

PUBLIC ACCOUNTS COMMITTEE

REVIEW OF AGENCY RESPONSES TO AUDITOR GENERAL REPORTS



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 20 JUNE 2018**

SESSION ONE

Members

**Dr A.D. Buti (Chair)
Mr D.C. Nalder (Deputy Chair)
Mr V.A. Catania
Mr S.A. Millman
Mrs L.M. O'Malley**

Hearing commenced at 9.28 am

Mr MICHAEL CHARLES ROWE

Director General, Department of Water and Environmental Regulation, examined:

Ms SARAH CRADYL McEVOY

Executive Director, Strategic Policy and Programs, Department of Water and Environmental Regulation, examined:

Mr MARCUS JACOBUS GEISLER

Chairman, Waste Authority Western Australia, examined:

Ms JENNIFER ANN BLOOM

Deputy Chair, Waste Authority Western Australia, examined:

The CHAIR: Thank you for appearing today to discuss your responses to the recommendation in the twenty-third Auditor General report of 2016: "Western Australian Waste Strategy: Rethinking Waste". My name is Tony Buti and I am the committee Chair and member for Armadale. With me is to my left, Dean Nalder, the committee's Deputy Chair and member for Bateman. To my right is the member for Mount Lawley, Simon Millman, and to his right is Mrs Lisa O'Malley, member for Bicton. Vince Catania, member for North West Central, will be joining us at some stage. I would like to advise you that the committee has asked the Acting Deputy Auditor General and his officers from the performance audit team to observe today's proceedings from the public gallery, which is actually behind you. Following the hearing, the committee may consult with the audit team for clarification on matters raised. I would also like to advise that today's hearing will be broadcast live over the Parliament House website. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege. However, this privilege does not apply to anything that you might say outside of today's proceedings.

Do you have any questions about your attendance here today?

The WITNESSES: No.

The CHAIR: Before we ask some questions, do you have any opening statements that you might like to make?

The WITNESSES: No.

The CHAIR: You mentioned in your agency response that you did not see the Waste Authority and the department being a natural fit. I would like you to maybe tell us why you think that is the case? Also, with regard to recommendation 1 from the Auditor General —

1. By the end of February 2017, Waste Authority and DER should:
 - a. Clarify and communicate the roles of each agency ...
 - b. Finalise a Service Level Agreement ... and governance framework.
 - c. Develop business cases and implementation plans for all projects funded by the WARR Account.

- d. Provide regular and comprehensive progress reporting for all annual business plans, associated projects and financial expenditure to the Waste Authority board.

The agency has not been able to find any information in regards to that—well, if you have achieved that recommendation. It is a two-pronged question really: why do you think it is not a natural fit; and then can you tell us a bit more about what the agency has done in response to recommendation 1?

Mr GEISLER: I will lead off. The comment about the natural fit is—I think from the report it also shows that at the moment there is a fair bit of confusion in the sector because the Department of Water and Environmental Regulation is a regulator and we are more a strategic and a proactive forward-looking organisation that wants to change behaviour of the community to become a low-waste society. Here we have a regulator giving support to someone that wants to change behaviour. I have to make a comment that in the meantime, there was a change of government and a change of director general and the attitude towards the support has changed a fair bit. Under the previous director general, for example, the director general did not support us to be involved with planning. Planning was objective 1 in the waste strategy—it still is in the current waste strategy. The DG at the time actually said, “Planning is not the role of the Waste Authority. It is a role for the planning department.” Here we have a regulator that has actually tried to control and, in a way, restrict us to perform our duties and our responsibilities. That is why we said at the time it is not a natural fit that a regulator gives support to an authority that wants to change the community mindset and behaviour.

The CHAIR: I know you have mentioned there is no change. Are you still satisfied with that comment or do you think it is more of a natural fit now?

Mr GEISLER: It is a better fit because of the attitude and also because of the change of focus of the current government. There is a big focus on waste and obviously, if the government is focused on waste, I think the automatic response is that the DG is very interested in waste as well. Waste and recycling has definitely been lifted. It is still not a natural fit because there is some angst in the sector, for example, share information with us because the regulator is always involved in that discussion because they work on our behalf. We are a five-man team. We are part-time with members—kind of like a board. But all the operations are actually performed by officers of the department of environment. Also the officers do not identify themselves as being—they are not employees of the Waste Authority but they always introduce themselves as employees of the department of environment and regulation. If you want to have an open, transparent and constructive relationship with the sector, it is not always best to go in with the badge of the regulator.

The CHAIR: While you think things are better now, what would be the optimum situation for you?

Mr GEISLER: I think it is good to be linked to an organisation like the department because it is better to be in than to be out because, in the end, we both have to work together as two organisations to deliver the same goal and to actually deliver the waste strategy. We have to work together. It is just about the attitude of working together and being open and transparent. The issue still is that we have no visibility on the intent of what the regulator wants to do but the regulator knows exactly what we want to do because they deal with all our operational issues. But as I said before, it is more transparent currently with the new DG and that is throughout the whole organisation. Ultimately, we would like to have waste lifted within the structure of the Department of Water and Environmental Regulation and have a director managing the waste area instead of it just being a subset or a division. We have argued for that to have a leader not to be a level 9 public officer but

actually to have it as a director's function to give it more focus and report directly to the director general. But I understand the new structure is being finalised and we have given input into that restructure.

The CHAIR: Do you have any further comments with regard to that?

