

4 February 2016

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Mr Rob Millard  
Metropolitan Waste Resource Recovery Group  
PO Box 1326  
South Melbourne VIC 3205

## APPLICATION OF THE INDUSTRIAL WASTE LANDFILL LEVY TO THE RESIDUALS OF METAL RECYCLING

Dear Mr Millard

Golder Associates Pty Ltd (Golder Associates) has been engaged by OneSteel Recycling Pty Ltd, Sims Metal Management Pty Ltd and Norstar Steel Recyclers Pty Ltd, as representatives of the Metal Recycling Industry Group (herein referred to as "the Industry Group"), to provide a submission to the Metropolitan Waste Resource Recovery Group (MWRRG) in response to the *Draft Metropolitan Waste and Resource Recovery Implementation Plan* (draft MWRRIP). The Industry Group welcomes the opportunity to provide comment on the content of the MWRRIP, and the direction it indicates for future waste management in Victoria.

The Industry Group was established following a meeting held between representatives of the Industry Group members, Golder Associates and the Victorian Environment Protection Authority (EPA) on 7 December 2011. The Industry Group was formed to engage as an industry with EPA and other stakeholders, such as the MWRRG, in relation to the metal recycling industry in Victoria, and specifically the management of the residual shredder floc from metal recycling operations. The metal recycling industry is a significant component of the waste management infrastructure deployed in managing the wastes generated in Victoria, and is responsible for recovering and reprocessing a significant volume of metal that may otherwise be consigned to landfill.

Shredder floc is the non-recoverable residual waste from the process of shredding metallic wastes for the purpose of recycling and is, in general, an amalgam of non-recoverable glass, plastic, foam, rubber and trace metal waste. Shredder floc is classified by EPA as an Industrial Waste for the purpose of disposal, and its disposal to landfill currently attracts the Industrial Waste landfill levy. It is the application of the landfill levy to the disposal of residuals from legitimate and valued resource recovery activities for which the Industry Group wishes to provide specific commentary to the MWRRG through this consultation process. It is the firm view of the Industry Group that the application of the landfill levy in this instance, is resulting in perverse environmental and economic outcomes for Victoria. The Industry Group wishes to engage the MWRRG and EPA Victoria in regards to a conversation on the effective and equitable application of the Industrial Waste landfill levy on that Industrial Waste that is the legitimate residual of recycling activities.

The draft MWRRIP notes that the application of the landfill disposal levy is, "one of the key instruments aimed at driving waste out of landfills and into resource recovery", and the Industry Group agrees that it provides a significant incentive to consider and apply resource recovery options such as metal recycling. Yet, where the landfill levy is applied to the residues of a resource recovery operation, in other words, those materials that have already been diverted from landfill, a perverse outcome results in the Victorian waste market. The Industry Group is of view that the landfill levy provides additional financial costs to the operating



resource recovery facilities, which when spread through the supply chain, results in significant volumes of potentially recoverable metal recyclables being bailed and shipped overseas unprocessed, rather than being processed and recovered within the jurisdiction that generated that waste. The Industry Group believe that Victorians should manage their own wastes, rather than have this responsibility borne by communities in places with, perhaps, less stringent environmental and human health protections.

The volume of shredder floc generated by the Industry Group, and disposed to landfill, has generally declined year-on-year since the application of landfill levies on the disposal of this recycling residue. While it is the intent of the landfill levy to drive cleaner production and enhance resource recovery, this is not the substantive reason for the decline in the volume of shredder floc consigned to landfill. While the Industry Group has achieved some success in improving metal recovery rates since the implementation of the landfill levy, it does not account for the volume decline.

The Industry Group does not believe the decline in shredder floc disposal volumes to be a result of declining volumes of source metal recyclables in the Victorian waste market. The Industry Group believes that the overall volume of source metal recyclables has increased through the same period. It is the strong view of the Industry Group that the decline in the volume of shredder floc consigned to landfill corresponds directly with the deficit of source metal recyclables presenting at resource recovery facilities, which has otherwise been bailed and shipped overseas. The landfill levy is providing a market differential that the Industry Group feel is the cause of significant leakage of metal and metal waste from Victoria to overseas markets. It is the Industry Group's view that the current export, or leakage, of source metal recyclables is being undertaken by companies or individuals who, through their practices, seek to circumvent Victorian and Australian environmental, safety, and tax laws, and as such maintain an unfair market advantage against the Industry Group.

In a market that is already strained by the impact of declining commodity values, the application of the landfill levy on the residuals of recycling operations provides a financial inhibitor to the operating cost competitiveness of Victorian-based recycling when the value of the commodity recovered through these operations is competing against lower cost virgin materials. This is further challenged when Victorian-based shredding and recycling operations are competing against similar operations in lower cost markets, markets with potentially lower environmental and human health compliance costs. This places in financial jeopardy a significant component of Victoria's resource recovery infrastructure, infrastructure that the *Statewide Waste and Resource Recovery Infrastructure Plan* is intent on securing.

Section 1F of the *Environment Protection Act 1970*, namely the '*Principle of improved valuation, pricing and incentive mechanisms*', states that persons who generate waste should bear the cost of containment, avoidance and abatement of that waste. Further, Section 1F states that users of goods and services should pay prices based on the full life cycle costs of providing goods and services, including the applicable waste management costs. This is to say that Victorians have a responsibility to manage the costs of their own wastes, and not have this responsibility and cost unfairly borne by people in other jurisdictions, who may not be subject to the equivalent environmental and human health protections.

Through the finalisation of the MWRRIP the Industry Group is hopeful of the MWRRG's support in providing some indication of the State's preparedness to consider relief in the application of the Industrial Waste landfill levy being applied to the residuals of recycling operations. The Industry Group recognises that the instrument for enabling such relief is challenging, and would require the contribution and support of a number of stakeholders, of which the Industry Group is but one. Nonetheless the Industry Group would be an active and positive contributor to any future engagement in this regard.

The Industry Group would appreciate the opportunity to discuss the submission provided here with members of the MWRRG. Please contact Garrett Hall of Golder Associates to arrange a mutually suitable time, and he will liaise on behalf of the Industry Group. Garrett can be contacted on [REDACTED]

The Industry Group thank you and the MWRRG for consideration of this matter.

**GOLDER ASSOCIATES PTY LTD**



Mr Garrett Hall  
Senior Environmental Scientist

GCH/BED/gch

CC: Mr Mike Baker, General Manager, Norstar Steel Recyclers Pty Ltd  
Mr John Pinning, General Manager, Sims Metal Management Pty Ltd  
Mr Niel Anderson, Manager Ferrous Trading, OneSteel Recycling Pty Ltd

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