

REPORT OF PROCEEDINGS BEFORE

PUBLIC ACCOUNTS COMMITTEE

**EXAMINATION OF AUDITOR-GENERAL'S REPORT ON
RECYCLING AND REUSE OF WASTE BY THE NEW SOUTH WALES
PUBLIC SECTOR**

At Sydney on Friday 30 October 2009

The Committee met at 10.30 a.m.

PRESENT

Mr P. E. McLeay (Chair)

Mr P. R. Draper
Mr. N. Khoshiba
Mr J. H. Turner

CHAIR: I welcome representatives of the Department of Environment, Climate Change and Water and the Audit Office of New South Wales to provide evidence to the Public Accounts Committee on its examination of the response to the performance audit on the recycling and reuse of waste by the New South Wales public sector.

JANE TEBBATT, Director, Performance Audit, Audit Office of New South Wales, 1 Margaret Street, Sydney,

PETER CHARLES ACHTERSTRAAT, Auditor-General, Audit Office of New South Wales, 1 Margaret Street, Sydney, and

PETER GEOFFREY SALIER, Senior Project Officer, Sustainability Programs Division, Department of Environment, Climate Change and Water, 59 Goulburn Street, Sydney, sworn and examined:

TIMOTHY JAMES ROGERS, Executive Director, Departmental Performance, Management and Communications, Department of Environment, Climate Change and Water, 59 Goulburn Street, Sydney, and

CAROLYN MARY DAVIES, Director, Water and Energy Programs, Department of Environment, Climate Change and Water, 59 Goulburn Street, Sydney, affirmed and examined:

CHAIR: I draw your attention to the fact that your evidence is given under parliamentary privilege and that you are protected from legal or administrative action that might otherwise result from the information you provide. I should also point out that any deliberate misleading of the Committee may constitute a contempt of the Parliament and an offence under the Parliamentary Evidence Act 1901. I invite Mr Rogers and then the Auditor-General to make a brief opening statement. The Committee then will ask questions. If witnesses wish to raise issues for discussion, I ask you direct them through me, according to our standing orders. Mr Rogers, would you like to make a brief opening statement?

Mr ROGERS: Thank you, Mr Chairman, a very brief one. We were pleased with this audit. It has given us some direction to go forward. It picked up on many issues that we dealt with and it was carried out in a collaborative fashion. We have been working on the implementation of the recommendations of the report since it came out. We have gone through working with a number of agencies producing guidelines and the like which we will get to, I am sure, during questions. We have brought examples of some of the work that has come out of that process. We are currently working on the WRAPP 2010 progress report and some of the longer-term issues that came out of that report that we picked up in the process. We will leave it to questions to cover the detail.

Mr ACHTERSTRAAT: Mr Chairman and members of the Public Accounts Committee, I also welcome this opportunity to assist the Committee's inquiry into our performance audit on the recycling and reuse of waste, which was tabled in Parliament on 11 June 2008. The Waste Reduction and Purchasing Policy, WRAPP, is a good example of success in implementing, supporting, monitoring and public reporting on a government-wide policy. We did identify some opportunities for further improvement in the program. These included, first, introducing targets to encourage the purchase of recycled content material; second, making it easier for agencies to buy recycled content goods, such as, recycled content paper and toner cartridges; and, third, reviewing the policy to bring it up to date with best practice. I am happy to answer any questions.

Mr PETER DRAPER: My question is directed to the representatives of the department. Representatives from the Department of Education and Training recently told the Committee that the financial crisis had led to a downturn in the recycling industry with the result that schools that once had their recycling collected for free now had to pay for their recycling to be taken away. What impact has the downturn in the recycling industry had on the capacity of agencies to fulfil their obligations under the Waste Reduction and Purchasing Policy? Secondly, are you providing any information or support to agencies about the impact of the recycling industry's downturn and alternative options that now may be available to them?

Mr ROGERS: I will take it one bit at a time. Since the report was written and indeed since I appeared before this Committee on sustainable purchasing, the new waste contract has been let for the State Government. We have been working for some time to get that in place. It is an integrated contract which deals with the secure destruction of waste, recycling and collection of paper. The idea of putting it together is that there has been no incentive in the past for the person who got the recycling contract to try to move stuff out of the waste contract

and for the person with the waste contract to move recycling material out, which would reduce the amount they are clearing.

CHAIR: It is almost a perverse incentive.

