Intergovernmental Agreement on the Environment** is the key document defining the roles of different jurisdictions in relation to the environment.

The NEPC develops regulatory instruments that are called **National Environment Protection Measures** (NEPMs). These measures set national environmental standards. Key NEPMs relating to the management of waste are the Used Packaging Materials NEPM and the Movement of Controlled (Hazardous) Waste NEPM.

NEPMs must be implemented in each State under local law, which can be an Act, Regulation or Statutory Policy. In Victoria NEPMs are given effect through State Environment Protection Policies (SEPPs). The SEPP for Used Packaging Materials, for example, relates directly to the Used Packaging Materials NEPM.

Non hazardous solid and municipal waste receive little regulatory attention at a national level.

Victorian solid waste legislation

The *Environment Protection Act 1970* (the Act) introduced a systematic, integrated outcomes based approach to dealing with the whole of the environment. The Act sets out a basic philosophy of preventing pollution and environmental damage by setting environment quality objectives and establishing programs to meet them. The key aim of the Act is to achieve sustainable use and holistic management of the environment, ensuring consultative processes are adopted so community input becomes a driver of environment protection goals and programs, and a cooperative approach to environment protection is realised.

The Act empowers the EPA to undertake a wide range of activities including the development of new policy and legislation and the enforcement of existing measures, for example the EPA is responsible for assessing and issuing landfill licences under the Act.

²⁴⁶ The 2001 Council of Australian Governments meeting proposed that the EPHC should join with the NEPC and that their meetings should be held together

Part IX of the *Environment Protection Act* contains the provisions for establishment of regional waste management groups²⁴⁷ and EcoRecycle Victoria. The regulatory framework for waste management principally comprises part IX, other general provisions of the Act, statutory policies, and the works approval and licensing system.

In 2001 a number of principles of environment protection were added. These are based on internationally recognised and shared values and underpin the way in which the State approaches the management of waste.

The *Environment Protection (Resource Efficiency) Act 2002* sets out the powers, duties and functions of the EPA and clarifies the roles and responsibilities of EcoRecycle and the RWMGs (of which there are currently 16).

Non-hazardous solid wastes (putrescible and solid inert) may be recovered for reuse or recycling, and otherwise are disposed to landfills. Landfills serving populations of over 500 require works approval by the EPA, those servicing populations of over 5000 require both works approval and licensing. Licensed landfills are required to provide a financial assurance that the costs associated with accidents, rehabilitation and aftercare are met.

Part IX of the Act provides for EPA to enter into sustainability covenants with industry, establishes EcoRecycle and the RWMGs, and imposes a levy on all waste deposited to licensed landfills in Victoria (see below). Other parts of the Act specify the EPA's general roles and responsibilities, and the introduction to the Act establishes the principle of the waste hierarchy -- this principle is fundamental to all waste management planning.

Subordinate legislation under the *Environment Protection Act* is approved by the Governor in Council and includes:

- State Environment Protection Policies (SEPPs) - such as the Used Packaging Materials SEPP²⁴⁸ and the Siting and Management of Landfills Receiving Municipal Wastes SEPP²⁴⁹;
- Waste Management Policies (WMPs) - currently all WMPs relate to prescribed (hazardous) wastes; and
- Regulations - such as the Environment Protection (Distribution of Landfill Levy) Regulations 2002.

²⁴⁷ The statutory provisions relating to the establishment and maintenance of Waste Management Regions as in Sections 50E to 50RE of the *Environment Protection Act*

²⁴⁸ The Used Packaging Materials SEPP is designed to reduce environmental degradation arising from the disposal of used packaging and conserve raw materials. It encourages the re-use and recycling of used packaging materials by supporting and complementing the voluntary strategies in the National Packaging Covenant

²⁴⁹ Currently under review

The key statutory policy for non-prescribed waste is the Policy for Landfills, which sets out requirements for **siting, design, operation and rehabilitation of landfills** in Victoria. This policy was originally established in 1991 and has recently been reviewed. A new draft policy and policy impact assessment was released in November 2003. EPA implements applicable statutory requirements at specific sites through the works approval and licensing system, ensuring landfills and other waste management facilities are established and operated in a way that protects environmental values.

The **Environment Protection (Distribution of Landfill Levy) Regulation 2002** sets out how the Landfill Levy (collected under s.70 of the *Environment Protection Act*) will be distributed amongst the three key waste management organisations: the EPA, EcoRecycle Victoria and the RWMGs. The landfill levy must be returned in full to the waste management sector as required in legislation (i.e. it is a fully hypothecated fund).

Funds are distributed to EPA, EcoRecycle, and RWMGs, and the Sustainability Fund. The EPA uses the funds for enforcement activity, and EcoRecycle uses the funds to provide grants for infrastructure, education and market innovation. RWMGs are funded to cover their administrative costs. Additional funding for specific projects or programs is available through the sustainability fund. Allocation of grants from the sustainability fund will be subject to the criteria and approval of the Treasurer and Minister for Environment.

