



The manufacturers' organisation

Improving strategy and delivery of waste policy in the UK



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Introduction

About us

EEF, the manufacturers' organisation, has a membership of 6,000 manufacturing, engineering and technology-based businesses and represents the interests of manufacturing at all levels of government. Comprising 11 regional Associations, the Engineering Construction Industries Association (ECIA) and UK Steel, EEF is one of the UK's leading providers of business services in health, safety and environment, employment relations and employment law, manufacturing performance, education, training and skills.

Scope

This report focuses on the problems, challenges and opportunities for UK manufacturing companies from current and impending waste management policy and legislation. It argues the case for UK government to:

- take a more holistic and strategic view across waste management issues;
- work more effectively with business on the delivery of policy initiatives.

The government has set challenging objectives for industry by 2005 to reduce the amount of industrial and commercial waste sent to landfill to 85% of that landfilled in 1998. We believe that in order to achieve this and ongoing improvements it is necessary to address some of the problems which exist within the current arrangements. We believe that these comments are timely ahead of the planned review of the Department for Environment, Food and Rural Affairs (DEFRA) 'Waste Strategy 2000'.

Recommendations

- One government Minister should have overall responsibility for all aspects of waste strategy.
- A task-force of experts forming a strategic waste advisory panel should urgently be established and tasked with reviewing the existing UK waste infrastructure in order to assess our ability to meet both existing and future requirements.
- As many more businesses are now affected by waste legislation than ever before DEFRA should adopt new strategies to serve these new customers. These strategies should focus on improving:
 - Communication of new responsibilities and obligations, particularly for SMEs;
 - Accessibility to clear and unequivocal advice and guidance.
- DEFRA should work in partnership with business organisations to develop an understanding amongst stakeholders of the structures and responsibilities within the Department which currently appear confused and fragmented.
- Government should take firm action to demonstrate a stronger will to apply sustainable development principles across the board by ensuring that all sectors of society are contributing towards waste reduction. Many in industry hold the view that the municipal sector does not share an equal burden of the responsibility to reduce levels of disposal to landfill.
- The UK government should use its Presidency of the Council of Ministers in 2005 to resolve barriers to re-use/re-cycling arising from the EU definition of waste. In particular, the Commission's classification of by products should be changed so that they are no longer considered as waste.
- Government should use revenue raised from the increased landfill tax to create the infrastructure required to enable safe and efficient disposal of waste.
- Landfill tax funds should also be used to ensure minimisation of waste through process re-engineering and R&D funding.
- The Department of Trade and Industry's (DTI) innovation policy should join up more effectively with DEFRA's waste and sustainable resource use policies, for instance improving the linkages between the Manufacturing Advisory Service and Envirowise.
- Government should introduce incentives which positively encourage companies to adopt improved waste management policies. These could include cheaper fees for those who meet targets, lower inspection frequencies, grants, new market opportunities and less bureaucracy.

Background

The amount of waste that the UK produces, particularly in the domestic sector, is growing exponentially, with little sign of this growth being brought under control. Over the last decade the UK's waste management infrastructure has come under increasing pressure and this situation is likely to deteriorate quickly as new legal requirements close access to landfill sites. In some areas we are literally running out of room in landfills - existing capacity is only expected to last another 5-10 years.

EU legislation places increasing pressure on Member States to manage waste. In the UK, major new requirements mean that far less waste is allowed to go to landfill and we will have to recycle much more. For instance, systems need to be set up for collecting "end of life" products as new producer responsibility policies take effect. These changes will, initially at least, mean increased costs for the whole economy - all sectors, including the domestic sector and local authorities will be affected.

UK Industry is working hard to meet the challenges and develop the opportunities of dealing responsibly with waste. However, there are growing concerns that without urgent reforms, led by government, the UK's waste management system is ill-equipped and inadequately prepared to deal with this new agenda.

Manufacturing is facing a particular burden. Waste from industry comprises 13% of the UK total each year. However, the manufacturing sector is faced with a far larger proportion of the regulatory burden and cost than this suggests. DEFRA figures¹ show that all sectors of the economy are generating the UK's waste and we believe that they should all have a proportionate role in meeting new targets.

Costs for recycling, treatment and disposal of hazardous and non-hazardous waste are set to increase rapidly. This disproportionate burden on manufacturing may have a detrimental effect on a sector already fighting a battle to stay competitive in a tough international marketplace.