Mr ROWE: Thank you for the opportunity. I would like to make a few comments. I think in general terms the department and the Waste Authority has a good relationship. I understand it is a better relationship than what has happened in the past, which is positive. I have been very clear that we should be positioning the Department of Water and Environmental Regulation as a system steward for the environment and for water resources. Clearly, we have a lot of regulatory functions in the way that we do our work but we are more than a regulator. If you look at our science capacity, that is a lot about understanding the natural resources. Certainly on the water side there is a lot of capacity in that space in terms of air, noise and other things. We have a very strong role to understand what is going on in the environment and to communicate that. We have a policy function that we provide advice to government on all matters to do with water and environmental regulation and we are, as Marcus said, a regulator as well and we discharge our functions under particularly the Environmental Protection Act and the Rights in Water and Irrigation Act in relation to the compliance functions that we have to do in the way that we administer those things. We also support a number of advisory committees, just like the Waste Authority. We support the Environmental Protection Authority, which is a significant advisory body in its own right; the Waste Authority; the Keep Australia Beautiful council; a number of water resource advisory councils; and the Contaminated Sites Committee, and our staff support the Office of the Appeals Convener. I think it is possible to be able to maintain the role of the regulator as well as provide a high level and effective level of service to the various bodies that the minister and the government have asked us to service. Ultimately, it is the government's choice about how they choose for these committees to be serviced, and in this instance the departments and the government has decided that this department should provide that level of executive service to the various authorities that we support including the Waste Authority. I think that there is always room for improvement. Certainly, I would make the comment that the Auditor General's advice, I think, has sharpened both the Waste Authority's and our own efforts at what we can do better to work together. We have made good progress on all the recommendations that were set out by the Auditor General, which we are happy to talk about.

The CHAIR: Maybe we could go to recommendation 1.

Mr D.C. NALDER: Can I just check, with the titles, why have we got a chair and an acting chair? Is that incorrect?

Ms BLOOM: It is because the chair has been on leave and there was a possibility that he may not have made this meeting, so, as the acting chair while he was away, I handed over as of yesterday. I am the deputy chair normally.

The CHAIR: Back to recommendation 1.

[9.40 am]

Mr ROWE: Recommendation 1 was about clarifying and communicating the roles of each agency, including details of agency responsibilities for waste policy development and actions to make waste strategy objectives and the decision-making process between department staff and the Waste Authority. A number of things have happened to do that. The first of which is that the Minister for Environment, consistent with the Public Sector Commission's good governance guide for boards and committees, has issued a statement of expectations to the Waste Authority. That

has set out his expectations for how the Waste Authority should operate. Similarly, the Waste Authority has responded with a statement of intent confirming its intention to operate within that arrangement. In addition, we now have a finalised service level agreement that Marcus and I signed in August 2017. That is a service level agreement that will take us from 2017 through to 2020. Of course, it is open to review and we will be reviewing it again shortly. We have started to get those basic mechanics in place that allow that clarity to be further understood and communicated between the parties. In addition to that, following discussions with Marcus and the Waste Authority, I sought advice from the Public Sector Commission about looking particularly at the Waste Avoidance and Resource Recovery Act and the way that it is structured to see whether there was more clarity that could be brought to the roles and responsibilities of both entities. We received that advice and we will be using that as the basis of inviting Ernst and Young to do some additional work on a governance framework. There is a whole suite of activity that has happened as a result of the Auditor General's report. I think the general consensus is that that is providing much-needed clarity between the functions of the department and the way that we service the Waste Authority and the functions of the Waste Authority and the way that it reports to the minister.

The CHAIR: Is it the clarification aspect and also the service level agreement—are they public documents?

Mr ROWE: Yes, they are.

Mr GEISLER: The clarification is not.

Mr ROWE: No, the statement of intent is published, and the statement of expectation is —

The CHAIR: The statement of intent is the ministerial statement of intent, but what about your response to that?

Mr ROWE: Yes, that is also published.

Mr GEISLER: That is also on the website, yes. But the advice we got from the Public Sector Commission on the clarification of the roles and responsibilities, that is not public, but it highlighted that there is some confusion about the wording. In some documents we are the agency and sometimes the department is the agency. It is about financial management and there is a finance act and there is the responsibility of the DG. But the Waste Authority also has a responsibility for the WARR account, so there is room for improvement, but the WARR act review is coming up next year and that is an opportunity to fine-tune that.

The CHAIR: So there has been clarification but there is still confusion.

Mr ROWE: I think the confusion probably relates to the way that the act is constructed. Mr O'Connor's advice did go to the question of how the act was constructed, particularly, as Marcus was suggesting, because under the Financial Management Act, I am the responsible authority for the expenditure, even though the Waste Authority is advising the minister on how the money should be expended. The minister ultimately makes that decision but it is the director general under the Financial Management Act who is responsible for that funding. There are those kinds of things that could probably benefit from a bit of teasing out in the way the act is constructed, and there are probably a few other things that could benefit from that. Fortunately, as Marcus indicated, the WARR act, the Waste Avoidance and Resource Recovery Act, is due for review anyway, so it does provide that opportunity to look at whether we can provide additional legislative clarity between the roles and responsibilities in addition to what we are doing administratively through the various instruments that we have established—the service level agreement, the regular discussions that we have—and the statement of intent and expectation that has been received from the minister.

The CHAIR: What about the development of business cases? The third and fourth parts of that recommendation includes the development of business cases and implementation plans for all projects funded by the WARR account, and then the provision of comprehensive progress reports.

