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Copy – WCRA Liquid Waste Group Members

9<sup>th</sup> March 2011

## RE - FUTURE WASTESAFE OPERATING MODEL

Dear Paul,

We refer to Sydney Water's letter dated 25<sup>th</sup> January 2011 wherein you advised us of a review of the operating model for **grease trap waste** and the future arrangements to safely operate and manage this waste stream in a sustainable manner.

The Waste Contractors & Recyclers Association of NSW ("WCRA") represents Members who operate and control an estimated 95% of the vehicles used in waste and recycling collections across NSW. In addition we represent the majority of commercial operators in the transport and processing of grease trap waste and we have a very strong Liquid Waste Group that meets regularly throughout the year.

It is the view of WCRA that Sydney Water ("SW") should use this opportunity to re-clarify its core role as a modern environmental regulator of grease trap waste by promoting and adhering to the principles of a modern regulator. SW needs to refocus its energy on building staff expertise and knowledge and using that expertise to support transporters in the proper & safe collection of grease trap waste. **This can be achieved by SW positively assisting WCRA to develop an effective Code of Practise that underpins the transporters collection agreements with SW.**

It is our view that SW needs to make smarter, more targeted and transparent decisions to tackle the issues that pose the greatest risk to human health and the environment. These decisions need to also be balanced against the likely commercial implications and they need to be sustainable. Therefore if there are to be changes to the Wastesafe operating model then it is imperative that these criteria be met.

If there are to be changes in billing arrangements then SW will need to take great care and thought in communicating these changes to Customers (a balanced mixture of letters, site visits, multi lingual letters, etc, will need to be used in conveying any changes).

Again if there are to be changes in grease trap arrangements SW will need to provide sufficient time for transporters, facilities and customers to accept and make the necessary changes to systems, software, and training for personnel. Several Members have advised WCRA that the minimum lead time for changes (once formal agreements & decisions have been made) is twelve (12) months.

It is also worth reiterating the discussion that took place at the WCRA office on 15<sup>th</sup> February 2011 in relation to WCRA maintaining a register of bad debts for grease trap waste generators in the greater Sydney area. Whilst we require more detail from SW (and Members) and are prepared to discuss this requirement in more detail, WCRA will also require the approval of our Executive. For the purposes of this response the WCRA position on this matter is that we are prepared to negotiate with SW for the provision of this service.

Also as highlighted in this WCRA meeting with SW, once a decision is made by SW we would like the opportunity of addressing IPART at any hearing into these matters.

In addition, WCRA reserves the right to argue for indexation to apply to whichever Option is ultimately chosen (or recommended) by SW. We understand that any such submission would need to be directed to IPART. Accordingly this submission does not include any views from WCRA on indexation.

### **Possible Future Model Options**

Appendix B of your letter very clearly details Sydney Water's views on the advantages and disadvantages of the following options. WCRA comments are as follows:-

#### **1. Depot Model**

If we continue the 8c / litre rebate payment directly to the processing plants, we will continue to perpetuate and support the same treatment process (receive, settle over time, discharge water to sewer and send organic fatty residuals to land application). Processing of grease trap waste is very much a time and volume exercise (the larger the plant, the greater the incoming volumes, the lower the processing cost, high initial fixed costs, low variable costs). The basic infrastructure and principles for the treatment of grease trap waste have remained unchanged since 1992.

It has been proposed to WCRA by some Members that the 8c / litre payment directly to the processing plant has stifled market development of potentially better alternatives for grease trap waste (grease trap waste has the potential to be used for -: bio-diesel, industrial soap, small scale heating, etc). This material has good calorific properties and Sydney Water should use this opportunity to review how these alternative re-use solutions may also form part of a rebate incentive scheme. It should be noted that any move to new technologies will be costly, time consuming and will most likely involve other industries and other regulators.

It is also well-known across the industry that the 8c / litre payment is often used by the processing plants as a marketing incentive to obtain larger volumes of grease trap waste.

However, it is the view of some WCRA Members (certainly those with grease trap treatment plants) that this model should remain in place as it has worked well since 1992 and has achieved the objective of protecting the environment (cleaner beaches, provided processing infrastructure, transport is reasonably efficient, etc.).