For example:

- EU producer responsibility legislation for end of life electrical equipment and cars will require a system for collecting and recycling a huge range of products and vehicles. Vehicle manufacturers have already set up a database system to track components and ensure that no banned substances are included in the manufacture of vehicles. This represents a significant investment.
- There are new restrictions on the way landfills can operate - which for the UK means a massive reduction in the sites that can take hazardous waste. Hazardous liquid wastes, whole and shredded tyres will be banned from landfills.
- Changes to the classification of hazardous waste mean that new substances and categories will be added to the EU Hazardous Waste list. These will be subject to more stringent (and costly) licensing and treatment requirements than was previously the case.
- The government announced in the 2003 budget that the annual landfill tax escalator will get steeper after 2005, until it reaches £35 per tonne in the longer term.

Manufacturers accept responsibility for the waste which is produced and strive to re-engineer processes to become ever more resource efficient. Government must keep its part of the bargain and develop new routes for disposal and re-use. To do otherwise will have a detrimental effect on enterprise.

Due to the growing inventory of materials classed as hazardous there will be many new stakeholders for the regulators to deal with. As many more businesses are affected by waste legislation than ever before DEFRA should adopt new strategies to serve them. These should focus on improving;

- Communication of new responsibilities and obligations particularly for SMEs;
- Accessibility to clear and unequivocal advice and guidance.

¹ Waste Strategy 2000 For England and Wales, DEFRA

Much of the new waste legislation is primarily focused at industry. Current obligations include:

- **The Duty of Care**
 - Companies share responsibility for ensuring that waste is taken by registered carriers
 - Carriers of waste must be registered and the waste must be disposed of or recycled in an environmentally responsible way
 - Producers must keep waste safely
- **Controlled Waste Regulations**
 - General waste requires documentation with each consignment
- **Special Waste Regulations**
 - Special (hazardous) waste must be accompanied by consignment notes and sent for treatment or disposal to specialised, licensed companies. It must be stored, packaged and labelled in a way that will not give rise to leakage or spill.
- **Producer Responsibility Obligations (Packaging Waste) Regulations**
 - Companies who handle more than 50 tonnes of packaging a year must register with the enforcement agencies and ensure that a certain proportion of this is recovered and recycled. Companies must have systems in place to measure packaging associated with all product lines and to track their compliance obligation.
- **End of Life Vehicles**
 - Manufacturers of vehicles must ensure that the last owner can return an end of life vehicle for recovery and recycling free of charge. They must design new vehicles to make them more suitable for recycling at end of life and this included the banning of certain substances such as lead.
- **Integrated Pollution Prevention and Control**
 - Companies operating certain types of process must apply for a permit to operate. The company must have a system in place that uses the best available techniques to regulate emissions to air, land and water, manage waste minimisation, resource and energy usage, manage the site condition, noise and prevention of accidents.
- **Statutory Nuisance**
 - Companies must not treat or dispose of waste in such a way that it becomes a nuisance

1. A strategic approach to waste

In many areas of waste policy there is little evidence of an overall strategic approach. Lack of strategy can at worst result in clashes of priority, such as new requirements for battery recycling (which generates hazardous residue), in a context where new hazardous waste legislation has led to more limited routes for its disposal. Long term planning, accountability and leadership are also casualties of weak strategy.

It would appear that significant improvements could be made by simply adopting robust project management techniques. However, this would not fully solve the apparent underlying lack of an overarching high-level strategy.

Government needs urgently to improve waste management policy at a strategic level. Significant resources are spent in government developing and administering waste policy. Policy makers and regulators currently involved include:

- DEFRA;
- DTI;
- HM Treasury;
- The Office of the Deputy Prime Minister; and
- The Environment Agency.

The problem for business is the apparent lack of coherence amongst them. We are also concerned about the lack of transparency regarding which departments are dealing with which issues, and who has the overall strategic lead. For instance, there is no single point of contact within government for waste. Whilst DEFRA is the natural home for much of the legislation, DTI lead on Producer Responsibility. We believe this adds an unnecessary layer of complexity.

Implementation of The Waste Electrical & Electronic Equipment Directive 'WEEE' is being led by DTI with significant input from DEFRA. In addition we presume that the 3 UK enforcing authorities; Environment Agency; Scottish Environmental Protection Agency and The Environment and Heritage Service are all adding their input. The legislation is now overdue and we believe government are considering ad-hoc short-term arrangements. In our view this is a significant example of absence of a strategic approach.

