



**Submission on the Third Independent Review of the  
*Product Stewardship (Oil) (PSO) Act 2000*  
April 2013**

**Status of this Submission**

This Submission has been prepared through the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (WALGA). The Municipal Waste Advisory Council is a standing committee of the WA Local Government Association, with delegated authority to represent the Association in all matters relating to solid waste management. MWAC's membership includes the major Regional Councils (waste management), and a number of Local Governments. This makes MWAC a unique forum through which all the major Local Government waste management organisations cooperate. This Submission therefore represents the consolidated view of Western Australia Local Government. However, individual Local Governments and Regional Councils may have views that differ from the positions taken here.

This Submission has not yet been endorsed by MWAC, however, it will be put before the Council at the earliest opportunity (Wednesday 26 June 2013) and any changes to this Submission following consideration by the Municipal Waste Advisory Council will be provided.

**Summary**

This Submission is a general response to the Review of the PSO Act and the Consultation Paper: Third Independent Review of the *Product Stewardship (Oil) Act 2000*. The comments in this Submission provide an overview of the situation for Local Governments collecting used motor oil in Western Australia and presents recommendations for improvement of the PSO. The comments do not speculate on the operation of the Scheme in other areas.

The main concerns expressed by Local Governments regarding the Scheme are that recycling used motor oil comes at a cost to their Councils and there is insufficient support of the Scheme by used oil producers.

**Recommendation: The Federal Government undertake a data collection exercise to capture, with some degree of accuracy, current oil consumption and recycling rates.**

**Recommendation: That the current 5.449c/Litre levy on oil sold be increased to ensure the costs of rebates are covered and provide additional funds to re-invigorate investments in collection and education on used oil disposal.**

**Recommendation: The Product Stewardship for Used Oil scheme should include greater producer responsibility to ensure collection and recycling is not a significant cost to Local Government.**

## **General Comment**

The Consultation Paper has been based on a number of assumptions and it is clear from the Paper (and discussion with those who developed it), that there is a paucity of data in this area. For example, the recycling rates listed in the Paper have as much as a 15% range associated with them. The lack of accurate information makes it difficult to judge the success or otherwise of the Scheme.

**Recommendation: The Federal Government undertake a data collection exercise to capture, with some degree of accuracy, current oil consumption and recycling rates.**

The Paper focuses strongly on the economic view point and there has been a limited attempt to provide a view of social and environmental considerations associated with recycling used motor oil.

For example “*Economic convention is that incentive payments should be based on the externalities avoided, not ‘infant-industry’ arguments or favouring particular industries in a manner suggested by the waste hierarchy.*”

WALGA requests an assurance these items will be reconsidered and corrected prior to proving the final report to the Federal Government.

## **1. Current Situation in Western Australia**

In developing this Submission it was considered appropriate to provide the Western Australian context for used oil recycling, as the end markets for used motor oil are vastly different to those of the Eastern States.

### **1.1 Collections from Local Government Infrastructure**

During the establishment of the *Product Stewardship for Oil Scheme*, WALGA administered a Program under the *Transitional Assistance Funding* to improve the promotion and collection of used motor oil in WA. As a result, 112 units of infrastructure were distributed to 62 Local Governments throughout Western Australia. This was in addition to the infrastructure that was already in place as a result of direct Federal funding to Local Government. The Program was successful in distributing and promoting appropriate used oil disposal options. At this time used oil collection and recycling was free. However, the collection of used oil did not continue smoothly, due to a drop in demand for used motor oil in 2007. In the short term this caused collectors/recyclers to significantly scale back collections meaning Local Governments were forced to stockpile used oil. The recyclers then introduced a charge for used oil collection and recycling.

Since 2007, the collection of used motor oil in Western Australia has come at a cost to Local Governments (refer to Section 1.2 for examples of costs). WALGA understands that this is not the case in the eastern states, where Local Governments are paid for the oil that is collected.

To assist Local Governments, WALGA put in place a Preferred Supplier Arrangement with Wren Oil – this reduced the costs for Local Governments collecting use oil. WALGA also sought, and gained, some funding from the Waste Authority to assist Local Governments to cover costs – however this funding ceased in 2011.

There is a substantial demand for the collection service provided by Local Government. The suggestion made in the Consultation Paper, that there has been “*major changes in the current composition of oil users*” (i.e. more car owners’ are having their vehicles serviced by a mechanic), has not been substantiated in the Paper and does not appear to be the case in practice. Despite the costs and liabilities associated with providing this collection service, Local Government continues to do so, in order to meet community expectations and reduce instances of inappropriate disposal of used motor oil. Table 1 demonstrates the volumes collected from various Local Government collection points across the state during the 1 January 2009 to 30 June 2011 period.