#### **2. Split Model**

As stated above, the current model of an 8 cents / litre payment directly to the processing plants has created an uneven playing field for the transport operators as they either are subject to the rebate (or not to rebate) decisions made by these processors or are uncompetitive when quoting against a job that the processor is bidding for in their transport business. As a consequence a number of Members have proposed to WCRA that the payment currently being made to the treatment facilities be re-assessed and some portion of this payment made available directly to the transporters.

A split payment system between the receiving plant and the transporter would allow the current transporters to be more competitive in the market place (the overall Wastesafe system could be easily modified to cope with this change, as every transporter uses the bar-code scanners, therefore the information exists in electronic form).

Adoption of a split rebate system would eliminate the dominance of a few within the industry and allow for competitive growth and the development of other alternatives. In addition, adoption of the split model will provide transporters some assistance with any costs associated with implementing the Code of Practice.

This would also allow the transporter to negotiate competitive rates with a treatment facility and effectively re-create a better balance across the industry and within the market place.

If implemented in conjunction with a Code of Practice it will create a culture of good quality service, encourage Employers to provide training opportunities for their Workers and more investment in modern & safer vehicles and equipment, etc,

It is the view of many WCRA Members (certainly those without grease trap treatment plants) that this model should be adopted by SW as it will compliment what was commenced by SW in 1992 and will also achieve the objectives of protecting the environment (cleaner beaches, processing infrastructure, transport, etc,) with the added benefit of providing for a more competitive market place.

### **3. Transporter Model**

Whilst this Model will create a more even commercial playing field in transport, it has the potential to adversely affect the existing processing plants. WCRA and many Members agree that we should put our collective efforts into Model Options 1 and 2.

### **4. No Payment Model**

Waste generators have long been accustomed to being invoiced the 8 cents per litre component directly by SW and abolishing this would be viewed by many waste generators as a cost saving. The resultant stop of payment to industry by SW would then force Contractors to increase prices to waste generators increasing the likelihood of increased bad debts and the likelihood of missed services.

If it is cheaper for a customer to miss a service then they will do so and SW would have to be very clear in their infringement process and police it vigorously. Any penalties imposed by SW would need to be at least double the normal collection and disposal costs to discourage missed services.

Sydney Water would need to keep and maintain a register for bad debt customers and customers on this register should not be allowed to change transporters until all outstanding debts are paid in full. If this model is put into place and customers do not pay and are placed onto a stop service register the quality of the grease trap to be treated will decline. This will result in higher concentrations of fat and sludge (with less water content) with the result being an increase in the cost of treatment. It is the view of many Members that this model will be detrimental to small businesses as they will not be able to carry the bad debts (compared with larger companies) and therefore this may potentially reduce the number of transporters within the industry.

WCRA has heard the arguments that grease trap rebates do not apply in any jurisdiction other than in NSW. The fact is that NSW has had a rebate since 1992 and to remove the rebate altogether may have adverse unintended consequences (less competition, environmental, commercial, health & safety, etc.).

Notwithstanding the above one Member has expressed some support for this Model.

**If this model is adopted waste transporters are also faced with an increased exposure to debt and an increase in overflowing grease traps (let's go back to 1992 - which is why waste safe was introduced in the first place).**

**In the view of WCRA adoption of this model would amount to a back-peddalling of standards and this would be a commercial, environmental and OH&S mistake, therefore the No Payment Model is our least preferred payment option model.**

## **5. Full Control Model**

With all due respect it is difficult to visualise Sydney Water fully managing a commercial service and directly procuring services from a range of transporters and processing plants. The many organisations that have for many years invested heavily in grease trap waste processing and transport may suffer adverse commercial implications and in the view of WCRA the Full Control Option Model should not be further pursued. It should be noted that if this model is adopted by Sydney Water that there is a potential exposure to compensation payments from disenfranchised transporters and processing plants.

## **Conclusion**

WCRA has canvassed its affected Members and the over-whelming majority have indicated that they support **either** a continuation of the Depot Model of 8 cents per litre payment or the adoption of a Split Model between the transporter and the receiving plant each receiving 4 cents per litre. WCRA has detailed our position above and it is our strong recommendation that Sydney Water makes a choice between these two Models.

**In making a recommendation of the above Models, Sydney Water should remember that first and foremost any system will rely on Sydney Water being a good regulator. But equally an efficient and sustainable system will also rely on the market being able to provide consistent good quality, competitive and sustainable transport and processing services.**

Should you require any further assistance and/or clarification please contact me at the Association.

Yours faithfully,

Tony Khoury



Executive Director