Background

About Product Stewardship

Product stewardship is an approach to reducing the environmental, human health, and safety impacts of products by encouraging or requiring manufacturers, importers, distributors, and other entities to take responsibility for those products.

The Commonwealth *Recycling and Waste Reduction Act 2020* (the RAWR Act), which incorporated and replaced the *Product Stewardship Act 2011*, provides the framework for managing Australia's recycling and waste reduction objectives. A key reason for the Act is to encourage the development of a circular economy, including through product stewardship.

The RAWR Act provides for 3 levels of product stewardship scheme: voluntary, co-regulatory and mandatory.

- Voluntary product stewardship is where industry takes the lead in managing a product throughout its lifecycle.
- Co-regulatory product stewardship uses a combination of industry action and supporting Government regulation to achieve outcomes specified in rules, such as recycling outcomes for products.
- Mandatory product stewardship involves regulation that requires entities involved in the life of a product to take actions that relate to the objective of the Act.

ACCC authorisation

The Australian Competition and Consumer Commission (ACCC) may grant authorisation of conduct proposed to govern a stewardship scheme. The ACCC's role is to assess whether the public benefits generated are likely to outweigh public detriments in accordance with the authorisation test set out in the Commonwealth *Competition and Consumer Act 2010.* The ACCC's role is not to design the ideal scheme, set environmental policy, or undertake compliance with the scheme.

About the Tyre Product Stewardship Scheme

The Tyre Product Stewardship Scheme (the Scheme) is a national, government accredited, ACCC authorised, voluntary arrangement, first launched in 2014. The current ACCC authorisation expires on 15 June 2024, with consideration of a TSA extension request underway and due for decision by the ACCC in May 2024.

The Scheme includes both automotive (passenger, bus, and truck), and off-the-road (mining, agriculture, industrial) tyres. Rubber-based conveyor belt and tracks are not part of the existing Scheme, but as there are commonalities, these are given attention too.

Tyre importers that voluntarily participate in the Scheme contribute $0.25c per Equivalent Passenger Unit (EPU) on every passenger, bus, and truck tyre they sell in Australia. For off-the-road tyres a levy is applied based on the type of tyre and rim size, capped at a maximum of $50 per tyre.

Scheme participants come from across the tyre supply chain including fleet managers, tyre retailers, waste tyre collectors, and recyclers. This creates a network contributing to the responsible management of EOLT. For example, fleet managers commit to using accredited retailers who commit to use accredited waste tyre collectors and recyclers.

About TSA

Tyre Stewardship Australia was formed and incorporated to administer and implement the Scheme in accordance with the Scheme guidelines (the Guidelines).

TSA is governed by an independent board, funded by contributors, and focused on the problem for the benefit of the entire industry. TSA's objectives, as laid out in the Guidelines, are to undertake:

- market development
- auditing and compliance
- public awareness.

TSA is not tasked to undertake the management (e.g., collection, processing, recycling) of EOLT but, through the Scheme, accredits participants in the stewardship chain.

Essentially, TSA's work, in alignment with the objectives in the Guidelines and the objectives of the Act, seeks to:

- Reduce the environmental impact of products.
- Maximise the value of the benefits of taking responsibility for product stewardship.
- Help develop a circular economy.
- Contribute to Australia meeting its targets.

Importantly, TSA is focused on boosting both the resources recovered, and the resource that is recycled (noting that recycling[1] does not include tyres destined for waste to energy).

Each year TSA runs and participates in extensive industry and stakeholder engagements and advocacy and consumer awareness communication activities. It also undertakes a significant amount of research, and funds market development – with over $9M in funding disbursed to date. TSA also performs an important data monitoring function in respect to tyres that is valued by government.

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[1] Australian standard for waste and resource recovery data and reporting (dcceew.gov.au), accessed 12 April 2024. https://www.dcceew.gov.au/sites/default/files/documents/australian-standard-wrr-data-reporting-second-edition.pdf

Issues

What is the problem that needs to be addressed?

Australia generated approximately 540,000 tonnes or 67.5 million EPU in the 2022-23 financial year. Despite substantial effort by Scheme participants, TSA, all tiers of government, and others, the:

- **Unrecovered material**: Being that which is landfilled, buried onsite, stockpiled, or dumped, continues to be a significant portion of the fate of EOLT, at **42%** in 2022-23.