Table 1. Used motor oil collected by the WALGA Preferred Supplier (Wren Oil), 1 January 2009 – 31 June 2011.

Timeframe	Metropolitan (litres)	Non-metropolitan (litres)	Total (litres)
1 Jan – 30 Jun 2009	164,000	286,800	<b>450,800</b>
1 Jul – 31 Dec 2009	185,410	339,800	<b>525,210</b>
1 Jan – 30 Jun 2010	199,800	263,950	<b>463,750</b>
1 Jul – 31 Dec 2010	201,450	353,660	<b>555,110</b>
1 Jan – 30 Jun 2011	200,530	257,640	<b>458,170</b>
<b>Total</b>	<b>951,190</b>	<b>1,501,850</b>	<b>2,453,040</b>

WALGA understands that commercial businesses (such as farmers, fisherman etc.) are using the collection tanks at unmanned collection points in the non-metropolitan areas to dispose of used motor oil. This understandably comes at a cost to the Local Government providing the service for the benefit of the wider community. These costs are especially felt in the Local Governments with a low rates base and consequently limited ability to recover costs. For example, the Shire of Wyndham-East Kimberley has reported that approximately 17,000 litres of used motor oil is collected annually from the collection depot, at a cost of \$0.55/litre. The Shire has a population of 7,971 (Australian Bureau of Statistics, 2011). As a result, the Shire has introduced a 'user pays' system to cover these costs at \$0.60/litre. However, it should be noted that non-metropolitan Local Governments are often hesitant to introduce these types of charges, as they do not want to discourage residents from disposing of used motor oil appropriately.

Additionally, Local Governments have found that since the installation of the collection facilities, they now have to comply with a number of regulations that were not enforced previously. For example, a non-metropolitan Local Government has reported that in carrying out an 'oil muster' for the local community, it was informed by the Department of Environment and Conservation (DEC) that only one 44 gallon drum (205 litres) could be transported on a truck/ute to the aggregation point before the requirement for a Controlled Waste Tracking License and Form was triggered.

The issue of Controlled Waste Tracking costs have also been raised by Local Governments. When there was no cost for recycling used oil, no Controlled Waste Tracking fee was imposed – when recyclers introduced a cost for recycling, the then Environment Minister made the decision to start charging the Tracking Fee. The fee is \$18.50 per collection of used oil.

## 1.2 End uses and markets

Currently a large proportion of the used motor oil generated in WA is exported for use as a burner fuel. Wren Oil, WALGA's Preferred Supplier, has reported that 80% of the oil they collect is exported (the company collects 40 million litres annually). Currently, used motor oil that is used for burner fuel, attracts a rebate under the Scheme. If this rebate was withdrawn it is likely to further reduce the viability of used oil recycling in WA.

The Consultation Paper poses the following question: "*why are Australians subsidising the export of used oil?*" In response, there are no viable options interstate. This is due to the transport costs to the eastern states, which have been identified as nearly three times higher than transport costs to Asia.

Some of the reasons why collections for Local Government come at a cost include:

- Large distances to markets;
- High processing costs (for recyclers);
- Variability in commodity prices; and
- The Controlled Waste Tracking System.

In response to a recent survey, Local Governments have provided some examples of the amounts of oil they are collecting and the costs (Table 2).

Table 2. Approximate costs associated with providing a used motor oil collection point.

Local Government	Litres Collected Annually	Costs
Rockingham (metro)	~50,000 litres	\$18.50 per collection
Cockburn (metro)	~24,000 litters (one collection per month)	\$18.50 per collection
Belmont (metro)	3,850litres (2011/12)	\$18.50 per collection
	1,350 litres (2012/13 to date)	\$18.50 per collection
Northampton	~30,000 litres	~12c per litre
Dardanup	~6,000 litres	
Trayning	15,000 litres	\$3,000 to \$5,000
Mt Marshall	2,000 - 4000 litres	\$1,000 to \$2,000
Wyndham-East Kimberley	~17,000 litres	\$0.55 per litre
Bruce Rock	15,000 – 20,000 litres	10,000 litres costs \$2,000.
Gnowangerup	From December 2010: 44046.31 litres	~\$5,500.00
Boddington	1,000 – 2,000 litres	
Exmouth	3000 litres (2011/12)	\$562.65
	5050 litres (2012/13 to date)	\$952.65