The distribution proportions are set out in the regulations. RWMGs are guaranteed a fixed indexed amount each year. The balance of funds is then allocated on a percentage basis to the other three recipients.

Through the *Local Government Act 1989*, councils are responsible for provision of waste services. It also includes requirements for municipal strategic statements and municipal corporate plans to provide a strategic framework for local government activities in relation to waste management. The *Local Government (Best Value Principles) Act 1999* establishes the 'Best Value' approach enabling councils to determine the most effective means of providing a service to the community. The *Local Government (Democratic Reform) Act 2003* introduced triple bottom line concepts into legislation.

The *Planning and Environment Act 1987* is the principle legislative vehicle for determining land use on a strategic basis, including land used for waste management purposes. An important regulatory control is the requirement for landfill operators to obtain works approval and/or licensing for landfill sites under these planning laws. Planning laws are administered by the Department of Sustainability and Environment but the EPA issue works approvals under the **Environment Protection (Scheduled Premises and Exemptions) Regulations 1996**.

The *Financial Management Act 1994* is also relevant as it sets out the requirements for financial management by public agencies.

Administrative roles

The Environment Protection Authority Victoria (EPA) is responsible for providing a policy framework and regulating all activities relating to resource efficiency and the discharge of wastes into the environment. To this end, EPA develops statutory policies, administers licences, works approvals and permits, develops statutory agreements with industry (such as sustainability covenants) and enforces requirements under the Act. EPA reviews and approves the waste management plans for industrial and municipal waste developed by EcoRecycle and RWMGs.

EPA also uses a range of non-regulatory tools to facilitate effective waste management. EPA contributes to developing national approaches to waste issues by working cooperatively with other jurisdictions, including through the national Environment Protection and Heritage Council and the National Environment Protection Council. EPA is responsible for administering the new Environment Protection (Distribution of Landfill Levy) Regulations 2002 which allocate monies for waste management to EPA, EcoRecycle, and the RWMGs.

The Act was amended in 2002, introducing new statutory tools through which EPA can improve waste management and encourage more efficient use of resources. EPA can now work with companies, industry associations and other organisations to develop voluntary Sustainability Covenants, giving statutory backing to industry leaders. EPA's policy-making powers were also broadened, so that the Authority can now recommend statutory waste management policies to Governor in Council. This ensures a comprehensive framework of statutory policy can be maintained and strengthened, from which EcoRecycle's solid industrial waste management planning and RWMGs' municipal waste management planning will flow.

EcoRecycle develops State-wide strategies for solid industrial and municipal waste to help implement the overarching policy framework. EcoRecycle is the major recipient of the landfill levy. The majority of these funds are disbursed to local government to facilitate the adoption of waste reduction, waste re-use and resource recovery, as well as best practice in waste management through the provision of grants, information and advice. EcoRecycle undertakes research, creates State-wide strategies and programs, and sets priorities for funding State-wide programs including infrastructure development, market development and education.

The **regional waste management groups (RWMGs)** work in partnership with their member councils to develop regional plans for municipal waste, giving effect to the State-wide policies, strategies and programs at a local level. RWMGs co-ordinate waste management programs within the region,

Appendix 2: Principal legislation affecting waste

including the use of EcoRecycle grants, and provide advice on waste management issues to stakeholders.

Local government plans for and delivers waste management services in their municipalities in a manner consistent with the overarching State-wide and regional framework.

Appendix 3: Examples of market based instruments

Market Based Instrument	Description / Comments
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Charges and Taxes

Landfill Levies	Tool to reduce waste disposal to landfill. More effective if hypothecate revenue to waste sector.
Emission Fees	Fees on discharges to air and water. Linked to volumes emitted; could be used for landfills and waste to energy plants.
Performance Bonds	To manage post-closure impacts at waste facilities, as used for mines rehabilitation.
User Charges	Standard (flat rate) financing mechanism for kerbside collections. More incentives can be introduced via variable charging (“pay as you throw”).
Product Taxes	Applied to individual products to divert toward eco-friendly products. Not used widely in Australia.
Advance Disposal Fees	Usually aims to raise revenue for waste management on selected products. Can be applied at point of sale or in product and process design. Can be performance-based.

Subsidies / Tax Concessions

Eg: State agency support, NPC	Financial incentives to undertake beneficial activities that may not otherwise occur. Can be linked to waste diversion and allocated by competitive tender to ensure incentives.
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Financial Enforcement Incentives

Enforcement Regime	Penalties for non-compliance with environmental performance. Market instrument if progressively linked to damage.
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Deposit Refund Scheme

Eg: SA container deposit	Price Instrument designed to encourage product recycling/reuse.
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Tradeable Schemes for Landfill Disposal

Tradeable Landfill Quota	Quota system applied at point of disposal, targeting disposal levels. Tradeable system recently introduced in UK.
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Appendix 3: Examples of market based instruments

Market Based Instrument	Description / Comments
Tradeable Landfill Diversion Certificates	Targets the rate of diversion rather than absolute disposal levels. Applicable to all waste streams. New concept, not yet implemented.
Tradeable Recycling Certificates	Narrower version of Landfill Diversion Certificates applicable to specific / high-volume waste streams

Upstream MBIs

Virgin Material Taxes	Applied to increase incentives to replace virgin materials eg: Carbon Taxes.
Tradeable Quotas and Emission Trading Schemes	Such as carbon trading schemes, which will have significant downstream impacts.

