

**THE AUSTRALIAN INDUSTRY GROUP  
RESPONSE TO THE PACKAGING IMPACTS  
CONSULTATION REGULATION IMPACT  
STATEMENT**

**MARCH 2012**



**Australian Industry Group**

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## 1. Introduction

The Australian Industry Group (Ai Group) welcomes the opportunity to provide comments on the Packaging Impacts Consultation Regulation Impact Statement (PICRIS).

Ai Group is a peak industry association in Australia which along with its affiliates represents the interests of more than 60,000 businesses in an expanding range of sectors including: manufacturing; engineering; construction; automotive; food; transport; information technology; telecommunications; call centres; labour hire; printing; defence; mining equipment and supplies; airlines; and other industries. The businesses which we represent employ more than 1 million employees.

## 2. Defining the Problem

The PICRIS states (p17) that the key problems being addressed “are that governments’ stated objectives and community expectations for the recovery and recycling of packaging and management of litter are not being met.”

However, the PICRIS notes (p 17) that there have been substantial improvements in these areas:

- The national packaging recycling rate has increased from 39 per cent in 2003 to 62.5 per cent in 2010.
- Measured litter rates have also been decreasing in recent years.
- It is expected that the national packaging recycling rate will continue to improve and litter will continue to decrease under existing arrangements.

The PICRIS indicates that the key concern is that improvements in recycling rates are not shared across all areas (paper and cardboard packaging consumption and recycling data are significant contributors to the aggregate recycling figures) and the relatively lower rate of away-from-home recycling rate.

It is not clear what reduction in litter is required to meet community expectations and whether the costs are associated with meeting such ill-defined community expectations are viable.

## 3. Ai Group Support for the Australian Packaging Covenant (APC)

Ai Group is a signatory to and strong supporter of the APC, which focuses on addressing the environmental impacts of packaging across its lifecycle. This is in contrast to other schemes addressing packaging waste, such as Container Deposit Schemes (CDS) which focus on post consumption impacts.

Ai Group notes that key objectives of the APC include improving away from home recycling and addressing litter. Ai Group further notes that the PICRIS was commissioned prior to the APC coming into effect.

The *Problem statement for packaging* (p12) states that over the period 2003 to 2010, in which the APC has been the primary mechanism for addressing packaging waste:

- While total waste generated has grown at nearly 7% per annum since 2003, packaging consumption has grown at less than 1% per annum by weight (from 4.2 million to 4.4 million tonnes- a 6% total increase).
- Recycling has grown at a rate of nearly 8% per annum, from 1.6 million to 2.8 million tonnes (a 69% total increase). As a proportion of consumption, recycling has increased from 39% to 62.5%.
- Disposal to landfill has decreased by nearly 6% per annum, from 2.5 million to 1.7 million tonnes (a 35% total decrease).

Over the same period, there has been a decline in packaging litter (p14 *ibid*).

More recent data indicates that in 2010 - 2011 the APC achieved a further increase in the recycling rate to 63.1%. Packaging consumption also showed a small decrease during 2010-2011.

Under the APC, all parties in the packaging supply chain and all levels of government are committed to the sustainable design, use and recovery of packaging, by encouraging improvements in packaging design, higher recycling rates and better stewardship of packaging.

The co-regulatory approach of the APC has attracted international attention as a highly innovative and cost effective initiative for addressing the environmental impacts of packaging. In 2011, the APC reported overall Recycling Rate of 63.1% for post-consumer packaging in Australia in 2011, up from the 39% baseline established in 2003. The APC is committed to achieving a 70% recycling rate by 2015.

Ai Group considers that the Australian Packaging Covenant (APC) should form the core of any strategy for addressing packaging waste.