  Landfilling of tyres is allowed under the scheme Guidelines, but only in circumstances where there is no viable alternative. This is clearly an undesirable outcome.

  Mining and agriculture tyre recovery rates remain dismal, with 90% unrecovered. Most mines simply bury or stockpile their used tyres onsite, as enabled by state environmental regulators.

  Stockpiles and dumping are especially prevalent and problematic in urban fringe, and rural and remote locations where councils and communities bear the brunt and do not have the resources to properly monitor such activity.

- **Recovered material**: Being waste materials separated, sorted, or processed for the purposes of waste reuse, recycling, or energy recovery, has dropped in recent years, down to **58%** in 2022-23.

  Passenger, truck, and bus tyre recovery dropped to under 80% in 2022-23. The vast majority of this is processed (size reduction) for export, with most believed to be destined to be burnt for fuel in Asia e.g., in cement kilns. To be clear, this is the current pathway for most of Australia's recovered EOLT.

  Less than 30% of recovered tyres are used in Australia. This includes applications such as asphalt for road surfacing, rubber gym mat and playground flooring, permeable pavement, and concrete road barriers.

  Globally, applications for recycled rubber include the production of new tyres, conveyor belts, and other rubber-based products.

From TSA's perspective, the key limitations of the design of the current voluntary Scheme are:

- The Scheme does not provide a level playing field for all participants, by allowing free riders.
- The Scheme does not apply a levy structure across all tyres using a standard measurement such as weight.
- The voluntary nature of the Scheme means that both financial contributions, and participation, can cease at any time, resulting in Scheme failure.

- The outcomes of the Scheme continue to be undermined by the activities of stockpiling and illegal dumping, which in many jurisdictions do not attract adequate penalties to deter such activity.
- The recovery rates in the off-the-road sector are currently under-performing significantly.
- The Scheme does not apply to certain off-the-road rubber product segments, such as conveyor belts and rubber tracks.
- The Scheme does not address disadvantages in rural and remote communities.
- Th end market demand and 'higher order' product utilisation is not incentivised sufficiently.

Why is government action needed?

The voluntary Scheme has, within its remit, done well; but it's not enough. The current voluntary stewardship approach is simply not supported by sufficient industry participants to achieve the desired objectives of the RAWR Act, or to achieve the National Waste Policy Action Plan target of an 80% average resource recovery rate from all waste streams following the waste hierarchy by 2030.[2]

While many importers have been steadfast in their support of the Scheme, it is not inclusive. Only 57% of the tyres imported (by EPU) were subject to a contribution to the Scheme in 2022-23. Broken down by tyres groups: Only 45% of car, bus, and truck tyre imports (by EPU) were covered by a contribution, which has remained largely consistent over the Scheme's lifetime, whereas 86% of off-the-road tyres (by EPU) were covered, following importers commencing contributions in 2022.

Vehicle industry support is almost absent. Only two vehicle companies, Mercedes and Porche, (circa 3% of volume of vehicle sales) are Scheme contributors. Volkswagen, the first vehicle importer to join and presently a major supplier of vehicles to the Commonwealth Government, including for MPs and Senators, recently decided to leave the Scheme without notice. This means that almost all tyres imported into Australia on vehicles, are not participating in or paying any contribution towards the Scheme.

The Albanese Labor Government has recognised the situation and has acted through the addition of tyres to the (Commonwealth Environment) Minister's Priority List, firstly in 2022-23, and again in 2023-2024.