Other Instruments

Extended Producer responsibility (EPR)	Agreements by producers to improve environmental performance of their products through the product life cycle
Pollution Inventories	Can rely on regulation or suasion [advice] to change behaviour, using inventory as performance indicator.
Sustainability Certificates	New instrument being investigated internationally to reward sustainability performance of sector (eg: forestry; waste). Could include trading rights.

Source: Reproduced from: L Philpott and B Nicholls, *Tipping the Balance*, Waste Management and Environment, Vol 14, No. 11, December 2003, p.21

Appendix 4: Waste management initiatives in Government

Government based Eco-Buy™

ECO-Buy™ is Victoria's local government green purchasing program. The program works with Victorian Councils to increase their purchasing of recycled, greenhouse friendly and environmentally preferred products.

ECO-Buy™ aims to:

- Use the combined purchasing power of local government to stimulate demand for greenhouse friendly and recycled products.
- Create a partnership of local governments committed to green purchasing.
- Increase awareness in local government about the range and quality of recycled and greenhouse friendly products.
- Support sustainable long-term markets for recyclable materials collected from kerbside.
- Encourage the sustainable use of resources.
- Reduce local government's greenhouse gas emissions.
- Stimulate local government's participation in greenhouse abatement activities.

The long term success of recycling depends on developing markets for recyclable materials. Unless governments, businesses, and individuals make a concerted effort to buy recycled products, materials collected for recycling will not be used to their optimum potential.

Materials collected from kerbside are not truly recycled until they are manufactured into new products and sold. This process is called 'closing the loop'. Local government is in a prime position to close the loop by preferring to buy recycled products which can be used in offices, road construction, parks and gardens, and waste management services.²⁵⁰

²⁵⁰ Information about EcoBuy™ can be viewed at <<http://www.mav.asn.au/buyrecycled/>>, viewed 5 March 2004

Environmental Management Systems

As one of the largest employers in Victoria, the offices of the State Government are one of the largest producers of waste. To reduce its impact on the environment, the State Government is committed to changing the way it does business. In September 2002 the Minister for Finance announced that the Cabinet had endorsed an Environmental Reporting Framework for all Victorian Government Departments. The framework requires Departments to commence reporting, in their 2003-04 annual reports, their performance in relation to energy use, waste production, paper use, water consumption, transportation and how purchasing activities are environmentally responsible.²⁵¹ Adoption of the framework will necessitate implementation of an environmental management system (EMS) by June 2003 to monitor office-based environmental impacts.

A number of agencies indicated at the time that they would voluntarily adopt the framework and commence reporting on these matters in their 2002-03 annual reports. These agencies included the Department of Treasury and Finance, the Environment Protection Authority, Sustainable Energy Authority and EcoRecycle. All Departments were required to report to the Department of Treasury and Finance in November 2003 on baseline data, proposed targets and performance information collected to date, further reports were required in February and August 2004.

The Environment Protection Authority Victoria and the Department for Sustainability and Environment are responsible for co-ordinating the EMS framework. EcoRecycle Victoria has developed the Waste Wise Office Toolkit to help Departments implement the waste and paper components of the EMS.

Agencies are also required to include a statement on their environmentally responsible purchasing activities in support of the Government's Environmental Purchasing Policy.²⁵²

²⁵¹ Minister for Finance, correspondence to the Committee, 25 August 2003

²⁵² The Government's Environmental Purchasing Policy can be viewed at <<http://www.vgpb.vic.gov.au>> see environmental purchasing, viewed 5 March 2004

Appendix 5: List of persons and departments providing evidence and submissions

Monday 10 November 2003

Mr B Dawson, Director, Environmental Strategies, Air and Waste,
Environment Protection Authority Victoria

Mr K Hince, Secretary, Association of Victorian Regional Waste Management
Groups

Mr P Lyon, Environmental Policy Officer, Municipal Association of Victoria

Ms J Pickles, Manager, Strategy and Performance, EcoRecycle Victoria

Mr R Spence, Chief Executive Officer, Municipal Association of Victoria

Mr M Tonta, Acting Director, Corporate Governance, Environment Protection
Authority Victoria

Monday 15 December 2003

Mr P Beath, Melbourne Municipal Branch Manager, Cleanaway

Mr D Privitera, Business Development Manager, Cleanaway

Ms G Swallow, Key Client and Project Coordinator, K&S Waste

Other submissions

Dr J White, Managing Director, Global Renewables Limited