Mr ROWE: My understanding is that that is now in place and it has been since 2016–17. All of the projects and programs now have a business case developed and recommended.

The CHAIR: Since 2016, but I think the Auditor General said they could not find the information in regard to that.

Mr GEISLER: There are business cases and project management plans for every external expenditure program. There is no business case required for internal expenditure like staffing costs and the support costs, which are provided by the department. I think that is the logical next step. Even if there is a funded program externally or an external party, there is a business case that is approved through the business plan by the minister and there is transparency and tracking, so that is in place. Now we just need the same rigid tracking and development for the internal cost of the department as well, because we need transparency on that as well.

The CHAIR: And there are comprehensive and consistent or continuing progress reports on what you do?

Mr GEISLER: Yes, on a monthly basis. We have the traffic light report that shows what programs are all on track and there is the financial information on that. Every quarter there is a review of the total expenditure tracking against the budget. We got some advice from Ernst and Young. They went into the department and we set up a reporting format together with the consultant and it has been in place now for four months. That is actually performing well.

Mrs L.M. O'MALLEY: Just on that, when you were referring to the quota and expenditure, what about collection? When we look at levy collection, how is that being tracked?

Mr GEISLER: The Waste Authority or the WARR account—the levy account—automatically gets 25 per cent allocated of the budgeted amount. Then the department's responsibility is to collect the outstanding levies. That is not a role of the Waste Authority.

Mrs L.M. O'MALLEY: Would you mind expanding on that?

Mr ROWE: I might ask Sarah McEvoy to give the detail on how that works.

Ms McEVOY: We have quarterly payment of levy. There is a team that undertakes the levy collection. That includes following up any late payments et cetera. Because the levy applies to waste that is either generated in the metropolitan area or disposed of in the metropolitan area, we are well aware of the liable entities. There is a different method of calculation for the different kinds of waste but the team is well aware of those kinds of things. We track that in a similar kind of way to other financial tracking, and that includes an analysis of levy receipts against levy forecast revenue.

Mrs L.M. O'MALLEY: Additionally to that, I have noted in some of the communications from the report of the possibility or intention of moving waste from metro to regional and how that is potentially a point of loss. Is that something you have a comment on as well?

Ms McEVOY: That is a compliance function. That is certainly something that is part of the compliance and inspection program. We are also aware of the liable kind of potential places where that sort of waste can be disposed of, so we check that. We also have an illegal dumping team. They also check to see if there is any commercial quantity disposal of material to non-licensed premises.

Mrs L.M. O'MALLEY: Just on that, the experience I have, too, with the illegal dumping is that it also puts additional pressure on some of those areas of bush that are being managed.

Ms McEVOY: That is true. We have partnerships with local governments and other agencies that are land managers to be able to work with them to reduce the incidence of illegal dumping through covert operations and targeting particular dumping sites.

Mrs L.M. O'MALLEY: Just finally on that point, is there any way of getting an understanding of potential loss of revenue through illegal dumping or through movement of waste to regional areas?

Ms McEVOY: There is no significant evidence of illegal dumping being a significant loss. Obviously, it is an amenity issue. I think having that deterrence of regular operations definitely helps with avoiding that being a source of loss. In terms of regional landfills, there is no significant evidence of loss of levy from there. Obviously, we would need to keep on top of that because there is always the chance that individual operators may try to avoid levy payment. Because of the way the levy works, it is possible to stockpile material and not dispose of it to landfill. That can affect the flow of levy liability because it is only liable once it is disposed of to landfill.

The CHAIR: I want to go off track a little bit before my colleagues ask a question and it is really triggered by what Lisa said about levies and so forth. Part of this is the act and the interpretation of the act. From what I can gather, once you determine a substance is waste, the material is a waste material forever and you do not seem to look at the use of it. I think there was a High Court case, and you know of a dispute of a certain organisation. Is there any material that does not attract the landfill levy and does the department classify any landfill sites that do not attract the levy?

Ms McEVOY: By definition, landfill sites only accept waste. That is —

The CHAIR: So you do not have any sequential land—there can be no sequential land use in WA?
[9.50 am]

Ms McEVOY: Absolutely. We have addressed the court case to which you refer by making some regulatory amendments recently and also changing our landfill classification and waste definitions document. The definition of waste is quite complex, which obviously we found from that court case. It can change—whether something is waste at any particular time in its life. Justice Beech basically said that waste was a material that was unwanted by its source. That can change from time to time. What is unwanted at some particular time might be wanted at a different time. We are very much wanting to encourage re-use, recycling, so that is a key part of waste avoidance and resource recovery. The changes to the regulations were all about making things like sequential land use much more possible, so defining clean fill and uncontaminated fill so that you could use those materials for filling for land development, including moving materials from site to site without attracting a levy or being required to hold a landfill licence.

The CHAIR: With the changes you have made, would that mean that with decision that you have responded to, there is now a greater chance of sequential land use in WA?

Ms McEVOY: Yes. Having said that, it is not possible to change something from being landfill to not landfill at a whim. You need to be using that material as part of the development. If it is uncontaminated material, you are filling that land with the intention of developing it from the start, rather than converting a licensed landfill right at the end and saying, “That’s no longer a landfill.”

Mr D.C. NALDER: Just on the recycling, I am referring to the fact that by the end of June 2017, the DER should have identified and agreed on solutions that will enhance the accuracy of waste and recycling data to report against the waste strategy. There has been a lot of talk about what is happening with China and accepting recyclables and accepting all this sort of stuff. Are you able to share where this is at and what is actually happening so that we can see it in practice or the practical outcomes or applications of the new policies in this space?

