



Submission on the Second Independent Review of the *Product Stewardship (Oil) (PSO) Act 2000*

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). The Regional Council members of MWAC include the Eastern Metropolitan Regional Council, Mindarie Regional Council, Southern Metropolitan Regional Council, Rivers Regional Council, Western Metropolitan Regional Council and the City of Geraldton-Greenough. 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 10 December 2008) 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 discussion paper developed by PricewaterhouseCoopers: Discussion Paper on the Second Independent Review of the *Product Stewardship (Oil) Act 2000*.

The Submission is divided into three sections presenting a general overview of the situation for local governments collecting used motor oil in Western Australia and presenting recommendations for improvement of the PSO.

Section 1: Current situation in Western Australia - covers the funding for infrastructure received through the Small Grants Program, issues with oil collection in Western Australia and the current implications of the fees and charges applied.

Section 2: Questions from the Discussion Paper – outlines and answers the questions asked in the Discussion Paper which are directly relevant to Local Governments in Western Australia.

Section 3: Recommendations - provides key recommendations for the continuation and enhancement of the PSO. These recommendations are:

- Ongoing funding for a Transport Subsidy to ensure Regional Australia is not disadvantaged.
- Ongoing funding for projects, new infrastructure and promotion.
- Investigate other Product Stewardship Programs which include more responsibility on the producers at the final disposal/recycling stage of a products life.

1. Current Situation in Western Australia

This section covers the funding for infrastructure received through the PSO Act Small Grants Program (through the Transitional Arrangements), issues with used oil collection and the current situation.

1.1 Funding for Infrastructure

Through the *Product Stewardship for Oil, Local Government Used Oil Collection Infrastructure, Small Grants Program* the WA Local Government Association administered a Program to improve collection of used oil in WA; the result was that 112 units of infrastructure were distributed to 62 Local Governments throughout Western Australia. This was in addition to the infrastructure already in situ as a result of direct funding to local government from the Program in a previous phase. The Program included a promotional component which assisted in raising community awareness about the infrastructure.

Key Point: The Transitional Assistance funding was largely successful in distributing and promoting appropriate used oil disposal options.

In the Discussion Paper (section 3.2.3) there is some discussion of the Transitional Arrangements and their aim, as an interim measure, "to fund strategic initiatives to increase used oil recycling and ensure a sustainable and viable oil recycling industry in the longer term". The Municipal Waste Advisory Council provided some comments to the Consultants undertaking the review of the Transitional Arrangement, this review highlighted the good work done by the funding from the Transitional Arrangement but that this work would be undone without sustained markets and confidence around collection.

Key Point: The review of the Transitional Arrangements highlighted the good work done by the funding from the Transitional Arrangement but that this work would be undone without sustained markets and confidence around collection.

1.2 Used Oil Collection

In early 2007, the two major oil recyclers in WA dramatically scaled back their collection of used motor oil from both Local Governments and commercial premises. This scaling back was stated, by the used oil collectors, to primarily be the result of the closure of a large consumer of used motor oil. However, the long term cause was the lack of markets for used motor oil in Western Australia.

In the short term, this meant Local Governments were faced with the situation of either turning people with used motor oil away and closing their facilities or storing large quantities of oil onsite (and potentially breaching their licence conditions) and being unable to store material safely.

The used oil collectors then introduced a charge (15 -27 cents /litre) for used oil collection. This charge heavily affected Local Government as it was imposed without any consultation or attempts to mitigate its effects. Further, due to the unexpectedness of this charge (it was an unbudgeted expenditure for Local Government) many Local Governments face the decision of whether to charge residents for used oil disposal or to cease collections altogether. If collections cease, it is extremely likely that illegal dumping of used oil will result. Some local governments did close their facilities and some have, or are, considering closing them permanently. When the charge was imposed several local governments were forced to redirect funds budgeted for other recycling activities into the recycling of used motor oil.

The Municipal Waste Advisory Council participated in *The Product Stewardship for Oil, Local Government Used Oil Collection Infrastructure, Small Grants Program* with the understanding that Local Government would bear the responsibility and costs for the initial collection and storage of used motor oil only. It was

understood that final collection and disposal would be at no charge by virtue of financial offsets paid to the oil recycler through the Product Stewardship Scheme.

Key Point: The lack of collections and unexpected introduction of a charge situation damaged confidence in the recycling industry generally, which has wider implications than for just this specific material type. A large amount of time, effort and money is expended by all spheres of government to encourage recycling; such situations undo much of this good work.

1.3 *Current Situation*

As this was a Federal Scheme, the Municipal Waste Advisory Council wrote to the Federal Minister for the Environment requesting financial assistance be provided and highlighting that the original Product Stewardship Scheme was developed to encourage the environmentally sustainable management and re-refining of used oil and its re-use; in Western Australia the current Levy on new oil sales was not achieving this.

The Council also wrote to the State Minister requesting similar financial assistance. The State Government responded to the need of local government by allocating, through the Waste Management Board, \$150,000 a year for the next 2 years to assist local government. This was to cover up to half the cost of used oil recycling. The State Government is also investigating other methods to ensure a long term sustainable market for used motor oil for WA to access.

To consolidate supply the WA Local Government Association is currently putting in place a Preferred Supplier Arrangement, which will assist in consolidating local government recycling of used motor oil through a single recycler.