Mr ROGERS: At times, yes. The idea of bundling the three contracts was to make sure the secure destruction material moved into the recycling stream after it was shredded, or however it was dealt with, and to give the collectors an incentive within the contract to move stuff out of the recycling stream. There certainly has been a collapse. There was a short and very sudden collapse in the prices of recycled material about last November. Recycling prices had been at a historical high and they dropped quite sharply. Some of that has now come back.

Mr PETER DRAPER: Across the board or in certain areas?

Mr ROGERS: In different parts and they dropped differentially as well. For instance, mixed quality paper dropped a long way. Good quality paper did not drop nearly as far. I will deal with paper and then move to some others. New South Wales is in the fortunate position that we have three large paper mills. We make recycled newsprint in Albury and there are two Sydney mills that reprocess largely into cartons but also some other paper products. So we have a base of material that will be chewed up domestically. That is where a good proportion of our stuff goes. The rest of it moves offshore through a whole series of sale arrangements. The market, for instance, for quality paper going into newsprint has been quite resilient. The prices have not come back as high. I have a bit of information from one of our paper people. If you indulge me I will read you a paragraph that shows you how complex it gets:

While recovery rates have held up better than expected due to the structure of local industries, there was a dip in the level of consumption for most grades of paper and paperboard. There was a dip in the volume available and what was recovered and there was a dip in the volume utilised and there was a drop in the amounts of landfill.

So it is not simple. With the lowered amount of the economy there was less material moving into the stream but less material moving out and less going to landfill. It is not as simple as saying the bottom dropped out of the market and there is a huge amount of material. Some of the other items hold up much better. Glass is relatively constant. Glass is used domestically so it has been less affected. There are still quite good markets for recycled organic material and those sorts of things. It has been patchy on different parts. Some of the middle level paper collectors were very hard hit because they were the ones operating on the high overseas price and moving in at the low end of the market. Some of that has gone, but the basic infrastructure is in reasonably good condition. As I say, the new contract has come in at the same time. But that was only let in the last two months.

Mr SALIER: In August.

CHAIR: Is it one provider?

Mr ROGERS: No, it is a panel of four, I think, or five.

Mr SALIER: Five.

Mr PETER DRAPER: Are you providing information to the agencies about alternatives that are available?

Mr ROGERS: Given that the collapse was November and we have been tracking it, we have not been looking at alternatives in that sense. Information has gone out with the new contracts about the five providers and how to access different providers and see what price you can get. So you can go to one of the providers and seek a price from them.

Mr NINOS KHOSHABA: Mr Rogers, on the reporting exemption for agencies with fewer than 200 employees your submission suggested that you had written to the top eight large waste generators seeking their support. Could you tell us who are the top eight large waste generators and what support you are seeking and what response you have had?

Mr ROGERS: The Transport Infrastructure Development Corporation was one of the eight that was exempt. It has now been captured because its numbers are over the limit; so it is now into the WRAPP program. Probably the next largest is Landcom. Landcom has a very advanced environmental sustainability program and

we are talking to them about reporting their sort of stuff coming in. Anyone who is in the construction game has a higher recycling outcome simply because it is price driven and cheap to recover. So Landcom has been up in that process for some years and we are anticipating that we will get reporting from them.

The remaining six are a bit of a strange mixture. The Electoral Commission is in it because of the amount of paper they use. But, of course, as you would know better than I, that is cyclical. The Cricket Ground Trust comes into it, but they had done a substantial rebuild at the time, so that is possibly a one-off that we will be watching, and there are recycling arrangements around beverage use and things like that, although you would have noticed that everyone has now moved away from containers so that you do not get what you would have expected 10 or 15 years ago with beer bottles and soft drink bottles. That has all gone with the move to low impact cups.

Mr SALIER: Lotteries was another one, again on the paper side.

Mr ROGERS: Lotteries was another one. They are not necessarily large generators in the sort of sense in which we think of schools and hospitals and those sorts of things.

Mr SALIER: Sydney Olympic Park Authority.

Mr ROGERS: Sydney Olympic Park Authority, which has quite an advanced recycling scheme. You will remember it was put in for the Olympics. It has been simplified since. But Olympic Park is fairly well up-to-date.

Mr SALIER: Newcastle Ports.

Mr ROGERS: So the exclusions, some of them have come in, some of them we are working with.

Mr NINOS KHOSHABA: What support are you seeking if you have had any response from these agencies?

Mr ROGERS: We have been working with Landcom over years on their sustainability programs. The support is merely engaging in the program and letting us have the data to feed back into it. I am not sure what we are going to do with the Electoral Commission because you do not necessarily want the ballot papers floating around. That is where bringing the confidential destruction contract into the loop may actually assist us.