Mr ROWE: I might make a start and then others can chip in. I understand that this is a longstanding issue. We were talking about it earlier and the Waste Authority has had this on its radar for some years. Of course, the Auditor General brought it further to attention through this process. My understanding is that we are close to finalising a waste data information strategy research report to look at waste data needs and gaps. That is to be expected as part of mid-2018, so that is an overall piece of strategy work. However, we are also drafting amendments right now to the Waste Avoidance and Resource Recovery Regulations 2008 to effectively make data collection from local governments, recyclers and large non-metropolitan local governments mandatory so that that will really tighten up what we expect or require from people and greatly improve the accuracy of the information that we collect. That will be a matter of finalising those regulations and probably some further consultation with stakeholders about the methods that will be applied so that we are clear about what we are asking for and that people are able to provide that information. Then, depending on the drafting priorities and the priorities of the government, hopefully, that will be in place in the next six to 12 months. We would start to see greater requirements on people to comprehensively and consistently report back to us about the level of recycling that is occurring.

Mr D.C. NALDER: That is councils?

Mr ROWE: They will be included—local governments, recyclers and large non-metropolitan local governments. Is there anybody else there that is included on that list?

Ms McEVOY: Waste operators.

Mr ROWE: Waste operators, yes.

Mr D.C. NALDER: How do you define “large non-metro”?

Mr GEISLER: The regional council? This is a local government with more than 15 000 population—Kalgoorlie, Albany, Port Hedland.

Mr D.C. NALDER: So the Narrogins, Wagins and Merredins do not count?

Mr GEISLER: No. I think they are classified as remote.

Mr D.C. NALDER: It is mostly on the coast.

Mr GEISLER: Yes. But this is interesting. We requested this mandatory data collection in 2013 and 2015 of the then DG and finally in 2018, there is an action through this response. Of the private sector, we get about a 65 to 70 per cent response. There are some huge operators and they can actually skew the outcome of the numbers of how much is recycled and how much is received. It is very important to have this mandatory data collected.

Mr D.C. NALDER: Pardon my ignorance on this; I just want to explore this little bit. What I hear anecdotally and what people talk about is that councils are taking recyclable material, so people in their homes are putting it in the appropriate bin, but a lot of that is ending up in landfill somewhere because there is no-one to take these recyclables, whether it is China not taking them or —

Mr GEISLER: I think that is a different discussion, but just on the China situation, it is basically an opportunity. It is a short-term threat but a long-term opportunity. China made a decision 15 years ago to clean up their environment because they were importing recyclables and within these recyclables a lot of waste was mixed in as well. Last year, they actually said to the market, “We will only accept, instead of five per cent contamination, 0.5 per cent”—so non-recyclables in your bales of recyclable materials. They are just tightening up their quality control. We would do the same I think if we were importing. We could not even get 0.5 per cent into the country here because you cannot bring in waste into Australia. I think they are doing the right thing from that point of view. They are cleaning up their environment. The recyclables are now finding their way—not directly to

China but we are now going to other countries like Indonesia, Malaysia and Vietnam until they tighten up their restrictions as well. It is just a matter of time. The opportunity to look at onshore processes instead of just sending bales with a little bit of rubbish in it—we should do onshore processing. The minister has formed a task force and we are exploring the opportunity for that. Where this goes back is to what we call a recycling centre. We never recycled in Australia, so it is a sorting facility. When the community puts recyclables in the yellow-top bin, unfortunately, they put in about 20 per cent of material that should not be in there. Then it has to go through a process and this process tries to eliminate these non-recyclables —

Mr D.C. NALDER: Nappies and all sorts.

Mr GEISLER: Nappies and stuff that should not be in there. A lot of it is actually clarity on what can go in the bin, and a lot of it is wish-cycling. People actually wish or hope that if they put it in the recycling bin, it gets recycled. If it is not on the list of recyclables that can go into the yellow-lidded bin, it will never be recycled and that material will have to go to landfill. That is about 20 per cent and some areas are 30 per cent. That all goes back to awareness and engagement and education.

The CHAIR: Is it the local governments that have to do that?

Mr GEISLER: Yes, the local government is responsible for that.

Mr ROWE: Just to be clear on that, in relation to your question, Mr Nalder, around how you hear that recycled materials are going to landfill, that is not our understanding. Notwithstanding that China saw a decision and the fact that there might be challenges over time and the need to develop a local processing facility, at least in Western Australia we do not think it is the case that recycled material is ending up in landfill.

Mr D.C. NALDER: I have only read it in reports and it is anecdotal and so forth. But is there a governance process around to ensure that that is the case?

Ms McEVOY: I guess just through the task force there is the conversation about the local processes.

Mr ROWE: Sarah has just reminded me of the minister's task force, which is chaired by his parliamentary secretary, Reece Whitby, and includes representation from the waste industry, local governments, community organisations, the Waste Authority, the department and others. We have had three or two meetings. In each instance we have been trying to check with the operators about whether there is any evidence to suggest that the situation is changing in response to China. Their advice to us is, "No, it is not; the recycling is still continuing." There are still markets that they have for it. Often people are confused with the situation on the east coast of Australia. We are not in the same situation as many of the eastern coast local governments are.

Mr D.C. NALDER: Why is that?