The Minister's Priority List identifies the Minister's current priorities for product stewardship action. The listing process is intended to spur the industry into action. The 2023-24 listing requires the following of industry[3]:

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[2] National waste policy action plan – Annexure 2022 (dcceew.gov.au), accessed 12 April 2024. https://www.dcceew.gov.au/sites/default/files/documents/national-waste-policy-action-plan-annexure-2022.docx

[3] Minister's Priority List, accessed 15 April 2024. Minister's Priority List 2023-24 - DCCEEW

Actions

1. Manufacturers, importers, distributors and retailers must demonstrate improved and measurable product stewardship actions which could include any of the following: expanding and improving the industry-led product stewardship scheme (including through a significant decline in free riding); product design improvements and supply chain initiatives to increase durability, reparability, re-usability and/or recyclability; other supply chain initiatives that measurably support good product stewardship and circular economy progress. *By November 2024*

2. To avoid government regulation, tyre importers not currently members of the Tyre Stewardship Scheme should commence formal participation. *By November 2024*

Noting that little action has occurred. The Albanese Labor Government has taken the next step, which is to commence the analysis to develop options to improve stewardship outcomes across the nation. This work, being led by the Western Australian government, is anticipated to be finalised in 2024, with principles to be discussed at the next Environment Minister's meeting (EMM) in July 2024.

This analysis will help to determine the next steps, noting that if there is insufficient industry action, which seems the most likely result, the RAWR Act provides for introduction of a co-regulatory or mandatory stewardship scheme.

In the meantime, TSA continues to act with the industry to voluntarily address issues.

Benchmarks

Countries that consistently have high tyre recovery rates such as Canada, France, and Denmark have regulated stewardship schemes. New Zealand and Chile commenced their regulated schemes this year.

These countries are proving that EOLT tyre handling, logistics, processing, and supply into end markets is both technically feasible and economically viable once the right scheme, economics, and public policy settings are in place. This then contributes to achieving a truly circular economy.

Benefits

By adopting a co-regulated or mandatory scheme for tyres, conveyor belts, and other used rubber-based products, Australia can:

- Reduce the environmental impact of tyre products e.g., by requiring an 'all in approach' that includes upfront, the true cost of recycling the product at its end of useful life.

- Maximise the value of the benefits of taking responsibility for product stewardship e.g., by financially supporting recycling, and thus the related jobs and economic activity; and by significantly reducing the current costs borne by local governments and others from stockpiling and dumping.

- Help develop a circular economy e.g., by accelerating through incentives the use of products made from recycled materials in Australia across all states and territories.

- Contribute to Australia meeting its targets e.g., an 80% average resource recovery rate up from the current level of 58%.

Recommendations

Submission to the inquiry

TSA's submission to the Committee and this inquiry is that:

1. **A co-regulatory or mandated product stewardship scheme for tyres and related rubber-based products is needed and should be introduced expeditiously.**

The principles for the Scheme should include:

- All tyres entering the country should be part of the Scheme. An 'all in' approach is needed that includes all tyres, and related rubber-based products such as conveyor belts and rubber tracks. There should be no free riders.

- The true cost of tyre recovery and recycling (noting that recycling does not include waste to energy) should be paid at the point of importation. This ensures that the good outcomes that are hoped for can be achieved.

  Essentially it must be made more profitable to process end-of-life tyres (EOLT) for recycling than to bury them, stockpile them, dump them, or to recover them for export to be burnt as fuel.

- The approach must ensure the equitable distribution of resources to enable equitable outcomes for regional and remote communities.

To be effective this new arrangement must be supported by a consistent regulatory framework across the country. For example, concurrently in each jurisdiction, a phased end to the onsite disposal of tyres at mining sites, and a requirement with attached financial support for applications such as the use of recycled rubber content in road construction by local governments.

The consultation process to develop the stronger scheme should involve all sector participants including tyre importers, vehicle importers, recyclers, retailers, and tyre consumers including mining and agriculture sectors, and end market product users.

Importantly, Australian Government leadership and resources are required to establish a circular economy for tyres across the country. This will avoid a piecemeal approach where each jurisdiction is doing things differently.

Once established, a co-regulatory or mandated product stewardship scheme, through TSA (or other management arrangement), can continue to deliver market development, auditing and compliance, public awareness, and/or other desired services that ensure success, year after year.

In essence a co-regulated or mandatory scheme can enhance the market, to make it more diverse and competitive and: to:

- Reduce the environmental impact of products.
- Maximise the value of the benefits of taking responsibility for product stewardship.
- Help develop a circular economy.
- Contribute to Australia meeting its circular economy and waste targets, including to support the 'Future Made in Australia' policy agenda through increased onshore manufacturing.