



6 February 2015

Stewardship Regulator Section
Department of the Environment
GPO Box 787
CANBERRA ACT 2601

By email: ewaste@environment.nsw.gov.au

Dear Minister Hunt,

Re: National Television and Computer Recycling Scheme: Operational Review

Introduction

The Southern Sydney Regional Organisation of Councils (SSROC) is an association of sixteen municipal and city councils. SSROC provides a forum for the exchange of ideas between our member councils, and an interface between governments, other councils and key bodies on issues of common interest. Together, our member Councils cover issues related to a population of over 1.6 million, or one third of the population of Sydney.

SSROC strongly supports the principles of extended producer responsibility in general, and the principles of the NTCRS.

Response

Officers from SSROC have discussed the Operational Review with representatives of Local Government NSW (LGNSW), and understand that we are in full agreement in our responses. To assist the Commonwealth Government with the review, SSROC councils have provided specific examples to the LGNSW.

Waste management is a key responsibility for councils and they are a major provider of this essential service to the community. The National Television and Computer Recycling Scheme has significant impact on councils in southern Sydney and across NSW.

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Systemic issues

SSROC member councils' experiences of the Scheme have generally been rather unfavourable. Some issues that have arisen related to the Scheme overall are:

- **Budgets** – Councils budgets and annual fees and charges are set for each year well in advance, so it is very difficult to accommodate uncertainty in the delivery of contracted services. The on-off nature of the Scheme is difficult for councils to accommodate, and recycling costs outside the Scheme have resulted in many councils reverting to landfilling e-waste outside of the Scheme. *"For councils to do the right thing, to collect it and transport it and get it processed, we're looking at something in the order of \$1,000 a tonne," ... or councils can just throw the material into the back of a compactor and send it to landfill for \$200 a tonne."*
- **Community education** – Councils have invested in extensive education campaigns promoting e-waste recycling and informing residents how to "Recycle Right". Sudden termination of contracts leaving councils without a service seriously undermines these investments.
- **Community expectation** – The introduction of the Scheme has created the expectation that recycling (not landfilling) **all e-waste is now free** *"One of the problems for local government is, once it's introduced a service, it's very hard to get rid of that service"*.
- **Reputational risk** – Local Government is perceived by the community as the provider of waste and recycling services: councils are therefore blamed for the non-provision of services, and their reputations may be negatively affected.

Some specific examples from some of the SSROC member councils are:

- *"Councils do not have contingency arrangements in place for dealing with materials should the scheme fail, as this would add further expense to waste management costs";*
- *"Council had been operating the scheme for recycling televisions and computers (and associated items that would come under the Scheme) for approximately 12-18 months prior to the Scheme with a council resolution to support a social enterprise";*
- *"The co-regulatory Arrangements have been difficult to engage with, and hesitant to work with Council's preferred social enterprise";*
- *"The Arrangement pulled out after 12 months, at short notice";*
- *"Reluctance of Arrangements to work with social enterprises";*
- *"Not having the \$70,000 and \$100,000 a year standing by in the budget to responsibly dispose of the e-waste if, or when, an Arrangement pulls out";*
- *"It is too simplistic to suggest that when a council loses funding or its arrangement, it should follow suit and halt its e-waste collection service"*
- *"As a result of taking part in the scheme, e-waste was removed from the list of materials that could be collected from residents through the quarterly/six monthly clean up. Instead residents were to take e-waste to the special collections. This has been well supported. They are now concerned about 'what if' as there are no contingency arrangements"*

- *“Difficulty in getting quotes from co-regulatory Arrangements – regardless of whether they had met their targets, along with circular Arrangements to-ing and fro-ing between the Arrangement and their processors to try and get quotes. Once council found it cheaper, and was able to get a better more inclusive service from a provider outside the scheme.”*

Considerable upheaval has resulted from the Scheme for Councils, particularly from the halting of co-regulatory arrangements under the Scheme (Arrangements). Some councils are reluctant to participate in the Scheme in the future, and some have even chosen to disengage and re-establish their own e-waste services.

SSROC would highlight that the issues identified in this submission are serious for councils. Yet councils are generally keen to ensure the establishment of effective Extended Producer Responsibility (EPR) schemes, and to achieve practicable mechanisms for safe and cost-effective recycling. They are therefore willing participants, but the Scheme needs to be robust and cost-effective for councils as well as for liable parties.

Operational Review Recommendations

Recommendation 1:

Co-regulatory arrangements strengthen awareness and increase understanding of the scheme’s design through targeted communication activities.