## 2. Product Stewardship Approach

The *Product Stewardship Act 2011* defined Product Stewardship as “an approach to reducing the environmental and other impacts of products by encouraging or requiring manufacturers, importers, distributors and other persons to take responsibility for those products”. The PSO was developed prior to this Act and Local Governments generally do not view the PSO (as currently structured) as a fair or sustainable form of Product Stewardship. Feedback from Local Government indicates an overwhelming perception that Local Government has been tricked into covering the costs associated with collection. It is clear that the financial offsets/incentives paid to oil recyclers are not enough to cover collection costs (or to date have provided a sufficient incentive to develop other technology options). This has created a negative precedent for the concept of Product Stewardship, and will potentially affect Local Government’s involvement in any future Product Stewardship Scheme. WALGA believes that Product Stewardship should involve placing the responsibility for an end-of-life product, onto others in the supply chain. The fact that Local Government has ‘*taken up the slack*’ with this Scheme, does not mean this practice should continue. As such, WALGA argues that a greater level of engagement is required from oil manufacturers and importers.

As the PSO is a result of Federal efforts, there is an expectation that the Federal Government will employ measures to remedy deficiencies, and provide a greater level of support to Western Australia. Despite repeated requests from Local Government to the Federal Government for assistance support has not been forthcoming. Local Governments were previously provided a limited amount of support (covering half of the collection costs, for non-commercial oil) by the State Government. This ceased in 2011, with the view that “... a market based approach to supporting used oil management in the future would provide a better long term sustainable solution” (Waste Authority, 24 November 2011). It appears that the State Government is also of the opinion that because there is a Federal Scheme, there is very limited State responsibility in this area.

## 3. Possible Solutions

It is very clear that the market for used motor oil in Western Australia requires support to continue operating. The following solutions reference other approaches that could be used to resolve the current situation. It should be noted that multiple measures may be required.

### 3.1 Increase of the levy

The 5.449c/litre levy on imported and manufactured motor oil has not increased since the Scheme commenced. As there is still a need for the Scheme, WALGA requests that the levy is increased, and indexed as originally intended. The Consultation Paper indicated that the Scheme would soon not be covering the costs of rebates to used oil recyclers.

A redistribution of funds, to accommodate the unique challenges experienced by Western Australia may also be warranted. This could include a mechanism to subsidise transport costs. To demonstrate this point, the following unedited feedback received by WALGA is provided:

*“Local Government previously got involved with a carrot being held out to us for free infrastructure (Oil holding tanks etc) and the promise that the collection of the oil would be at no charge. This is why a lot of local governments installed such infrastructure. If it is intended to collect such material the end markets need to be sorted out as well so similar circumstances do not prevail and the local government is left holding the can. Local governments can collect the materials easily enough, what is required is the transport of materials and the end markets to be sorted.”*

**Recommendation: That the current 5.449c/Litre levy on oil sold be increased to ensure the costs of rebates are covered and provide additional funds to re-invigorate investments in collection and education on used oil disposal.**

### 3.2 Need for “greater buy in” from Manufacturers and Importers

The way in which the Scheme was established, has resulted in a situation where manufacturers and importers of motor oil, have limited involvement in the Scheme. The levy they are required to raise, is simply passed on to consumers. Some would argue that this is a positive arrangement, as it distances multinational companies with no interest in creating an industry that would compete with their core business. However, it should be noted that greater involvement of manufacturers has been successfully achieved and retained through the National TV and Computer Recycling Scheme. A key reason for the success of this Scheme is that it is Co-regulatory in nature. In other words, manufacturers do not have an option in becoming involved, to some degree, in how the Scheme operates.

An element of the TV and Computer Recycling Scheme that is attractive to Local Governments providing collection points is that Local Governments are paid a handling fee and the recycling and transport costs are covered by the Co-Regulatory Arrangements. This type of system also occurs in the drumMUSTER program.

**Recommendation: The Product Stewardship for Used Oil scheme should include greater producer responsibility to ensure collection and recycling is not a significant cost to Local Government.**

## 4. Conclusion

There is clearly a need for a Product Stewardship Scheme for used motor oil in Western Australia that provides assistance to Local Governments as well as recyclers. The current situation, in which Local Governments are expected to meet consumer demand and provide free collection points, has had an impact on Local Government’s willingness to embrace the initiative of Product Stewardship. Dialogue and action is welcomed that will more fairly distribute the costs associated with providing a network of collection points across the state.