



Ms Marie Dalins
Director, Adjudication Branch
Australian Competition and Consumer Commission
GPO Box 3131
CANBERRA ACT 2601

Dear Ms Dalins

RE: AA1000409 – TYRE STEWARDSHIP AUSTRALIA – JOINT SUBMISSION

Thank you for your letter of 13 December 2017 inviting comment on the application for authorisation from Tyre Stewardship Australia (TSA) for continuing a voluntary, national Tyre Stewardship Scheme (the Scheme), which aims to increase the recycling rate of end-of-life tyres (EOLT). I would also like to thank you for granting an extension to 2 February 2018 for provision of this submission.

This submission was prepared in consultation with, and reflects views of, Commonwealth, state and territory environment agencies, the Australian Local Government Association, and several state local government associations. Some of these organisations will also provide individual responses. Several publications are referred to in this submission, which we understand have been provided as part of TSA's application for authorisation.

We support a Scheme that achieves measurable targets, and acknowledge the TSA's work to date in administering the scheme on behalf of the tyre industry. In working closely with Commonwealth, state and local governments the TSA ensures a coordinated national approach to minimising the environmental, health and safety impacts of EOLT's generated in Australia.

When implemented to its full capacity and if aligned with clear requirements for data collection, reporting and ramifications for unmet targets, the scheme remains a suitable model for tyre product stewardship. We believe, as an industry-led organisation, TSA has delivered value in continuing to progress the scheme. For example, most major brand owners now participate in the scheme (more than 50% of tyres sold in Australia are by TSA accredited retailers). TSA has also established an accreditation process, a research and development fund, and increased awareness of the importance of tyre recycling.

However, it should also be acknowledged that while the scheme was designed to cover all EOLT, the current focus is on passenger tyres. Engagement with off-the-road (OTR) tyre manufacturers has stalled and is an area that could be highlighted as a future strategic opportunity for TSA.

There is significant national public interest in the continuation of the Scheme by TSA. As well as the continuing uncertainty about the fate of a significant proportion of used tyres, recent events including:

- tyre fires in Victoria in January and February 2016
- tyre fires in Queensland in March 2016 and June 2017

- costs incurred by the Victorian Government in dismantling a tyre stockpile in Stawell
- numerous fines of Victorian businesses in breach of the Victorian Tyre Storage Regulations, and
- ongoing risks and costs associated with tyre stockpiles across Australia, including Tasmania, Western Australia and Queensland

demonstrate the need for an ongoing Scheme.

However, there is limited objective evidence or data demonstrating positive environmental outcomes from the Scheme, particularly in rural and regional areas, and several of TSA's performance targets have not been achieved. We consider that improvements are required to ensure an effective Scheme during any future period of authorisation.

Benefits of TSA

The ACCC has specifically sought input on the benefits of TSA, which we consider to be the following:

- increased resource recovery and recycling, and minimisation of the environmental, health and safety impacts of end-of-life tyres generated in Australia
- development of Australia's tyre recycling industry and markets for Tyre Derived Products (TDP)
- acknowledgement of the inherent value of all end-of-life tyres across Australia
- recognition that there is a cost associated with ensuring the environmentally sound use of EOLT
- commitment to market-based solutions for environmentally sound EOLT management
- commitment to achieving the highest value end-use possible for EOLT's in accordance with the waste management hierarchy
- support for relevant policies and legislation and compliance with relevant laws and practices, including those that apply to the environment and occupational health and safety.

Public Benefits

We consider that the Scheme is able to deliver a range of benefits for individual participants, the tyre industry as a whole, and for the community. These include:

- increased use of a resource stream currently being disposed of as waste
- reduction in the number of tyres not going to an environmentally sound use
- an enhanced Australian recycling industry and sustainable markets for EOLT and TDP
- increased capacity to handle EOLT in Australia
- creation of new markets for EOLT and TDP through research and development
- an improved business environment particularly for tyre collectors and recyclers
- increased consumer awareness of the impacts of EOLT disposal
- enhanced credibility for the tyre industry through demonstrated leadership in environmental management and adoption of corporate social responsibility strategies.