Mr ROWE: Because there is a different contractual relationship between the way that the waste is managed here between local governments and the waste providers. The general understanding we have is that there are very few local governments in metropolitan Perth that are having an issue at the moment with regard to recycling their material. Where there are the few that may be having an issue with their provider, they are dealing with that in a contractual sense. That is a relationship that they have in their contract, but Marcus would have much greater visibility of the intricacies of how that relationship is working. Where there are the few that may be having an issue with their provider, they are dealing with that in a contractual sense, so that is the relationship they have with their contractor, but Marcus will have a much greater visibility of the intricacies of how that relationship is working.

[10.00 am]

Mr GEISLER: A good example is Victoria. There, the operator of the sorting facility were paying at the gate for the material. Now the commodity prices are dropping they have to fund the process, so now they actually want to open up their contracts; they want to get a gate fee now. Typically, in the facilities in Western Australia a gate fee is already applicable, so the pain is not that much. But if the commodity prices, because they are still commodities—plastic, paper and cardboard, steel and aluminium—keep dropping, obviously, there needs to be more revenue at the gate. So there is definitely a link between them.

Mr D.C. NALDER: Twenty per cent of recyclable has general waste in it. What is the other side, for general waste? Are we getting better? Is that ever checked, as to how efficient households are getting? I know, as a consumer, I am sometimes confused. I sit there going, “Is this recyclable or not recyclable?” I will wash something out and hope it is. There is a degree of ignorance, but is that getting better? As an education process, what are your processes for checking and then ensuring that this improves?

Mr GEISLER: A couple of years ago, one of our programs started, called the Better Bins program, because there were still local governments that had one bin, and over the other side of the main road there was a local government that had three bins. I am talking about Stirling and Bayswater. It was very confusing that the neighbour on the other side of the street has three bins and I have one bin. The lid of that one bin was yellow. Just put it all in, we will recycle it for you! The national and international evidence is that separating at the source is the best way to recover material and to minimise waste generation as well, because you create an awareness with the community, what goes in what bin and how much waste you generate. The Better Bins program is actually about subsidising the rollout of more bins, so more separating at the source for households. It is between \$6 and \$30, whatever option they choose. For example, Stirling, the biggest local government in the metro area, they went from a one-bin system to a three-bin system. Now they have a yellow-lid bin for recyclables, they have a lime green-lid bin for the organics, and they have a red-lid bin for the residual waste.

Together with that Better Bins program, there is an education program that local government has committed to. Through the funding, they have to put some of the funds towards education and awareness.

We also develop, as the Waste Authority, the right bin toolkit. It is more a guide for local government, how to communicate with the residents on what goes in what bin, because it is confusing. Until we have the same collection system and consistency in the metro area or in Western Australia, so we all have the same collection system, it is going to be difficult to get that simple message across.

Mr D.C. NALDER: So that is something you are looking to enforce?

Mr GEISLER: Yes, it is a \$20 million program. We are three years in the program, and about 40 per cent of residents will have a three-bin system in the next couple of years. It is a voluntary program. It would be easier if these things are mandatory and we work towards a transition period so everybody has the same system, because then obviously the communication is much easier.

The CHAIR: Bunbury has the three-bin system and my 83-year-old mother is completely confused.

Mr GEISLER: Maybe she should look on our app!

Mrs L.M. O'MALLEY: The City of Melville is also rolling out the three-bin system. Just to clarify, the cost of that will largely sit with the local government authority, is that correct?

Mr GEISLER: About 80 per cent of the up-front cost.

Mrs L.M. O'MALLEY: It is voluntary; therefore, it is probably going to depend a little on the size and the capacity for the local government to deliver. So is that something that the authority is tracking as to, like you said, 40 per cent at this point in time?

Mr GEISLER: Yes. Officers are talking to all local governments; we are trying to convince them to get on board early. We limited the time frame to three years. It is a \$20 million program. It was a very slow take-up in the first couple of years; now a lot of local governments are getting on board. The minister has approved the extension of one year, and I think we will keep on extending it until everybody is on board. There are existing collection contracts in place, so obviously we have to take that into account as well.

Mrs L.M. O'MALLEY: Is the \$20 million mostly taken up with promoting it?

Mr GEISLER: No, that is hardware. That is the bins, that is the rollout cost, and education is 10 to 15 per cent of that as well.

Mrs L.M. O'MALLEY: I am quite interested in looking at recommendation 3, which is around improving stakeholder guidance and current resource recovery rates, and the role of the state government in that. I am curious as to what progress has been made towards completing a waste and recycling infrastructure plan, and also, in particular, number 17 around the role the state government has in adopting a procurement policy that promotes the use of recycled products. I guess it is procurement around the actual purchase of recycled products for government, but also on recovered waste. I think you mentioned the example earlier, which I have experience of, and that is the clearing of the Roe 8 site; a lot of that waste was able to be repurposed for the Murdoch extension, so showing that really positive impact in that regard. So where are we up to with any other commitments around that?

Mr GEISLER: Two years ago, another flagship program started, the recycled construction products program. That is a \$10 million program, and that actually subsidises the end user. In this case, 80 per cent—\$8 million—is earmarked for local governments to use recycled road base in their roads and footpaths and parking lots. There is \$2 million earmarked for private developers, so they actually have access to it as well, and that is by subscription, so we open up the round and they can put their projects in.

Unfortunately we have not been able to spend a lot of those funds, I think between \$50 000 and \$100 000 of the \$10 million over the last two years, because the acceptable limits of the material—this is a technical discussion, and this has been resolved, actually, in the last two months. The department has now agreed with the maximum contamination limits that are acceptable, so that technical argument is off the table, so that is good; the way is open. Now local government just has to take up the material. We are promoting it heavily.