Key Point: There has been limited Federal assistance for Western Australia in resolving the issues surrounding used oil recycling.

2. Questions from the Discussion Paper

The Discussion Paper poses a number of questions relating to the implementation of the PSO Act . Those addressed in this section relate directly to the experience and perspective of local government in Western Australia and do not speculate on operation of the Scheme in other areas.

2.1 *Section 4 Data and statistics on the used oil market*

This section covers the lifecycle of oil and the key features of the Australian used oil markets, including historical trends.

Question 4.8: Should the PSO Scheme be judged a success on the basis of the changes in the volume of used oil recycled?

Within the Scheme, there are no targets relating to the amount (or percentage) of used oil recycled. Increased volumes are one measure of success, however, the overall percentage recycled is a better measure of the success of the Program. If targets are introduced, to ensure equity, the targets should be disaggregated to give a State/Territory target. This will ensure that the focus is truly national.

Key Point: Support for disaggregated targets to judge success based on percentage oil recycled.

2.2 Section 5 Emerging Issues

This section examines PSO scheme against a set of current and emerging issues in order to review its responsiveness and effectiveness in a background of changing conditions.

Question 5.10: Should PSO benefits be available for used oil that is exported? Is this consistent with the PSO Scheme?

Currently a large proportion of used oil generated in WA is exported, if export was not considered a viable option under the PSO, a likely short term result would be an increase in cost for used oil recycling (until alternative markets were determined).

Key Point: Currently WA is heavily reliant on the export market to recycle used oil, any change to the eligibility of exports is likely to increase the cost of recycling in WA.

Question 5.13: How are collection fees generally charged in different states/territories (refer to charges #1-5 listed pg 61 Discussion Paper)? What are the resulting implications to the scheme?

The collection fees, as described in the Discussion Paper, which apply to Western Australia are:

2. Charges levied by accumulation facilities to deposit used oil; and
3. Charges levied by collectors on accumulation facilities for the removal and transport of used oil.

Point 2, is that often applied by local governments 'at point' of disposal (for example a gate fee for disposal of material at a landfill site). Point 3 is the charge by contactors to collect from local government facilities. Local Governments ability to implement at point of disposal fees is limited by their ability to staff disposal points. In many non-metropolitan areas, disposal points are not staffed (due to cost). Other local governments may choose not to charge directly for disposal of certain materials to encourage residents to dispose of appropriately. If local governments do not charge directly, the costs for oil recycling are recouped from general fees (such as through rates) therefore not only users of the disposal service but all residents in the area bear the cost of the recycling service. The affect on Local Government of these fees is discussed in Section 1.2 and 1.3.

Key Point: A cost for collection and recycling of used motor oil greatly decreases the viability of Local Government providing this service.

Question 5.36: To what degree are burning end uses susceptible to substitution away from used oil when the CPRS is introduced? How else is the CPRS expected to impact used oil recycling?

The impact of CPRS on used oil recycling (and recycling generally) may occur in the following way: the cost of processing (transport, power for plants etc) will potentially increase with increasing fuel costs, while the value of recycled products may also increase as frequently these materials are less energy intensive to produce. The primary issue will be whether the increase in cost of processing is commensurate with, or significantly different to, the increase in recycled product value. If there is a significant difference, recycling, although environmentally beneficial, may be disadvantaged.

Key Point: The CPRS is likely to have an impact on the cost of used oil recycling.

Question 5.37: Do stakeholders have any views about whether the PSO should continue to be funded by a levy on oil sales or from general taxation?

The principle of Product Stewardship is that it is “an approach that acknowledges that all those involved in producing, manufacturing, selling, using and disposing of products have a shared responsibility to ensure their environmentally sound management”, funding a Product Stewardship Scheme through general taxation does not put any responsibility on the producers.

Key point: Support for PSO funding to continue through a levy on oil sales.

3. Recommendations

The current situation in Western Australia, regarding the high cost of recycling used oil is in part a function of distance and in some areas sparse population densities. Often Local Governments who are least able to recoup costs, as a result of their low rate base, are those who are paying the greatest cost per litre to recycle.

Recommendation 1: Ongoing funding for a Transport Subsidy to ensure Regional Australia is not disadvantaged.

As mentioned the Small Grants Program was successful in distributing and promoting collection infrastructure to local governments throughout WA. Subsequent to the completion of the Program the Association received further requests from local governments for infrastructure. As well as infrastructure, to ensure the long term success of the PSO there will be a need for ongoing promotion.

Recommendation 2: Ongoing funding for projects, new infrastructure and promotion.

A more general point about the PSO and Product Stewardship arrangement regarding used motor oil is the definition of product stewardship: “Product Stewardship is an approach that acknowledges that all those involved in producing, manufacturing, selling, using and disposing of products have a shared responsibility to ensure their environmentally sound management”. The application of this definition and current approach to shared responsibility effectively means local government is responsible for the disposal of products.

This approach to sharing responsibility does not provide compelling drivers for significant change in producer or consumer behaviour. For example, if producers take some responsibility for their products at the end-of-life, they acquire a direct incentive to maximise the ease and affordability of discharging that responsibility.

An example can be found in the drumMUSTER Program, whereby the producers are effectively arranging and financing the collection of the material; local government is providing an area for aggregation.

Recommendation 3: Investigate other Product Stewardship Programs which include more responsibility on the producers at the final disposal/recycling stage of a products life.