

VACC Submission

A Circular Economy for Victoria Issues Paper

1 August 2019



About VACC

The Victorian Automobile Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,500 members in over 20 retail automotive sectors that employ over 50,000 Victorians.

VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), and automotive dismantlers and recyclers.

The VACC is also an active member of the Motor Trades Association of Australia (MTAA) and contributes significantly to the national policy debate through Australia's peak national automotive association.

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The Victorian Automobile Chamber of Commerce (VACC) welcomes the opportunity to comment on the Circular Economy Issues Paper, as provided by the Victorian State Government and provides the following feedback in relation to the questions raised in the Issues Paper.

Q1. Is this a useful definition of circular economy? How would you change it?

In broad terms, the definition of a circular economy as provided by the Department of Land, Water and Planning is suitable, however VACC believes that an enhanced definition would be more useful for consumers, industry and other stakeholders.

In this respect, VACC makes the following suggestions for consideration:

- The definition of a circular economy should re-define the concept of *waste* as a resource that can be harvested to its maximum potential, as has been done in other countries
- The definition should include references to *urban mining*. This involves the trend to recover raw materials (in particularly Automotive, Equipment, Electrical and Electronic waste) from urban areas
- Consideration should be given towards the inclusion of an agreed set of principles that both government and all stakeholders can 'sign-up to', around both the definition and obligations to deliver a circular economy
- An acknowledgement that progress against each agreed principle will need to be measured by government, to enhance future decision making. Ideally, such measurement should be conducted across each sector of the economy and by type of entity – e.g. large, medium and small businesses and consumers.
- Recognition that Australia has been slow to recognise the importance of its resources beyond exporting them to other countries, and that there is an opportunity for Victoria to lead the way by fostering investment in innovation that creates new ways to reuse, recycle and re-purpose key materials locally (including creating new lines of export revenue)
- A circular economy calls for a new contract between businesses and their customers based on product performance. Unlike in today's buy-and-consume economy, durable products are leased, rented or shared wherever possible. If they are sold, there are incentives or agreements in place to ensure the return and thereafter the reuse of the products and their components and materials at the end of their useful life.
- A circular economy needs to include and emphasis REUSE in its definition
- Under Victoria's ESSENTIAL SERVICES ACT 1958 - SECT 3 Definitions, waste and recycling are omitted as an essential service. Waste management and recycling should be defined under the Essential Services Act and be monitored by the Essential Service Commission.

Q2. Do you think Victoria should pursue a more circular economy? Why or why not?

VACC believes that it would be wise for Victoria to pursue a circular economy policy and develop the self-sufficient infrastructure to manage it, as seen in many countries across Europe as well as Japan, Korea and China. These countries have all recognised that high quality recycling infrastructure can divert and convert waste into valuable resources.

Extending the life of products and materials prevents the over-generation of waste and recovers the full value of products. This would create new business opportunities and revenue streams, while minimising the environmental impact of mining, resource extraction, refining and manufacturing. VACC and its members recognise that raw **materials are a finite resource** and there will not be an unlimited supply available for future generations

Victoria and by extension Australia, has no alternative but to pursue a more circular economic policy in the future as other countries close their doors to Australian shipments of waste products and the diverting unprocessed waste directly into landfill would be entirely an unsatisfactory outcome. VACC Research estimates that in 2017 63,000 tonnes of End of Life Vehicle scrappage was sent to landfill in Victoria. Nationally it is estimated that 210,000 tonnes were sent to landfill¹. A circular economy also supports innovation, engages communities and can also be a profitable source of new revenue streams.

Q3. Are there other benefits of a circular economy that should be considered in developing the policy?

The development of a circular economy has many benefits including job creation, increased diversification/value-adding to the economy, the generation of new tax revenues and the reduction of negative externalities such as pollution and black-market activities in waste management.

A properly structured and managed circular economy will provide the necessary platform for increased investment and jobs growth, whilst minimising cost to taxpayers. A critical provision to this is that government must ensure strict compliance and enforcement to protect legitimate businesses committed to investment and complying with the regulatory environment, which is something that has been lacking over the past 25 years.

VACC strongly believes that if the government continues to allow waste to be managed by illegal black-market operators, it will continue to incur considerable clean-up expenses for the Victorian tax payer, which is highly undesirable. This has been seen in the automotive industry sector and reported as such in 2014 Victorian Government inter-agency Task Force Discover that conducted an audit of the Victorian motor wrecking and scrap metal industries was undertaken with the assistance and cooperation of the Australian Crime Commission, the Australian Customs and Border Protection Service, Consumer Affairs Victoria, the Environment Protection Authority Victoria, the Victorian WorkCover Authority and VicRoads².

Q4. Which parts of the economy, which materials, or which activities should be a priority focus for Victoria's circular economy policy? Why?

VACC believes that most waste streams (excluding hazardous materials) should be considered as a priority for Victoria's circular economy including metals, plastics, timbers, vegetation, food wastes and others. Single use items such as plastics and other products, are also particularly important for recycling and reducing their production and use.