What also happened in the last six months is that the procurement of recycled product is definitely pushed by the current government, and the department is doing a lot of work on developing this procurement. For example, in Victoria, 20 per cent of road base has to be recycled material, so to create a little bit of pull in the market, if it is economically available in the area. I am originally from the Netherlands. We have had for a decade now that 50 per cent of road base has to be recycled content. So by having a recycled content policy as a government, obviously, that will help the market to integrate that pull through the facilities. Then obviously industry will invest in processing capacity.

There is about 5.4 million tonnes of waste generated in Western Australia, and half of that is construction and demolition waste, so if you want to achieve our diversion from landfill targets, construction and demolition waste is definitely an area to target.

Mr ROWE: I might just add to that, if I may. As Marcus suggested, the department has made good progress in working with particularly the health department in terms of arriving at an agreed standard in relation to potential contamination of materials. Marcus and I have also been having very productive discussions with the director general of the Department of Transport about how the transport portfolio might demonstrate government leadership in greater use of construction and demolition materials, and that agency is actively looking at opportunities to support that. The general advice we have from that portfolio and our understanding is that local governments will probably look to the state government in leadership in this space, so if the local governments are confident that the re-use of construction and demolition materials, particularly for things like road base, are good enough for the state government, then local governments generally will follow suit. So we are hopeful that these are positive moves in the right direction and we continue to work across government to that outcome.

Your other general question was about government procurement more generally, to do with sustainable procurement. The Waste Authority had approved a consultancy which is engaging with government departments to explore that option across the board. In addition, as part of informing the current waste strategy, Marcus and I have also met with a number of the key directors general of government agencies to really look at what opportunities their portfolios and departments may have to lead by example. So we have met with the Department of Finance, who obviously is responsible for government procurement overall, and they are very open to reviewing the sustainable procurement policy to support that kind of agenda.

We have met with the education department. Clearly, they have a big footprint and obviously a very important educational role to encourage our next generation to think this way. They are open to working with us. There are some opportunities in that space. The Department of Communities, particularly in the housing space, the public housing that they construct either privately or within joint ventures, again is another great opportunity for government to be leading by example. So there is a very active conversation across government right now to support a greater uptake of sustainable procurement by the state government.

[10.10 am]

Mr D.C. NALDER: Coming back to this question I asked around landfills and recyclables, you said there is no evidence. Can I ask why our landfill diversion rate for metro and municipal solids is continuing to worsen, so the rates that are actually going is continuing to climb? Why is that occurring? What is causing that?

Mr GEISLER: I think we are in a transitional phase. Local government is moving away from fixing and pulling apart waste at the end of pipe, so the technical solution, and they are moving towards separating at the source through the three-bin system. It was mentioned before: in Bunbury, they have been very successful with the three-bin system. They get a diversion rate of 65 per cent for the municipal waste from the households. It is all about local governments implementing the right collection systems and employing the right engagement and awareness campaigns.

Mr D.C. NALDER: But the diversion rates are getting worse.

Mr GEISLER: That is because processing facilities are closing down. The Atlas facility closed down, that was looking after the Stirling waste stream.

Mr D.C. NALDER: So more recyclables are going into landfill?

Mr GEISLER: Potentially.

Mr D.C. NALDER: I asked that earlier, and you told me there was no evidence. I am saying that diversion rates are actually getting worse.

Mr ROWE: Yes, I understand your question now. At the risk of not wanting to mislead the committee, what I had thought you were interested in was where there was active source separation occurring, say, with the material that was sourced, and at that end —

Mr D.C. NALDER: I did not define it that way.

Mr ROWE: My apologies; I must have misunderstood the nature of the question. If you look at the recycling rate as we understand it—the latest figures that we have are for the 2015–16 financial year—the overall state recycling rate has gone from 31 per cent in 2010–11 to 48 per cent in 2015–16, but that includes three separate waste streams. It includes municipal, construction and demolition waste, and commercial recycling as well. So if you look at the municipal solid waste recycling figure, which I think is the one you are interested in, it has gone from 39 per cent in 2010–11 to 35 per cent in 2015–16.

Mr D.C. NALDER: It got up to 45 per cent in 2012–13.

Mr ROWE: It did; that is right.

Mr D.C. NALDER: That is what I am more concerned with. It was improving and then since 2012–13, it has fallen off a cliff.

Mr ROWE: Yes. I guess the other point we discussed a little bit earlier was the increased uptake of the Better Bins program, and this is a lagging indicator. We would hope, given the uptake of local governments in the last few years of that new Better Bins program, that we would start to see these figures improve as source separation, we hope, will start to improve at the local government level.

The CHAIR: Is it not Marcus' point that we are putting a lot of emphasis on source separation by residents, but local councils are doing away with separation at their end. You are about to embark on an explanation of what the City of Stirling used to do with Atlas and how they have stopped doing that. I do not mean to cut across Dean's line of questioning, because I am interested to see where it ends, because I think it is the right line of questioning. But, firstly, is that happening; secondly, what sort of penalties can we put in place for the local councils not carrying the weight?

Mr GEISLER: First of all, I think Stirling and Atlas is a great example, because everything that went into Atlas that went into the recycling facility was assumed that it was recycled, and it was reported in the data collection that it was 100 per cent recycled. The organics went to a farm 200 kilometres from Perth, and 100 per cent of the material was recycled.