#### **4. Options Considered in the Packaging RIS**

Ai Group supports implementation of nationally consistent and cost effective approaches to waste management which do not impose onerous regulatory compliance burdens on industry. An effective national packaging waste strategy must facilitate a flexible product stewardship approach which focuses on the packaging life cycle for the range of packaging material types. It must also be responsive to developments in packaging. In some instances there may be trade offs between improvements in packaging characteristics (eg product safety, food quality) and environmental impacts.

With the exception of Option 1, the following 7 national options to increase packaging resource recovery rates and decrease packaging litter which are considered in the PICRIS involve significantly increased obligations on industry:

- Option 1: National Waste Packaging Strategy: development of a national packaging waste strategy (non-regulatory) to deal with all packaging materials
- Option 2: Co-regulatory Packaging Stewardship, with three specific sub-options
  - 2 (a): the Australian Packaging Covenant replaced by co-regulation under the *Product Stewardship Act 2011*. (This option funded by contributions by packaging brand owners)

- 2 (b): Industry Packaging Stewardship, incorporating a National Bin Network proposal to expand the APC (This option funded by contributions by packaging brand owners and by beverage sector brand owners.)
- 2 (c): Extended Packaging Stewardship. (This option involves substantially increased industry action in packaging recovery and litter reduction.)
- Option 3: Mandatory Advance Disposal Fee. (Involves costs to packaging industry through the ADF, and household and business participation costs.)
- Option 4: Mandatory Container Deposit Scheme (CDS), with two specific sub-options (majority of costs under borne by the beverage industry):
  - 4 (a): Boomerang Alliance CDS
  - 4 (b): Hybrid CDS

While all options considered in the PICRIS result in an overall increase in recycling by 2035, there is, as noted, significant variance in the costs to the packaging industry of the various options.

Both Option 1 and 2(a) are relatively low cost options. While Option 2(a) has been assessed as having slightly more benefits, it should be noted that Option 1 out performs Option 2(a) in terms of recycling, litter and disposal to landfill. Further, Option 2(a) imposes greater costs on the packaging sector.

The projected performance of each of the options is detailed in the following table.

	<b>Option 1</b>	<b>Option 2 (a)</b>	<b>Option 2 (b)</b>	<b>Option 2 (c)</b>	<b>Option 3</b>	<b>Option 4 (a)</b>	<b>Option 4 (b)</b>
Costs (millions)	\$311	\$258	\$554	\$984	\$981	\$2,125	\$2,471
Benefits (millions)	\$262	\$304	\$503	\$786	\$786	\$710	\$710
NPV (millions)	-\$49	\$46	-\$51	-\$198	-\$195	-\$1,414	-\$1,761
BCR (number)	0.84	1.18	0.91	0.80	0.80	0.33	0.29
2035 recycling (tonnes)	4,222,000	4,200,000	4,264,000	4,497,000	4,497,000	4,313,000	4,313,000
2035 litter (tonnes)	30,000	31,000	29,000	22,000	22,000	28,000	28,000
2035 landfill (tonnes)	956,000	977,000	915,000	689,000	689,000	867,000	867,000

Source: Packaging Impacts Consultation RIS Page xiii

## 5. Support for Option 1: National Waste Packaging Strategy

Of the options considered in the PICRIS, Option 1 is preferred by Ai Group.

Option 1 involves development of a national packaging waste strategy (non-regulatory) to deal with all packaging materials, funded from additional government resources and incorporating the following key elements:

### *Recycling initiatives*

- National recycling education/advertising initiative
- National program to improve away from home recycling at mass consumption areas though improved bin labelling
- Information sharing between state and local governments
- Consistent labelling of recycling bins
- Development of non-regulatory standards for end products and recycling labelling for packaging
- Additional initiatives (yet to be defined – based on needs at time of implementation)

### *Litter initiatives*

- National education program for litter prevention
- National litter count methodology
- Additional initiatives (yet to be defined - based on needs at the time of implementation)

The PICRIS states that Option 1 is a relatively low cost initiative targeting all packaging types that would deliver an improvement in recycling rates to 81.1% (4,222,000 tonnes) by 2035. This exceeds the base case recycling rate at 79%. Option 1 is also projected to achieve an improvement in litter reduction rates compared to the base case at 10% by 2020 and 15% for the period 2025-2035.