In addition, the ability to recycle metals such as steel through the development of viable commercial solutions domestically (and offshore if necessary), will also provide Victoria and

¹ VACC – Ducere Business School 'End of Life Vehicle Research Final Report'

² Task Force Discover retrieved from <https://www.police.vic.gov.au/official-publications>

Australia with better environmental and economic outcomes as well.

Q5. What issues will the government need to consider or manage in the shift to a circular economy?

VACC believes that there are many issues that government must consider in managing a shift to a circular economy. At a minimum, these issues should include but not necessarily be limited to the following:

- Establishing a favourable environment for businesses to invest in the necessary infrastructure to help build a circular economy. This can involve the use of policy measures that incentivise and provide certainty for business investment in recycling infrastructure, such as price supports for recycling, business tax rebates/credits, grants, certifications and co-investment by government with the private sector
- A move to a circular economy must incorporate an End of Life Vehicle (ELV) scheme for the proper disposal of end of life vehicles. Currently over 63,000 tonnes of plastics from ELVs are committed to landfill annually in Victoria, which is of serious harm to the environment. Australia is the only developed country without a policy dealing with ELVs, and this has also given rise to ‘illegal wreckers’ that operate outside current regulatory guidelines, undermining lawful vehicle recyclers and illegally supplying components to the black market. Without an ELV scheme, a significant proportion of vehicle wastes would be unaccounted for and this would undermine the successful operation of a circular economy
- Acknowledging the failure of existing compliance, regulatory and enforcement regimes in waste management. This has manifested in the emergence of grossly poor environmental practices resulting in recent clean-up costs to be incurred by the tax payer from waste tyre stock piles, illegal chemical dumping and large fires at recycling operations in Victoria
- The creation of an effective surveillance, monitoring, regulatory and enforcement regime for waste management, including the effective tracking of waste throughout the supply chain to ensure that the objectives of a circular economy are met
- Facilitation of an appropriate industry structure for recycling and waste management through the establishment of a transparent register of licensed operators, harsher penalties for polluters, and the elimination of cash transactions to help remove illegal black-market operators within the system³
- Ensuring buy-in from all stakeholders in a circular economy. To this extent agreement is necessary around the associated costs and the burden of payment in the supply chain for waste management. This may require an extensive educational campaign by government
- The collection of data by government and the development of suitable metrics to evaluate the performance of the circular economy over time and make policy adjustments as necessary.

Q6. Would the shift to a circular economy adversely affect your industry? How could

³ VACC submission to 2017 Black Economy Taskforce retrieved from <https://www.vacc.com.au/Portals/0/VACC%20Submission%20to%20Black%20Economy%20Taskforce.pdf>

government mitigate these effects?

VACC believes that a circular economy, if correctly structured and supported with improved policies, compliance and enforcement programs, would result in an improved business environment for lawfully operating businesses undertaking continuous improvement and investment programs within their businesses.

In this context VACC sees the government's role as that of an enabler in the circular economy, by effectively supporting businesses through favourable policy settings that promote innovation through investment in capital expenditures and process improvement, as well as generating new domestic and export revenues.

Q7. How do you think the Victorian Government should measure and report on progress toward a more circular economy?

VACC believes that the tracking of products and waste streams at each stage of production, from manufacture to intermediate and end-use, is essential in measuring the progress of a circular economy. This will require the regular capture and reporting of data to government from market participants, for government to obtain an accurate assessment of progress over time.

In addition, the Victorian Government will require an accurate register of all businesses including the exact number, the type of activity undertaken, the location, permit conditions and directorship of all businesses operating in the circular economy. Data reporting of materials could be provided by each business in the form of an annual statement each year. Presently the government does not have enough information or knowledge about who participates in the waste system.

Q8. What are the most effective actions the government can take to shift Victoria to a circular economy?

VACC believes that the Victorian Government needs to take a wide and systematic approach to help co-ordinate a shift to a circular economy. This should include:

- Complete coverage of the whole economy, sector by sector, without gaps
- The use of tax incentives, R&D grants and other measures to attract new licensed entrants and investment in resource recovery and product development from resource recovery
- The implementation of an End of Life Vehicle scheme for the proper disposal of end of life vehicles
- A focus on public education to ensure waste is delivered to legally permitted licenced businesses for processing and recovery. This includes penalties for the public for the dumping or delivery of waste to unlicensed operators
- Public education on the true cost of waste cleaning services and environmental clean-up costs where public and businesses don't recycle correctly
- Improving the regulatory framework of the waste and recovery sector by investing in EPA Victoria with the requisite powers and funding for increased market surveillance and

monitoring. Priority compliance and enforcement activities should be directed in the first instance against un-licensed operators, then followed by licensed operators

- Working with industry and universities (as seen in other countries) to explore opportunities in channelling and harvesting waste streams for resource recovery. This can be supported by collaboration with industries such as automotive in the promotion and development of an End of Life Vehicle scheme.⁴
- Waste that cannot be utilised should be directed to appropriate high-quality waste-to-energy (WTE) plants
- Ensuring that waste to landfill must only be used as a last resort.

⁴ VACC 2018 State Election Manifesto "Better Business, Better Victoria".