We have not verified, and I cannot believe that, actually, if you put something in a facility, 100 per cent is then reused and recycled. So one good question, the 45 per cent achievement or diversion, they claimed 100 per cent. This facility has stopped operating because of the low quality of material.

Another facility that is going to close down in three years is the SMRC facility, because it has a 20-year life. The SMRC region is actually moving to source separation, because through source separation you get a better quality material, which then improves the opportunity for markets, instead of having inferior products, first putting everything into one bin and trying to pull it apart. So we are going to see these movements for the next couple of years until the mechanical separation has been phased out and we move to source separation.

The CHAIR: What is wrong with doing both? Why would you not do both? Because if residents of Perth are throwing—what you said earlier is that 20 per cent of the stuff that goes in the yellow top bin is not recyclable.

Mr GEISLER: Yes.

The CHAIR: So you are still going to need to do mechanical separation at the end, even if you get 80 per cent.

Mr GEISLER: Well, we are talking about two different bins.

The CHAIR: Except that the residents keep putting rubbish in the recycling bin.

Mr GEISLER: That is correct, so more emphasis should be laid on awareness and engagement.

Mr ROWE: Can I just clarify. I think Ms McEvoy might have an answer that might help Mr Nalder understand the shift in those numbers as well.

Ms McEVOY: Yes. It is really important to know that the municipal solid waste recycling rate is not just about kerbside collection. It includes all of the activities that local governments do. There has been a change in the way that we report the construction demolition aspect of that—quite a significant reduction. As Mr Rowe said previously, the C&D recycling rate is actually better, but part of that is also because some of that was previously being reported under the MSW category, and now it is being reported through the C&D recycling rate. So I think it emphasises the previous discussion we had about the data not being very good and there really needing to be a lot more emphasis on accuracy of the data.

Mr D.C. NALDER: Your problem with that explanation is that your C&D strategy target for 2015 was 60 per cent, and you have not hit it.

Mr ROWE: No, that is quite true.

Mr D.C. NALDER: Your 20 per cent target is 75 per cent, whereas at the same time your strategy target for MSW was 50 per cent by 2015 and 65. So that does not actually hold that argument, because you have these targets on both of them that are well above what you are actually delivering. Even though it has come off, and you say this one has climbed, they are still both below target.

Ms McEVOY: Yes, they are, that is quite true, but the explanation within the bounds of the performance not being adequate is still that the way we have accounted for recycling in various sectors has changed.

Mr D.C. NALDER: Why were the targets not updated? They are relevant.

Ms McEVOY: The targets are part of the waste strategy, which was from 2012.

Mr D.C. NALDER: But you have changed the methodology, you said, as to how you ascertain it, so part of changing a methodology, you would think you would reset your targets, would you not? Otherwise they are irrelevant.

Ms BLOOM: That is currently being done. Right now the waste strategy is being reviewed; the act requires it to be reviewed. As part of that, the targets are also being reviewed, and that is at a stage now where it is with the minister's office in the third round. We are just about to go back and make any changes. That will go back out for public comment and then it will come back in for the final iteration, so in actual fact the targets will be reviewed as part of that. That will take into account what Ms McEvoy has just said in terms of the way that we are applying the methodology.

Mr D.C. NALDER: You would acknowledge that it is very hard for us as the community to have confidence in the numbers if there is a change in the methodology and we are trying to understand how the department is performing against those measures, because at this point, when you look at this, it says you have failed. Do we agree on that—that the department has failed in the targets it has set itself?

Mr ROWE: I do not think I would necessarily agree with that statement, given that it is not just the department's responsibility to achieve this, and in the end a lot of it depends on community behaviour. There are other actors in the system that will assist with delivering these targets. They are targets that should be applying at the community level, I would have thought, because there are more influencing factors than just the Waste Authority alone; indeed, than the government can do. Local government has a part to play in terms of educating their community; the community themselves have a role to play.

Mr D.C. NALDER: So what accountability sits on the government in this area?

Mr ROWE: I think the accountability sits with the decisions it makes in relation to the funding it chooses to expend and the success of those programs.

Mr D.C. NALDER: Are you saying that we have not put enough expenditure into those programs?

Mr ROWE: I am not necessarily saying that, no.

[10.20 am]

Mr D.C. NALDER: We have set targets; we have not hit targets. I assume we have established these targets?

Mr ROWE: The Waste Authority under the act prepares the strategy; the government adopts the strategy. This was done for 2012.

Mr D.C. NALDER: But it is the recommendations from the department that these are the targets that you are establishing?

Mr ROWE: It is the recommendation of the Waste Authority to the government, and it is whatever the government finally determines, so it is the government's strategy, ultimately.

Mr D.C. NALDER: But the government has taken its advice from the department, correct?

Mr ROWE: And the Waste Authority.

Mr D.C. NALDER: But the Waste Authority is part of the department, correct?

Mr ROWE: No, the Waste Authority is separate from the department. It is a five-member board. It is entitled to express its own views, and it does, and its responsibility is to develop the waste strategy under the act. The department supports it in doing that.

Mr D.C. NALDER: Who is accountable for setting these targets?

Mr ROWE: Ultimately, it is the government on the advice of the Waste Authority.

Mr D.C. NALDER: So the Waste Authority is the one that made the recommendations around these targets. Is it the Waste Authority that has changed the methodology in assessing what is considered MSW and C&D?

Ms McEVOY: It is basically decreasing the amount of recyclable material reporting as arising in that stream, so it is really about local government and what they have done with that material.