The PICRIS also identified regulatory failure as a concern. Ai Group contends that the Australian Packaging Covenant Council could provide a mechanism for the coordination of a national packaging strategy given that it currently includes representation from the majority of jurisdictions.

Ai Group argues that Governments have a key role to play in addressing packaging waste through litter prevention strategies. Even packaging which is designed and produced in accordance with optimal sustainability principles can enter the waste and litter stream through inappropriate consumer behaviour. Any strategy to address litter must incorporate strategies to achieve significant community behavioural change.

Development of a National Waste Packaging Strategy should incorporate continued operation of the APC with its focus on sustainable packaging design and lifecycle approach to packaging. Support for the development of competitive and sustainable Australian recycling industry should also be a focus.

## 6. Option 2: Co-regulatory Packaging Stewardship

Option 1 compares favourably with the estimated litter and recycling outcomes for options 2(a) and 2(b). While Option 2(c) is projected to achieve better litter and recycling outcomes, it places disproportionate costs on the packaging industry.

Under each of the co-regulatory packaging stewardship options considered in the PICRIS, the packaging industry would be responsible for incremental costs associated with scheme administration, communications, initiatives, infrastructure and compliance. The PICRIS states that these could be offset by the market value of additional resources recovered.

These incremental costs, which are in addition to the costs of the Australian Packaging Covenant, were estimated in the 2010 RIS for the APC to be around \$18 million per annum. The PICRIS estimates these net incremental costs to the packaging industry as follows:

- Option 2 (a) \$18 million
- Option 2 (b) for \$188 million
- Option 2 (c) \$353 million

Ai Group notes that Option 2(b) incorporates a national bin network proposed and funded by industry. This voluntary proposal is laudable and Ai Group applauds the project proponents.

## 7. Option 3: Mandatory Advance Disposal Fee (ADF)

Ai Group considers that application of an ADF in the form of a weight based fee per tonne of packaging materials is inconsistent with adopting a lifecycle approach to packaging and is likely to be administratively complex.

The PICRIS assesses this Option as having a lower benefit cost ratio than Option 1. The PICRIS also indicates uncertainty that the projected outcomes for Option 3 would be achieved.

## 8. Option 4: Mandatory Container Deposit Scheme (CDS)

Ai Group opposes the introduction of CDS. By their very nature, CDS are expensive to implement, are ineffective in addressing the broader environmental impacts of packaging, and significantly increase the regulatory burden on the beverage industry.

The PICRIS assessed Options 4 (a) and 4 (b) as the highest cost options and having the lowest BCRs of all the options, indicating they represent the largest net cost to the economy. The costs of the two CDS options examined are estimated to be between \$4.4 billion to \$4.73 billion.

Ai Group members have expressed concern that CDS compete with kerbside recycling. Arguments by advocates of CDS that they are the most effective means of addressing litter are not supported by the results of the Keep Australia Beautiful National Litter Index Annual Report 2010/2011 which showed that Victoria has performed significantly better than South Australia on litter since 2007/08. CDS focuses on recovery of materials but not recycling and



end use markets. Victoria, without a container deposit system, recycles 24kg more packaging per capita per year than South Australia

In addition, it is expected that introduction of a CDS would undermine the success of the APC which currently has over 700 signatories of which the food and beverage industry account for over one third. It is unlikely that this sector would continue its current level of participation in the APC following introduction of a CDS, which would have significant implications for future APC initiatives.

## **9. Conclusion**

Ai Group supports implementation of nationally consistent and cost effective approaches to waste management which do not impose onerous regulatory compliance burdens on industry.

Ai Group supports Option 1 as the preferred option but notes, and welcomes the proposed voluntary contribution by proponents of the National Bin Network.