SSROC strongly supports the strengthening of communications about the Scheme, but we emphasise that, if demand cannot be met under the Scheme, these communications may be ineffectual or even counter-productive. Councils invested heavily in e-waste recycling education, only to find those messages quickly undermined as Scheme targets were met and Scheme services suddenly stopped.

Furthermore, people generally do not know about the Scheme itself. Although the Regulation requires Arrangements to communicate information to the public, this is mostly done by merely reporting drop-off locations on the Arrangement’s website. Not only is this level of communication inadequate, but communities are very unlikely look for information on the website of an organisation that they have never heard of.

SSROC suggests that this recommendation should be strengthened; simply asking the co-regulatory Arrangements to “strengthen awareness” is unlikely to result in adequate communication of information. The amendment should require the achievement of an outcome rather than just “activities”. SSROC recommends that the regulation should require that television and computer purchasers are notified at the point of sale:

- that part of their purchase price will go toward the recycling of similar products;
- where to find information about the Scheme;
- that they are required to recycle the goods; and
- that the Scheme only funds part of the cost of recycling, and that they may be charged by their council if their item is not covered.

SSROC would prefer responsibility for the delivery of this awareness-raising role to be with the Australian Government or State Governments.

Recommendation 2:

Stakeholders consider whether regulatory amendment is necessary to drive uptake of AS 5377 and, if so, whether this could be done without increasing the regulatory burden on industry.

SSROC is broadly supportive of the requirement for AS5377 as it would bring improved safety, environmental improvements, risk avoidance and industry standardisation. It would assist in eliminating illegal activity such as dumping and the export of e-waste for unsafe and unethical dismantling. However, SSROC acknowledges that the cost burden of compliance with AS5377 could be considerable for smaller organisations including councils and social and disability enterprises, since it would absorb a large proportion of their revenue.

SSROC therefore suggests that large E-waste recyclers should be required to comply with AS5377, while smaller organisations should be permitted a more flexible arrangement.

Recommendation 3:

Stakeholders provide feedback and the Department undertake regulatory impact analysis on the options outlined for possible adjustments to the target trajectory.

Demand for e-waste recycling under the Scheme has been much greater than the target. This, and negative impacts on the e-waste recycling industry and the social and disability enterprises, clearly signal market failure driven by inappropriate targets. SSROC would therefore prefer a rolling target, regularly adjusted to reflect demand and the level of imports.

However, in terms of the options presented, SSROC would prefer Option 3, with an increased target to 56% in 2015-2016. SSROC does not support a final target of 80% to 2031-32, since it is unlikely to “maximise net benefits to the community”, which is the first criterion of the Decision Regulatory Impact Statement: Televisions and Computers 2009.

Recommendation 4:

Co-regulatory arrangements to better manage the impact of changes to recycling procurement on the recycling industry by providing additional notice of planned changes.

SSROC urges that this type of communication should be mandated not just encouraged, and that regulatory amendment is required. We would also point out that councils also require access to this information, since they are directly affected by changes to Arrangements. A public website, administered by the Australian Government and providing regularly updated tonnages and quotas for each Arrangement, would be very helpful.

Switching between Arrangements by liable parties should be restricted (SSROC suggests 3 years), since the practice allows targets to be suddenly met without any real recycling by the liable party and is a factor in the instability of Arrangements from councils' perspective.

Recommendation 5:

The Department and co-regulatory arrangements consider options to provide additional information to the market to assist e-waste businesses in planning.

SSROC urges that this recommendation should be strengthened. Co-regulatory arrangements required only to “consider options ...” are unlikely to achieve outcomes.

Councils need a degree of certainty for business planning, which has not been provided by the current Scheme. When services are terminated without notice, councils are left to deal with residents’ expectations that e-waste will be recycled at no charge. Services that are simply withdrawn once targets are met makes Councils’ function in the Scheme extremely difficult to manage.

SSROC suggests that the website described above should be a feature of the Scheme, in order to provide the transparency necessary for adequate business planning.

Recommendation 6:

Stakeholders comment on the proposal to amend the Regulations to establish a settlement date for target data, after which amendments to import declarations would not be taken into account.

SSROC recommends that **all** imports be counted towards the Scheme. The recommendation as drafted would effectively exempt undeclared imports from the overall recycling tonnage, incentivise poor reporting practices and be too easy to manipulate.

Should a settlement date for target data be established, then SSROC would urge that additional tonnage should be carried forward to the following year’s tonnage quota.