Government should move towards a more holistic policy making process and away from policies being developed in isolation from one another. Too often, attention has been focused on responding to single issues, such as EU Directives, one by one rather than looking at the whole picture. We believe it is well within the abilities of those currently involved to matrix-manage these policies to deliver the required outputs which are cohesive to an overall strategy.

However, we also believe that better strategic vision could be achieved by allocating overall responsibility for all aspects of waste policy with one government Minister.

By developing a coherent and coordinated vision for waste strategy, government will assist business in planning ahead. Larger businesses in particular will welcome early indications of changes ahead to enable them to prepare strategies to respond to future legislative obligations. This approach will help industry meet ever more demanding waste management requirements.

Solutions for faulty policies

Whilst the disaster scenarios forecast from changes to waste legislation in July 2004 do not appear to have been realised we remain of the view that not enough is being done to deliver alternative routes for disposal. Government argues that greater demand for waste management facilities will encourage waste companies to invest and build new capacity. However, the capacity is required now and new facilities take time, investment and planning consent before they are available for use. Inevitably this has the potential to generate a bottle-neck in the system. Add to this some market uncertainty amongst waste operators in not knowing which disposal route(s) will be favoured by government.

We believe that the reliance on industry to develop solutions to meet the needs of badly formulated policy is an unsustainable approach. Diverse capacity enhancement will be essential in meeting future obligations and government should, as part of an overall strategic review, seek to understand more effectively where we are and where we need to be.

We propose that a group of experts - for example the Royal Commission on Environmental Pollution or a new strategic waste advisory panel - should be tasked at the earliest opportunity to review and make recommendations on the existing UK waste management infrastructure and its ability to meet the whole range of waste-related requirements.

We can learn from examples in other European countries which have far better collection and recycling rates from households as well as industry. The evidence there suggests that there may have to be public investment in the early stages when the cost benefit would otherwise not be clear enough to entice private investors. We are fortunate in having access to funding (available through the Landfill Tax recycling).

It also means a need for increased levels of Local Authority funding, and that funds need to be better targeted at the highest priority areas (backed by strategic analysis) rather than spent on ad hoc research programmes. Unfortunately the latter approach appears to be the current strategy with regard to recycling Landfill Tax.

Involve all sectors of society

Waste management is a shared responsibility. **Government should put sustainable development principles into practice by ensuring that all sectors of society are playing their part in contributing towards improvements.** Manufacturing has an important role to play and can show real leadership in influencing the market. However, this will be far more powerful if it goes hand in hand with greater effort by consumers who are well educated about the environmental impact of products and who choose what they buy accordingly.

All consumers must make significant changes to reduce the volume of UK waste and deliver compliance with our EU obligations. Inevitably there will come a time when industry alone cannot meet recovery and recycling targets. Business has already significantly improved its performance, but the domestic sector still has extremely low rates of recycling, regardless of tough targets being set.

The Landfill Directive requires a major step change in treatment and reduction of biodegradable waste being sent to landfill. Government is looking at how higher targets for recovery of packaging waste can be achieved, but yet again it is focusing all the compliance effort on industry rather than the domestic sector.

All parts of society have responsibilities in meeting the rising waste management targets and waste management policy should reflect this.

The definition of waste

We need to find ways to encourage resource efficiency and re-use of materials and products, but this can sometimes be hampered by the strict definition of waste, originating from European Union (EU) Directives. Currently the EU definition focuses on whether something is discarded or not. As soon as an item or substance is identified as waste, it is subject to regulatory paperwork for waste producers and carriers (among others). This can hamper re-use or recycling initiatives because it becomes more bureaucratic and costly affecting, for example, companies who generate by-products or off-cuts that could be effectively used elsewhere, but which is defined as waste.

Government should lobby the European Commission to change its classification of by-products so that they are no longer considered waste. The Commission is currently developing a 'Thematic Strategy on Waste Prevention and Recycling', which will lead to further changes in legislation in the long term. If the EU is serious about delivering ever increasing volumes of re-use and recycling it must address this issue.