Challenges

As TSA operations continue to mature, government stakeholders expect key performance indicators to be met, particularly relating to targets for increased tyre recycling and facilitating measurable environmental outcomes. Being a voluntary stewardship scheme, 'free-riders' have the ability for a competitive advantage by opting out of the scheme. To meet these challenges, TSA needs to address the following issues as a matter of priority:

- better engagement of recycling industry representatives as members of the TSA Board
- improved engagement with OTR tyre manufacturers and identification of resource recovery opportunities for this sector
- increased focus on member recruitment and support to address the issue of 'free-riders', including strategic actions to reduce or eliminate the competitive advantage of opting out
- actions to combat tyre retailers who overcharge consumers for recycling or disposal fees (often \$5-\$7 per tyre) but only pass on a small amount of this to tyre collectors/recyclers.
- actions to combat unscrupulous tyre collectors who dump or otherwise inappropriately dispose of EOLTs.

Other Areas for Improvement

We would like to see the following actions from TSA:

- implement the key findings and recommendations of the Independent Review of the Scheme and TSA (Marsden Jacob Review), particularly those relating to governance and reporting
- commit to real and measurable (rather than aspirational) targets that clearly demonstrate achievement of core Scheme outcomes
- commit to active engagement with manufacturers on the inclusion of mining tyres under the stewardship framework
- further accelerate the delivery of key outputs, including member recruitment, and transparency in the collection and provision of data
- consider alternative approaches such as a levy-benefit approach to provide a direct financial incentive to produce usable materials or energy commodities
- consider increasing the current levy of 25 cents per passenger tyre to more appropriately cover the cost of effective recycling and cleaning up of stockpiles
- improve consumer education and awareness about appropriate recycling fees charged by tyre retailers, and the benefits of purchasing from TSA accredited retailers
- provide strong leadership and adequate resourcing to implement the National Market Development Strategy, ensuring opportunities are realised for the development of new markets for TDP
- improve quality and robustness of reporting, including on fates of EOLTs not managed by TSA members, and improve transparency around levy expenditure.

Duration and Details of Authorisation

Given the issues raised in this submission, we consider that an authorisation period of ten years would not provide sufficient opportunity to review performance of the Scheme and ensure the Scheme continues to set and meet appropriate objectives and targets. A five-

year authorisation period would allow for performance issues, should they occur, to be addressed in a more timely fashion.

It is also important that TSA be required to engage an independent reviewer as a condition of authorisation, as was the case under the previous authorisation. We consider that performance of the Scheme could be further positively influenced by other appropriate conditions applied to authorisation, particularly in relation to implementation of the recommendations of the Marsden Jacob Review, and other matters outlined above.

Likely Future Without TSA

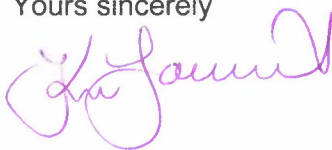
There is significant national public interest in the continuation of the Scheme. To be successful, it is important that the Scheme is administered by an industry-led organisation such as TSA. Tyre product stewardship must be led from within industry to deliver an effective program, with Commonwealth, state and territory governments providing input and oversight. This will ensure compliance with relevant legislation, regulation and practices, including those that apply to the environment and occupational health and safety.

If the ACCC does not authorise TSA, there will be continuing uncertainty about the fate of a considerable proportion of used tyres, resulting in the potential for significant environmental and economic impacts.

To assist in successful administration of the Scheme, governments in partnership with TSA have recently developed a National Market Development Strategy for Used Tyres 2017-2022. This Strategy provides a framework for a national approach to market development for TDP in Australia, with a five year approach to improve market conditions, better manage EOLTs, and drive the growth of a domestic TDP market. Following ACCC authorisation of TSA, the strategy will be implemented by TSA and overseen by Commonwealth, state and territory governments.

For further information on this matter, please contact Peter Brisbane, Director, Stewardship and Waste, on (02) 6274 1618 or peter.brisbane@environment.gov.au.

Yours sincerely



Kim Farrant
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Assessments and Waste Branch

2 February 2018