



Close the Loop Limited

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Waste Policy Taskforce
Department of the Environment, Water, Heritage and the Arts
GPO Box 787
Canberra ACT 2601

Dear Sirs,

Close the Loop has reviewed the recently released Draft National Waste Policy Framework and, drawing upon its experience in electronic waste recycling, has determined to respond to several of the issues outlined in that document. This is not intended to cover all of the issues covered in the draft framework, only those that relate specifically to our eight years of operating experience.

Close the Loop has established and successfully operated a business that provides product stewardship and extended producer responsibility services to the vendors of printing and photocopying equipment. Close the Loop runs perhaps the most successful (in terms of %age of product sold) voluntary collection and recycling program for electronic waste in Australia if not the world. Our niche is imaging consumables, the toner and inkjet cartridges, copier bottles, and associated consumables that come under the banner of "computer consumable products". Close the Loop is a founding partner and operator of the 'Cartridges 4 Planet Ark' program, as well as undertaking collection and recycling programs for 5 individual producers of printers and/or copiers. The company has built a national collection infrastructure of well over 50,000 commercial, government and retail sites including every Australia Post, Officeworks, Dick Smith and Harvey Norman store. The company has developed patented processes for recovering resources from this complex and potentially hazardous waste stream. This combination of capabilities has placed the company in a unique position with respect to resource recovery from electronic waste, giving it a deep insight into the nature and form of successful product stewardship and extended producer responsibility programs.

The programs that Close the Loop operates are based on a number of Waste Policy key principles:

- All wastes, including potentially hazardous wastes, are managed consistent with Australia's national and international environmental obligations.

- The costs of resource recovery and waste management are voluntarily borne by the equipment vendors and not by the community at large.
- Our Zero Waste to Landfill policy ensures the environmentally sound management of materials and encourages whole of lifecycle solutions to resource recovery.
- Comprehensive data on waste recovery and re-use of materials is assembled (in terms of waste diverted from landfill and/or carbon benefits) and provided to program participants to monitor and measure program performance.
- Decisions are informed by the waste management hierarchy of actions, the precautionary approach and principles of ecologically sustainable development and intergenerational development.

Unfortunately, our experience is that the adoption of these five principles has not necessarily resulted in a sustainable resource recovery program for imaging consumables. In terms of the seven themes outlined in Draft Framework, our experience suggests that a number matters would need to be addressed for those themes to be consistently and effectively implemented.

Taking Responsibility

Close the Loop's product stewardship and extended producer responsibility programs are voluntary, and have been developed on the basis of strong environmental & social responsibility commitments by a number of major corporations. We regard the voluntary nature of our programs as a key factor for our success as it facilitated their development by encouraging co-operation and support between the programs from our customers. Our combination of programs, all operated on a national basis, has allowed us to grow and achieve cost economies, making them the most cost effective (in terms of cost per unit of product collected) multi-vendor collection programs in the world.

However, there is a constant challenge to sustain these cost economies on a number of fronts:

- As the programs expand and gain wider public recognition, the capacity and incentive for free riders to take advantage of it increases. Our commitment to the environment means that we bear the cost of collecting and processing the free rider's imaging consumables, in effect imposing the costs of doing so on the paying customers.
- A public collection program also means we collect a lot of untargeted waste i.e. products other than imaging consumables. These include items such as batteries, CDs/DVDs, mobile phones and computer parts. Despite our very cost effective infrastructure, we have been unable to engage the vendors of those products to pay for this waste. This places an additional cost burden on our business.
- Changing financial conditions of companies usually results in changing budgetary allocations for environmental programs. Tight financial conditions result in cost cut backs and potentially exit from our programs, immediately exacerbating the free rider problem – the exit of a vendor

from our programs does not result in an immediate stop in collecting their products.