Recommendation 7:

Stakeholders comment on the proposal to amend the Regulations to smooth recycling rates between financial years by allowing recycling undertaken in July and August to count towards recycling targets in the previous financial year.

SSROC agrees that the smoothing of recycling rates in this way is acceptable. However, we remain concerned that the practice of carrying over and acquitting excess recycling year-on-year lowers the rate of recycling below what could be achieved. We therefore recommend that Part 3.05 should be amended to reduce the excess permitted to zero, or if it is deemed necessary, than to a level below 10%.

Recommendation 8:

Stakeholders comment on the proposal to amend the Regulations to require co-regulatory arrangements to report on their engagement of social and disability enterprises in the context of their annual reports.

The impact of the Scheme social and disability enterprises working with member councils has been quite severe, with some going out of business or having to lay off staff. SSROC strongly supports the engagement of social and disability enterprises in the Scheme, which

is an important community benefit. We therefore ask that the scheme should actively support these enterprises, not merely require Arrangements to report on their engagement.

Recommendation 9:

The Department continues work to revise the scheme's product codes and conversion factors.

SSROC supports continual review and revision of the Scheme, including the product codes and conversion factors. In particular, a unit-for-unit system should be introduced rather than the existing weight conversion system, so that the Scheme can respond effectively to the continuing light-weighting of products.

Recommendation 10:

Stakeholders comment and provide information on the proposal to consider the waste arising scaling factor applicable to computer systems, and provide any data or research which supports a particular scaling factor.

SSROC does not support the up-front 10% decrease in tonnage to be recycled under the Scheme, nor any further decreases in tonnage. EPR is concerned with industry taking responsibility for waste generated, and industry should not be credited with community recycling efforts, nor with exports that simply generate waste elsewhere, often in countries far less well equipped to safely recycle or dispose of it. Furthermore, the basis of the 0.9 scaling factor is not transparent, and SSROC is not aware of evidence to support the assertion that 10% of imported products are exported.

Finding A

State, territory and local government strategies to manage e-waste outside the NTCS remain an essential part of e-waste management in Australia. Some are continuing or considering actions to address shortfalls in funded recycling and fluctuations in demand for recycling at state and local levels. Partnering with co-regulatory arrangements may be a cost-effective way for State, Territory and Local Governments to provide local recycling in addition to that funded under the NTCS.

Councils' experiences to date with Arrangements under the Scheme indicate that government strategies are indeed an essential part of e-waste management: but councils are being negatively affected by the situation that the Scheme creates, whereby they are left with managing the results of Scheme failures. In some cases this even means the loss of a contract with a social enterprise, which may even have gone out of business as a direct result, leaving no cost-effective alternative but to revert to disposal of e-waste to landfill. This perverse outcome must be addressed.

Finding B:

It is important that e-waste recyclers continue to monitor industry trends and undertake due diligence in relation to all investment and business decisions. Current trends indicate increasing consolidation of the e-waste recycling industry, which is likely to continue over time.

Full and transparent information about the Scheme should be made available so that industry can analyse trends and carry out due diligence, as well as for councils to plan.

Finding C:

State and territory governments may have options for supporting social and disability e-waste recyclers to remain viable or to support their transition into other business areas, and ensure that these businesses are informed about applicable assistance programmes.

SSROC urges the Australian Government to revise the operation of the Scheme so that such perverse outcomes as social enterprises failing as a direct result of it are prevented.

Australian Government's commitment to NTCRS

SSROC suggests that the Australian Government can improve the Scheme by:

- Short-term financial support for the e-waste recycling industry to maintain its viability until the Scheme is stable;
- Improving monitoring to ensure that illegal activity is not occurring;
- Supporting State Governments in addressing the stockpiling of CRT glass;
- Implement an e-waste tracking system to enable tracking from collection to recycling;

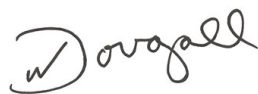
Conclusion

Councils are responsible for 65% of e-waste, which is a significant burden, made more difficult to manage by the introduction of the Scheme. Councils are keen to make the Scheme work, and SSROC strongly supports the Scheme in concept. The difficulties that it creates for councils – acknowledged by the Australian Government as an essential part of e-waste recycling – need to be addressed in order for the Scheme to be successful.

SSROC supports the NTCRS, and is keen to work with all stakeholders to make it a success.

Please do not hesitate to contact SSROC Program Manager, Helen Sloan or me if we can offer further assistance.

Yours sincerely,



Namoi Dougall
General Manager
Southern Sydney Regional Organisation of Councils