Mr NINOS KHOSHABA: Apart from collating information from these groups have you been able to give them any instructions or assist them with regards to—

Mr ROGERS: We have helped Landcom over some time. We are looking to work with them. It is not so much giving them instructions but some of our expertise and things like reusing organic material and things like that, and some of the construction stuff we work with them to gain outcomes on those.

CHAIR: Mr Rogers, I am surprised. TIDC and Landcom I understand—big construction—but then to jump to the State Electoral Office, the SCG, Lotteries and Ports and not have Education, who say that they are the biggest purchaser—

Mr ROGERS: Education is caught under the WRAPP. These are the ones that are outside the WRAPP process. Yes, I would have been surprised if that had been the case too.

CHAIR: These are the exempt ones?

Mr ROGERS: Yes.

CHAIR: Exempt from the annual reporting?

Mr ROGERS: Yes.

Mr NINOS KHOSHABA: Mr Achterstraat, have you got any comments?

Mr ACHTERSTRAAT: The purpose of the recommendation was that, clearly, many agencies with over 200 employees are in an office-based environment and may not have a lot of recyclable material. As the department has recognised, there are those under 200 employees who were exempt. I am very pleased with the progress the department is making, and it is good to see that they are working on the next seven. One of them has already gone into the first group. I was just wondering if there is going to be a second stage where it will be the next group under the top seven, because it is more than likely that there will be quite a number of them have a higher volume of recyclable stuff than some of the over 200 people. That may be a question we will take on notice for another day and get onto the department about that. But I think the first seven or eight is probably a first very good step.

CHAIR: And whether or not 200 employees is the right threshold to choose, or should it be by dollars of purchase or is there a better way of—

Mr ROGERS: That is where the Electoral Commission and Lotteries come in because they have got such volumes of paper that they have been put into that sort of group that we have been looking at.

Dr DAVIES: Basically that 200 was set by an internal government red tape review, and that was the threshold they set. I do not think there has been the opportunity to go back just singly for WRAPP unless they go back into another government review of red tape.

Mr SALIER: It applies for a number of different reporting requirements. We are singling out people who we think we need to work with because of the nature of their business. Rather than getting them to report when we need the outcome. ??

Mr JOHN TURNER: In relation to recommendation 2 dealing with the agencies of WRAPP, your submission states that you had planned on reviewing the WRAPP plans of the top 15 per cent of the agencies with high disposal rates but low recycling rates, but that this has been delayed. Have you been able to do the review? What did you find and what are the agencies in the top 15 per cent?

Mr SALIER: We have not done the review. That will be done in February next year, 2010. We are in the course of taking reports at the moment, so we felt it was prudent to wait for that to proceed and then we will follow it up.

Mr JOHN TURNER: And the agencies that make up the top 15 per cent? Do you want to take that on notice?

Mr SALIER: I do not have those here with me. Yes, I will take it on notice.

Mr ACHTERSTRAAT: It makes sense to have a staged approach, I think. With 15 per cent we do not expect everything to be done in one go. We will be looking forward to hearing the results in March as to what happened with the February rollout.

Mr NINOS KHOSHABA: Mr Rogers, your submission states that you have established a formal process for reviewing relevant State contracts to see if they assisted agencies to optimise WRAPP outcomes, and that two of the key contracts you have already reviewed concerned integrated waste management and workplace supplies. What were the findings of those two reviews?

Mr ROGERS: It is a review in the sense of an update of the contract arrangements. So it is a new contract being let. The waste one, I have gone into at some length about the integration of the waste outcomes. The workplace supplies contract was to make sure that there were environmentally sound goods available as part of the contract bid. So that if you can get the aggregated purchasing power for things like recycled material, not only did we do it from the WRAPP perspective, but we were looking for environmentally friendly cleaners and those sorts of things. So it was actually the whole of the sustainability of the government contract for general goods. It is a bit like what we have done with washing machines and electrical goods. You make sure that there is a fair range of goods in the high-volume categories available for purchase. You tend to get a better price because you have built them into the contract. They become visible to people as part of the green bit of the contract. People see that environmental goods are available at a competitive price and they become visible to them as contract purchases.

Mr NINOS KHOSHABA: Did that review include office equipment such as photocopiers?

Mr ROGERS: No, that was the consumables contract. The print management contract is coming up and we have our eye on that. We are looking at five: Travel management; print management; the two electricity contracts; and the upcoming data facility, which we are looking at more from a sustainability point of view rather than a WRAPP point of view. They are the contract areas we have flagged for the next round.