- **The UK government should use its Presidency of the Council of Ministers in 2005 to resolve barriers to re-use/re-cycling arising from the EU definition of waste. In particular, the Commission's classification of by products should be changed so that they are no longer considered as waste.**

Hazardous waste

Whilst the government accepted in 'Waste Strategy 2000' that targets for an overall reduction in the total amount of hazardous waste generated were inappropriate we now seem to have a policy which doesn't appear to have accepted this reality. Changes in hazardous waste² regulation mean that industry could be dealt a 'double blow.

In 2003 approximately 2.5m tonnes of special waste were sent to landfill sites in the UK³. Articles not previously classified as hazardous are now listed as such in the consolidated European Waste Catalogue (EWC). The 250 additional entries in the EWC means that 400,000 additional items such as unwanted TVs, oils, fluorescent lights and discarded vehicles will be classified as hazardous for the first time.

Since July 16th 2004, there has been a significant reduction in the number of landfill sites licensed to accept hazardous waste within the UK. The Environment Agency, which regulates the waste industry in England and Wales, has announced that the number of sites handling hazardous waste in England and Wales will fall from approximately 200 to around 10 by the end of 2004.

The Government's Hazardous Waste Forum⁴ has predicted a shortfall in landfill capacity of around 350,000 tonnes at best case and up to 3.9million tonnes at worst. In East Anglia there are just 2 from a previous 39 sites which can be used for hazardous waste. Scotland and Wales have no commercially run landfills accepting hazardous waste. The only ones which will remain open are those operated by companies solely licensed to take their own waste.

Potential impacts do not just include increases in costs for the disposal of hazardous waste for industry but also potential negative impacts on the environment and public safety. The reduction in available landfill means that

hazardous waste will be transported over long distances from areas where capacity has been significantly reduced to the few remaining landfill sites. It is still unclear where the shortfall referred to above will end-up. In the short-term many companies will, we believe, be forced to stock-pile waste either until they have a load which is economical to transport or an alternative disposal route becomes available. Recent statements from government suggest that this is not currently presenting a problem, however, there is a lack of clear evidence regarding changes in the way in which firms are disposing of waste.

Significant problems have arisen however for industry with the late clarification of Waste Acceptance Criteria (WAC)⁵. It has been difficult for companies to invest in treatment methodologies when they have been unclear about the final acceptance criteria. In March 2004, following a consultation, government announced that the WAC were to be implemented in July 2005. During the interim year (July 2004 to July 2005) hazardous waste landfill sites will be managed using a site specific approach, based on loading rates of new wastes, the types of new waste and the types of waste already in the landfill. This demonstrates the point that industry needs clarity and time in order to meet the requirements of any new piece of legislation that is being implemented.

The Environment Agency recognises that these changes produce both short and medium-term challenges for industry. We welcome the 'help-line' which they are operating for any business which is facing difficulties in finding a suitable route for disposal. Whilst this is welcome stop-gap it is an incomplete solution dealing with the symptoms rather than the causes. We see little evidence of constructive action to help business design- in the solutions.

² The Hazardous Waste Directive (HWD) defines hazardous waste as wastes featuring on a list drawn up by the European Commission (European Waste Catalogue), because they possess one or more of the hazardous properties set out in the HWD.

³ Figure taken from Hazardous Waste Forum Capacity Sub Group Research

⁴ Details of DEFRA's Hazardous Waste Forum can be found at: www.defra.gov.uk/environment/waste/hazforum/index.htm

⁵ The Waste Acceptance Criteria set minimum numeric criteria for each classification of landfill based on leaching tests, compressive strengths, pH and acid neutralising capacity.

2. Delivery

Waste minimisation is of itself good for business economics. Reduction in waste is inextricably linked with reduced use of raw-materials and energy. Downward pressure on these costs enhances business efficiency and means reduced disposal costs.

With a properly integrated strategy in place, government and industry would be able to deal effectively with waste management issues. Clarity of strategic direction will encourage early investment in the waste management infrastructure. However attention must also be given to delivery, including joining up complementary policy initiatives across government to maximise efficiency and outcomes. A more balanced and transparent use of tax and incentive to encourage changed behaviour will be an important tool in meeting these goals.

Joining up on policy initiatives

DTI's approach to improving manufacturing productivity and innovation needs to join up more effectively with DEFRA's waste policies and the sustainable resource use policy. For instance, the government's Manufacturing Advisory Service, offers advice and training in productivity improvements through lean manufacturing techniques. Often these result in identifying and making waste savings. However, there are examples where the MAS training or consultancy could recommend the services of the government sponsored waste minimisation advisory service 'Envirowise', who could take this particular aspect of the productivity work much further.