It is not apparent from our experience that the application of an advanced charge would support the successful development of programs such as ours even though it would deal with the free rider problem. A strong link between the vendor and how the resource recovery program works, achieved on a commercial contractual basis, allows for a more effective interplay between the cost of a program and each vendor's own competitive/commercial strategies which justify the spend on environmental programs. Imposition of a charge, which just adds a cost to do business, does not breed ownership of the problem nor a commitment to building a sustainable resource recovery program. These aspects, ownership of the problem and commitment to a solution, are vital to closing the loop in relation to materials recovery and re-use. Any charge should only be applied in the circumstances where it is clear there are intentional free riders.

Improving the Market & Pursuing Sustainability

Close the Loop, by its name, is dedicated to managing waste as a resource. Nevertheless, it has confronted a range of issues in developing re-use applications for the difficult waste streams derived from imaging consumables which include toner powder, inks and ink contaminated foam. Considerable resources have been committed to finding sustainable commercial re-use applications for these products. This has included significant investment in developing product specifications and standards that ensure end products are of a consistent quality.

Our objective has been to engage with our customers in developing applications that support their commercial interests and objectives, whether that be in marketing or product manufacture. Our prime objective is to recover materials for re-use in product manufacture in much the same way that aluminium is recovered for re-use in manufacturing beverage cans, saving both resources and energy.

Close the Loop has confronted a number of challenges in pursuing our objectives:

- Being at the forefront of developing new uses for wastes such as toner powder or inks means that many of the supporting industries for those developments are not in Australia. This either inhibits their development, or involves trans-shipment of recovered materials to overseas locations for processing.
- Developing a "recycled" material for replacement of virgin material in product manufacture requires the "recycled" material to be cost competitive as well as meeting a product standard. This is a very significant barrier given the development costs involved, which would take some time to be recovered. This cost problem is compounded by the need to trans-ship materials.
- By the nature of the development timeframes for re-use, waste materials need to be stored and/or transported. More often than not it is not clear how these materials should be classified, introducing delays or high costs to the development program.

Providing a basis to support small, innovative Australian companies to overcome barriers such as these would go a considerable way toward transforming waste to a resource. Small companies struggle with the cash need and access to expertise necessary to successfully develop re-use applications for waste materials.

Facilitating Investment

Close the Loop has worked closely with some local councils to achieve acceptance of its eWood product as a timber replacement with some success. This model certainly seems to be one that facilitates profitable investment in resource recovery activities.

Procurement practices generally can be used by Government to facilitate the recovery of materials from the consumer for re-use. In the case of imaging consumables, procurement of printers and copiers should go hand in hand with the vendor demonstrating its commitment to resource recovery generally (not just in relation to that specific government entity).

Even more significant is the vendor demonstrating it deals with the resource recovery locally. Investments made by Australian companies can be quickly undermined if the collected waste is shipped to overseas locations for “processing”. It is not uncommon that processing costs can be much lower in foreign jurisdictions due to different environmental or legislative standards, or less than ethical operators are involved. In these circumstances, and given the additional carbon cost of shipping, it would seem to be inappropriate for government to sanction the exporting of waste unless no alternatives existed.

As has been indicated previously, Close the Loop has invested in a national collection infrastructure (which is now available for use by many potentially recyclable products), and sorting and processing operations to achieve initial economies of scale. The small Australian market however makes these investments unsustainable if wastes can be shipped overseas. The current financial pressures on global corporations is now making the export of wastes acceptable as part of cutting environmental program costs. This not only undermines Australia’s growth and development capability it also means that jobs currently provided in the resource recovery sector will be lost.

Over the last eight years Close the Loop has worked hard to develop and implement systems that demonstrate its capability and accountability in resource recovery. This includes undertaking carbon modeling of our activities to demonstrate both immediate and future community benefits. This all occurred off the back of a voluntary program that now leads the way on multi-vendor co-operation on environmental programs. Government legislative support on the export of waste would go a considerable way to ensuring this capability is not lost.

Yours Sincerely

Greg Turnidge, CEO