Mr NINOS KHOSHABA: Do you ultimately hope to be in a position to review all State contracts or perhaps only a certain number every year?

Mr ROGERS: We are keeping our eye on the ones that impact on this sort of area. Some of the State contracts do not impact on WRAPP or sustainability. We need to pick the ones where we think there is a benefit in our becoming involved, either from the whole-of-government sustainability or the WRAPP point of view.

CHAIR: And the department is happy to do that?

Mr ROGERS: It has always been happy to do that. For instance, we have worked on the car contracts in the past to ensure that they offer vehicles that have a low impact and high environmental scores and things like that. We have a seat on that one as well.

Mr NINOS KHOSHABA: The Local Government and Shires Associations recently told the Committee that the State contract for mobile phones does not contain information about the take-back schemes that some telecommunications companies offer at the end of a phone's life. Are you actively soliciting information like that? If not, how do you choose which contracts to review?

Mr ROGERS: All mobile phone companies are party to the Australian Mobile Telecommunications Associations [AMTA] agreement, which has a take-back scheme. That is the scheme that provides the clear canisters that you see every time you walk into a mobile phone shop. They are in post offices, Telstra shops, electrical shops and they are even in council chambers as part of the program. AMTA is doing a substantial amount of advertising about the availability of those sorts of things. Frankly, I read that and found it to be a slightly strange comment.

Mr ACHTERSTRAAT: It is pleasing to see that two of the major contracts have been reviewed and the plans to roll out with the other contracts. It would be interesting to see a timetable for each review in due course.

CHAIR: Do you want to make a commitment to a timetable at this stage?

Mr ROGERS: It depends on when the contracts come up.

CHAIR: That is how it is done?

Mr ROGERS: Yes.

CHAIR: You said that you planned to send letters to non-compliant agencies to remind them of their WRAPP reporting obligations but that that was delayed. Have you now written to those agencies?

Mr ROGERS: We follow up regularly on agencies that are not in. I think we have a number of letters out at the moment. So, yes, we have.

CHAIR: Have you had many responses?

Mr ROGERS: A number have asked for extensions and other bits of information have come in. It is a rolling follow up and we will continue until we get the number.

CHAIR: How many agencies are not complying with their WRAPP obligations?

Mr SALIER: As of yesterday, the figure was 19.

Dr DAVIES: Are you talking about recommendation No. 5?

CHAIR: Yes.

Dr DAVIES: That is different. We were talking specifically about which agencies have put in their progress report as they were required to do by the end of August for the 2007-09 period. With recommendation No. 5 you are talking about reminding agencies of their obligations under annual reporting legislation. Treasury was looking at proposing some changes to annual reporting requirements, not only in relation to WRAPP . That is why it has been delayed. We are now going to look at the annual reports for agencies for 2008-09 and reminder letters will be sent out. We are going to look at that in January and February 2010. The annual report cycle requires them to table them by the end of next month. So we will look at them and follow that one up.

Mr ACHTERSTRAAT: The department is in a situation that others often face where they feel that they should not be writing a letter to remind people of something because something else is happening in a central agency. Ideally, people start to prepare their annual reports in July/August. I know that originally the department was going to remind agencies around that time of their reporting requirements in the annual report. I note now that that reminder will be sent out for the annual reports for next year, not for this year. So, to a certain extent, waiting for a central agency to change things can be to the detriment of the individual agency.

Mr ROGERS: We did workshops for organisations earlier in the year and annual reporting requirements were part of those. Those workshops and training seminars took place in May. So that is in accordance with your suggestion that we should tell them in the period.

Mr ACHTERSTRAAT: I still have the view—not only about this department but also about others—that sometimes they say they are not going to write to people about the annual reporting requirements because they might be changed by Treasury. Sometimes they are not changed quickly, as happened in this case, and the opportunity is missed. Fortunately the department had done those workshops.

CHAIR: Given the data you have received, can you provide a brief overview of how well agencies are performing?

Mr ROGERS: I certainly cannot.

Mr SALIER: I can give you a preliminary idea of those that have reported. It would be difficult at this stage to tell you how they are performing because a number of the large agencies that contributed significantly to the waste stream have not as yet reported. They are in the 19 that we are still seeking. We expect to get 71, and we have received 52 already. We have had approaches from six for extensions and we have heard nothing from 13. They are the ones that we are currently writing to again to remind them to get their reports in. Without that data, it is very difficult to give any sort of trend. Without dropping names, a number of health components have not provided their reports. The Department of Education and Training also has not submitted its report. They are very large contributors. Without that, it is very difficult to give you any sort of trend.