Mr D.C. NALDER: What I am trying to get to is there seems to be all care but no responsibility. I am trying to understand who is accountable for setting the policies and then accountable for actually implementing them, and what I do not get a sense of today is accountability around the implementation of ensuring that things happen. I imagine, if you set a target, you are setting programs in place to deliver on those, and either the programs are working or—you have suggested there is a change in the methodology, which does not add up. It still does not add up. I am not sure exactly what processes you follow to actually be clear about what the objectives are, what the

strategy is, and the implementation plan, and who is actually responsible for delivering that. I am not sure where that is at.

Mr ROWE: I think the review of the Waste Authority's strategy right now provides exactly the opportunity that Jenny has already mentioned, to look again at those targets to see whether they are realistic and what they could be. I guess I would go back to what the Auditor General said in his comments, which was —

This audit showed that waste generation and recycling figures are trending in the right direction. However, they are still well short of the 2020 targets in the WA Government's Waste Strategy: Creating the Right Environment.

The Waste Authority and the Department of Environment Regulation have a tough task in changing behaviours and practices. More effective coordination and cooperation will go some of the way to achieving desired outcomes. But what is really required, particularly as our population increases, is commitment by the entire community.

So I do take the point that you are making, which is trying to be clear about who is ultimately responsible for this. It is reasonable for a strategy to have realistic targets, and for that to frame the investment by government to try and achieve those targets, but ultimately it has to be a shared responsibility.

Mr D.C. NALDER: I do not disagree, but if I come back to the responsibility of the department, you have set these targets, you have set a plan in place. What reporting is there on how we are tracking against this, and are there reports there that actually describe these things that we have just talked about that are missing? Because it has taken this inquiry and an Auditor General's report to get in and go: Where are the service level agreements? Where are all the strategies and the activities that have been undertaken? Because according to the reports we have, they cannot locate them, even following the recommendations that they made.

Mr ROWE: Right. I guess my general overview about all of the recommendations is that the department and the Waste Authority have acted on all of them, so where they refer to additional governance mechanisms that needed to be put in place—the service level agreement is now in place, the governance review is underway, the data strategy is being finalised. So there are pieces that have been done; there are pieces still in play. They may not have been against the time frames that the Auditor General recommended, but all of the recommendations have been acted on from that inquiry. To an extent, some of those are publicly available already on the Waste Authority's website.

The Waste Authority right now is reviewing the next iteration of the waste strategy, as it is required to do under the legislation. That will then set out the next five years of direction as well as potential investment by the government on the advice of the Waste Authority in terms of new programs. Clearly, we have to be aware of the success or failures that have happened over the last five years in relation to what needs to be done differently into the future.

Mr D.C. NALDER: The Auditor General has been relying on desktop audits to be able to ascertain where this is at. What I am trying to get to is more transparency. Is there a commitment from the department and the Waste Authority that, in reviewing what you are currently doing, there will be a lot more transparency and communication, such that it does not rely on someone to have to come and do a deep dive on the department to understand what is going on?

Mr ROWE: I think that is a very reasonable expectation. This government has made it very clear that it expects its agencies to be transparent, and if we can do a better job of doing that, then we are happy to do so. We do report in our annual reports about the targets and how they are being

delivered. Some of the targets form performance indicators that we report on as a department in part of our budget process. So there is a degree of transparency there but we can always do better.

The CHAIR: Not wanting to cut you off, Dean, but we do have to stop. Lisa, quickly ask the question, and can we have a quick response.

Mrs L.M. O'MALLEY: I want to go back to quality of the product, because underlying a lot of this potential closure of markets is around quality and also the fact that some facilities have closed up shop, and whether that is also a possible reflection of that. Very quickly, two parts—one is I do not necessarily need to get the full run-down of what all the various strategies are around improving quality, that is really key and important, but the other part of my question is whose job is it to seek new markets?

Mr GEISLER: First of all, I think we should target—and this features heavily in the new strategy—avoidance. Avoidance is the best way to deal with waste in the first place. But the better quality and the cleaner we can get the material, the more opportunities there are to look for markets. There is another issue coming towards us, which is glass in paper and cardboard. That is going to be a big issue, especially for the printing industry. Whoever has the cleanest products will have the most opportunity to get the highest price in the market and actually have sustainable markets. So it is important to get the collection system right up-front so that we can deal with the product in a better way.

Market development, it is interesting. We are trying to give an incentive to the market and give it a little bit of a kickstart. We tried to do that with the recycled construction product. But you cannot endlessly subsidise a market just to keep it alive. Sometimes you have to accept that it is a dead end. We have to look for another opportunity, and a good one is plastics. There is a big focus on plastics. There is a lot we can do with local plastics instead shipping it overseas. We generate about 8 000 tonnes of plastics. We generate a total of 5.4 million tonnes of waste in Western Australia—8 000 tonnes of that is plastic in the yellow recycling bin. We can make plastic lumber out of that; the local government can use it for furniture in parks and gardens. We should look at innovations in markets, and that is the whole idea why we have the community grant scheme, so we fund these innovations. We have community engagement.

Mrs L.M. O'MALLEY: I could talk waste all day.

The CHAIR: We really do need to stop. There will be some follow-up questions coming, probably following on from some of the things that Dean said. I have some questions also.

Thank you for your evidence before the committee. We will forward a copy of this hearing to you for correction of transcription errors. Please make these corrections and return the transcript within 10 working days of receipt. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be introduced via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence. Thank you once again for coming today.

Hearing concluded at 10.28 am
