

Submission D: Costs

It is not the Boomerang Alliance's intent to provide detailed feedback regarding the costs associated with the Enhanced Covenant option, as we recognise this issue is better addressed by key stakeholders providing actual services such as local government, the waste management industry, and recycling industries. However, we feel that it is important that we make statements of support regarding the well established position of many of these stakeholders, namely questioning the flawed assumptions that Nolan-ITU makes both within this RIS and in a number of other positions and evaluations previously published.

Firstly, we feel obliged to highlight that Nolan-ITU continue to use a set of key assumptions regarding the costs for providing recycling services. Effectively, Nolan-ITU takes on its own personal dogma in which the increased materials collected from extended services, combined with landfill abatement costs, will offset any additional costs of service provision. There is no identified consideration for the long established alternative view held by the majority of waste and recycling service providers in Australia. Nearly every recycling provider and local government organisation has rejected this presumption for a number of years, and it in no way reflects the prevailing view.

Further, any historical analysis shows that this position is incorrect. More materials are being collected through kerbside, but overall costs to ratepayers continue to escalate. This is largely due to manufacturers' practice of lightweighting materials, combined with MRF operators (who are also often large packaging manufacturers) placing limitations on the level of compaction for the materials they will purchase. This results in vehicles and bins becoming filled before payload is maximised, and in turn reduces the collectors' incomes. Similarly, the markets where the price per tonne for end-use products remains high compared to collection costs (e.g. paper and aluminium) have recycling rates of over 60%, while recycling rates for products with poor financial returns (e.g. plastics and glass) remain low (under 35%).

If Nolan ITU's assumptions about increased tonnages leading to lower costs were in any way accurate, quite simply market forces would have driven increased recycling rates years ago.

Increased use of composite materials and use of differing materials in a single package increases the overall level of contamination and undermines the incomes received from the sale of recyclate.

The Boomerang Alliance's research indicates that the proposed enhanced Covenant (with targets) model represents a substantial cost blow out to local government and ratepayers – additional to the existing \$290 million cost outlined in the NSW LGSA submission on this RIS. If local councils were to continue to accept this cost, it would effectively represent a failure of local government to adequately protect the interests of ratepayers.

Particular failures to identify costs associated with the Enhanced NPC approach include:

1. A failure to identify existing costs (e.g. \$294 million to operate kerbside recycling) that have no formal underpinning, and the potential risks of this unless EPR is undertaken.
2. The \$3 million per annum minimum contribution by industry to fund the NPC.
3. The \$3 million per annum in matching contributions to the above by jurisdictions.
4. Government administration and NEPM enforcement costs are understated by at least \$7 million per annum (assuming that jurisdictions are intent on enforcing the NEPM).

5. The NPCIA identified need to extend the NEPM to small business and increased participation of importers as a key activity to reach overarching targets. This will require additional resources to support engagement.
6. Extensions to the kerbside recycling system and establishment of Public Place Recycling initiatives will require a significant investment in advertising and public education, with past history indicating this could cost as much as \$10 million to undertake.
7. The need to direct targets towards the poor performing areas will see additional kerbside bin and vehicular capacities stretched and increased, while effective payloads will only marginally improve. Should this blow out operating costs by just 10%, local government organisations face increased operating costs of some \$30 million per annum.
8. Public place recycling programs, even at the limited magnitude of 15-20,000 tonnes per annum outlined in the RIS, will require some 20-30,000 recycling stations to be serviced at least twice per week. This will represent a cost of some \$30-40 million per annum.
9. There is no financial stimulus or regulatory intervention identified to encourage the hospitality industry, office buildings and retail food court sectors to start universal recycling. Many of those premises which find it viable to recycle already do so, yet somehow Nolan-ITU has assumed that this market will now participate within an NPC framework. This begs the question: If it is going to be so easy, why aren't these sectors already recycling? Costs to these sectors to provide services will represent a basic downstream payment for collection of at least \$20 million per annum.

Other significant areas of cost which have been poorly identified include:

- Capital costs to implement new infrastructure such as additional bins and trucks for collection.
- Capital costs to introduce new recycling processing plants and MRFs as identified by industry and jurisdictions in developing targets.
- Contingencies for failed initiatives, given that the voluntary approach cannot provide any certainty for new initiatives or indeed even guarantee that key stakeholders will participate in these new programs.
- Increased costs to reduce the level of litter (a key policy objective of the NPC as outlined within the RIS).
- The Enhanced Covenant model continues to fail to introduce any feedback loop between production of packaging and end of life packaging. This means that the success or failure of the NPC remains subject to market prices for recyclate. The RIS fails to identify impacts if the price for recyclate drops, and given recent collapses of glass cullet prices in New Zealand and easing oil prices (which reduce the cost of new plastics) there is reasonable evidence to suggest this scenario is likely. A reduction of just 10% in the prices for PET and glass alone will increase costs of recycling by some \$10-15 million per annum.

To this end, the Boomerang Alliance formally offers its support for the NPC RIS submissions of various local government associations outlining potential costs to local government. We contend that the existing investment of at least \$300 million per annum by local government to provide recycling services, along with substantial costs for waste management and litter abatement of packaging related material, is enough. Local government organisations will extend kerbside collections where there is an existing viable capacity to do so, but the ongoing attempts by the NPC to coerce local government to operate loss making services without financial recourse from producers extends an externality of society that is already out of control.