Mr ROGERS: They are part of the group that has sought an extension given the complexity of drawing information in from various regional areas.

CHAIR: Do they request an extension or do they simply notify you that they will not be reporting on time?

Mr ROGERS: They have indicated and we have agreed to an extension.

Mr SALIER: That can be an email or even a phone call. We can take a call on that, as we have done. Although the requirement is that they report by 31 August, there are significant things in a number of those extensions. Some of them are waiting on data from waste audits. It is about trying to get better performance data. If it meant putting it off for a little while to get that better data, that is what we are after. We have made the call, but all those extensions expire at the end of this month.

Mr ROGERS: One of the aspects of the new waste contract is to get reporting data out of the contract as part of the process. That will give us an improvement.

CHAIR: So it will come from the contractor rather than the agency?

Mr ROGERS: The agency will use the contractor. It is the same as the electricity arrangement, where the contractors are starting to bulk it up centrally. It saves reporting effort on the part of the department and time and effort.

CHAIR: So it is the balance of good data versus quick data. As a principle, we have the notion that if you do not measure it you will not manage it.

Mr JOHN TURNER: You are still going to give him a rap, aren't you?

CHAIR: So, the agency has its targets set. Will you then benchmark?

Mr ROGERS: Do you mean do we measure agencies against the targets?

CHAIR: I presume you measure them against the targets. Will you then lead to benchmarking internally, within, or are there other jurisdictions to benchmark too, to set their targets for review?

Mr ROGERS: Most of the other jurisdictions do not have the same number of targets we have. I think at the last hearing we have given you material on the survey we have done on what is happening in other places. We are working on the basis of continuous improvement on ours. We have looked at the others and consider ours reasonably robust. It is a matter of going down that track. We also need to keep them under review to make sure the sort of target you are setting is right, and we have work to do with them to make sure they stay up to date on changes in the industry and those sorts of things. If we get a few moments we might show you some of the material we have produced to support decision-making in agencies, both around making the plan and making that choice.

Mr SALIER: The only thing I have to say is what we do encourage agencies to do, when the report comes out, is to benchmark themselves against that.?? So, it is a process of continuing improvement all the time. Going back to the data, unless we can get better data, we are not going to make a great deal of headway. That is what it is about.

CHAIR: Mr Achterstraat?

Mr ACHTERSTRAAT: As you know, with our financial reports to Parliament, we are doing industry overviews. The industry overview for the environment will be published next month, November. I would be keen to put in that industry overview a brief analysis of the progress being made on the WRAPP . While 50 have been received out of the 70, I hope I will work with the department to get some information in relation to those 50. Obviously it is not complete and the bigger ones have not reported, but for the purpose of my reporting it is to encourage those who have not reported to report and to show the public the effectiveness of the WRAPP program in relation to the 50 agencies. So, I accept what the department is saying, that it has only 50 out of 70 and it cannot get a trend. Unfortunately I will have to say something in the report about the trend. I still think with 50 out of 70 you could get some qualified trends.

Mr PETER DRAPER: The 2009 WRAPP reporting guidelines stated that a memorandum outlining implementation, data collection and reporting strategies that came from the Minister's assessment on how to make the Government carbon neutral by 2020 will be provided this year. Has that memorandum been provided and, if not, when do you expect it to be provided?

Dr DAVIES: It is with our Minister—and you would be aware we have a new Minister recently—so basically we would be expecting it by the end of this year, but it is with our Minister.

CHAIR: Would you like to make a closing statement and, if so, can you address how your relationship is with the Audit Office in general?

Mr ROGERS: We think this has been a complementary process. It has worked well. We were pleased with the work we were doing. It got, I will not say a big tick, but a level of affirmation that was useful to some of the implementations being staged. I might leave with you when we finish some documentation you might find interesting, but I think it is going well and we will continue to keep up with it.

CHAIR: Mr Achterstraat?

Mr ACHTERSTRAAT: I compliment the department on the progress it has made, the policy and the concept. By and large we are very pleased with what the department has done. In our report, when we make recommendations, et cetera, at the margin people often tend to focus on those rather than on the good things that we say as well. We have to be mindful of that and we would encourage the department to continue the good work but also focus on those areas that we highlighted. We also thank the professionalism of the department in its relationship with our office. I think it saw it as an opportunity to go forward rather than a checking impost. It made it more of a pleasure to deal with those sorts of audits.

(The witnesses withdrew)

(The Committee adjourned at 11.05 a.m.)