DTI's Innovation Review gave limited consideration to the problem of waste. It mainly concentrated on the use of producer responsibility legislation to encourage companies to change the design of products to allow easy dismantling and recycling at end of life. As part of joining up government policy, DTI's productivity and innovation work needs to incorporate a clearer, more structured approach on resource and waste management issues.

Ensure incentives to provide 'carrots' as well as 'sticks'

Future waste management policy needs to include a mixture of proposals that involve incentives as well as penalties. Current policy works largely by a series of 'sticks' - such as taxes, fees, paperwork and inspection that companies can avoid by reducing the amount or nature of the waste they produce. However, more measures which positively encourage companies to change should be introduced. One aspect of this is to allow the better managed businesses to earn an 'On Trust' status whereby the regulator recognises the ability of a business to self-regulate. Rewards could include cheaper fees for those who meet targets, lower inspection frequencies, grants, new market opportunities and less bureaucracy.

We support the EU recommendation for incentives in the form of programmes promoting environmental management systems, particularly for Small and Medium sized firms (SMEs), or tax rebate systems upon proof of participation in approved programmes.

Landfill tax

The landfill tax, introduced in 1996, was the first true economic/fiscal measure used to tackle environmental issues in the UK. In the 2003 budget the Chancellor announced that the tax would be increased to £35 in the medium to long term. Recently DEFRA has hinted strongly that the increase could be over a shorter period than the ten years first envisaged in the proposal. The Treasury have given assurances that they will make this tax revenue neutral - all the funds will be put back into industry. Therefore it is vital that these funds need to be used in a way which will ensure that waste is minimised and the UK waste management infrastructure is improved. We are concerned at current proposals to divert funds to energy conservation or enforcement against 'fly-tipping'. These do not meet the above criteria.

Landfill tax funds need to be used in a way which will best ensure that waste is minimised and the UK waste management infrastructure is improved. In order to be an effective lever - resulting in less waste going to landfill - the tax needs to be a more transparent mechanism of returning funds to business supporting innovative waste reduction, re-use and recycling rather than the broader resource efficiency agenda.

- **Government should use revenue raised from the increased landfill tax to create the infrastructure required to enable safe and efficient disposal of waste.**
- **Landfill tax funds should also be used to ensure minimisation of waste through process re-engineering and R&D funding.**

Proposed methods of hypothecating landfill tax funds

Investment

EEF supports government policy that encourages companies to invest in methods for improving their waste management. We believe that this is the only sustainable way of delivering the desired policy outcomes. It is essential that investment strategies are integrated and deliver best value for money. We have concerns that there is a growing belief within DEFRA that all investment in this area is of equal value, but this is not the case. Each proposal needs to be judged on its merits against a set of robust and transparent criteria.

Direct grants

Direct grants can be used by companies to invest in capital equipment or soft solutions, such as training or consultancy. These can be invaluable to companies who wish to invest but are hindered by limited cash flow or a low profit margin.

However, to make the application of these grants successful and attractive to business the application process should be made as simple and straightforward as possible. Past experience has shown that bureaucratic and time consuming application processes deter businesses from applying.

Enhanced capital allowances

EEF support these in principle. However, recently the experience with the Enhanced Capital Allowances for energy efficient equipment has shown us that there are some problems with this mechanism that render it less desirable than either direct grants or interest free loans. For instance some of our members have seen the cost of equipment which can be purchased under this arrangement go up considerably in price. This is due to its appearance on an approved technologies list. This effect can be mitigated by (where practical), describing generic technologies.

Using the landfill tax to speed up infrastructure improvement

Government should use funds from the raised landfill tax to enter into innovative partnerships with commercial waste firms and local authorities, and so speed up the introduction of an effective waste management infrastructure.

Conclusion

Management of waste is a shared responsibility for society as a whole. If we are to deliver the sustainable reduction of waste to which we all aspire it is essential that government fulfills its policy role in creating the strategy which can deliver the desired results. Central to this will be;

- delivering an holistic and strategic view across waste management issues,
- working more effectively with business on the delivery of policy initiatives;

We have proposed a series of recommendations which we believe would go some way to delivering the desired policy results. We welcome the opportunity to work more closely with government and officials in the achievement of these shared goals.

About EEF

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