

# Submission to the Productivity Commission on Draft *Waste Management* Report

By Amcor Australasia

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## Overview

Amcor has prepared this submission in response to the Productivity Commission's Draft *Waste Management* Report ('Report'), released in May 2006. As a member of the Packaging Council of Australia (PCA), the National Packaging Covenant Industry Association ('NPCIA') and an associate member of the Australian Food and Grocery Council ('AFGC'), Amcor concurs with the submissions previously provided to the Commission by these organisations and acknowledges the Commission's overall receptiveness to their views as reflected in the Report. This submission elaborates further.

As Australia's largest packaging company, Amcor supports many of the Report's findings relating to packaging and Australia's National Packaging Covenant ('Covenant'). Australia may be close to the point of diminishing economic and environmental returns for recycling various packaging materials. Requiring recovery to exceed certain levels could be counterproductive and run counter to Government stated objectives about reducing red tape on business and helping Australian companies to be more competitive globally. Amcor considers voluntary or co-regulatory approaches such as the Covenant are more cost-effective, offer industry more flexibility and opportunity to innovate.

## Amcor's Role

Amcor is a large international packaging company with annual sales revenue of around \$11 billion. The company is listed on the Australian Stock Exchange with headquarters in Melbourne. Amcor employs approximately 6,000 people in its Australian operations.

Amcor operates a number of recycling depots around Australia. We are a leading recycler of used paper and cardboard from the commercial and industrial sector. Around 800,000 tonnes of waste paper and cardboard are recycled annually at the company's paper and cartonboard mills in Australia.

Amcor has been a strong advocate for shared responsibility in relation to product stewardship across the packaging supply chain. We are Founding Members of the Covenant, a signatory to the revised Covenant and a member of the NPCIA. We are also active members of the PCA, Buy Recycled Business Alliance ('BRBA') and newly formed Packaging Stewardship Forum ('PSF') being administered under the auspices of the AFGC.

## Specific Responses to the Report

Amcor's specific responses to particular findings and recommendations in the Report are as follows.

**Draft Finding 4.4:** *The net external benefits of kerbside recycling vary according to circumstances, and are unlikely to be nearly as large as the \$420 per tonne of recovered material figure that is widely quoted for kerbside recycling in Australia. Accordingly, there is significant doubt that kerbside recycling will deliver net social benefits unless it is privately cost effective.*

Whilst not commenting on the data used to develop this finding, there are a variety of benefits from kerbside and other recycling programs, including supply of reliable feedstock for end use companies such as Amcor. Amcor supports more robust examination of costs and benefits of recycling programs to address this identified data gap.

**Draft Recommendation 7.1:** *Governments should not allow the priorities suggested by the waste hierarchy to override sound policy evaluation principles based on a net social benefits approach. All of the costs and benefits of alternative waste management options should be carefully evaluated.*

Amcor supports this recommendation. Although the waste hierarchy can be useful in a core concept understanding of waste management and assist in some education efforts on waste management, more effective robust policy considerations are available.

**Draft Recommendation 7.2:** *Governments should not directly or indirectly impose waste minimisation and recycling targets as part of waste management policy.*

Whilst supporting the Commission's critiques of flaws in how many targets (including those in the Covenant) have been set in Australia, targets may have an appropriate role in driving improvement where such targets have been properly developed, consistent with analytical methods supported elsewhere in the Report.

**Draft Finding 8.1:** *Mandatory standards for including recycled content in products are unlikely to produce net benefits for the community.*

Amcor supports this finding. In the case of packaging products, there are many factors that determine the optimum level of recycled content. For instance, there are legislative restrictions on the use of recycled content in food contact packaging. Amcor's National Packaging Covenant Action Plan includes a commitment to "maximize the percentage of post consumer and post industrial recycled content in its packaging in conjunction with customer requirements, package functionality and in accordance with current food contact legislation". We agree that mandatory recycled content standards are inappropriate.

**Draft Finding 9.2:** *Deposit-refund schemes are typically costly and would only be justified for products that have a very high social cost of illegal disposal. Container deposit legislation is unlikely to be the most cost-effective mechanism for achieving its stated objectives. Kerbside recycling is a cheaper option for recovering resources, while general anti-litter programs are likely to be a more cost-effective way of pursuing litter reduction.*

Amcor supports this finding. For a range of reasons considered by the Commission, approaches such as the Covenant and comprehensive recycling and litter management programs are far more cost-effective than container deposit legislation in reducing externalities of packaging.

As highlighted in the research by consultancy MS2 that supported the NPCIA submission, current proposals to apply extended producer responsibility ('EPR') to packaging as a means of shifting or spreading waste management costs are also inconsistent with OECD principles and objectives for EPR. Note the NSW Government, which leads Australian jurisdictions in evaluating EPR and product stewardship, does not reference cost-shifting in their selection criteria for nominating products to be subject to EPR or in deferring to the Covenant as the principal instrument for managing packaging waste in Australia. Cost-shifting is not a valid reason to introduce EPR on packaging.

Where effective kerbside recycling systems are established, as is the case for most parts of urban areas throughout Australia, introduction of CDL is likely to be counter-productive to achieving improved recovery and recycling rates. Several studies have also found that the more cost-effective recycling programs are, the greater the financial impacts would be of introducing CDL. CDL would likely decrease recovery yields and therefore market value of recyclables, while kerbside collection costs would remain fixed. These costs would be additional to CDL's establishment and operational costs.

**Draft Finding 9.3:** *Tradeable property rights can be useful means of achieving targets cost-effectively. However, as the use of targets in waste management policy is not supported, and tradeable property rights can be costly to implement, it is currently not clear what purpose they would serve. Further consideration should be delayed until a more comprehensive body of international experience regarding their capacity to deliver a net social benefit, and a legitimate application for them, emerges.*

Amcor supports this finding.

**Draft Finding 10.1:** *Mandatory product stewardship and extended producer responsibility schemes — involving either industry-government co-regulation or government regulation — tend to be costly. They are unlikely to deliver a net benefit unless:*

- *there are considerable benefits to society from avoiding the product's inappropriate disposal, for example because it is hazardous;*
- *only a small number of parties need to be targeted to make the requirements effective, and those parties will remain in the industry over the long term; and*
- *compliance with the requirements can be readily measured and enforced.*

*The Commission is not convinced that many of the products currently being targeted by governments — including packaging, computers, televisions and tyres — satisfy all of these requirements.*

Amcor supports this finding.

**Draft Recommendation 10.1:** *The terms of reference for the scheduled 2008 review of the National Packaging Covenant should be expanded beyond an assessment of effectiveness. An independent review should consider all relevant evidence about whether the Covenant (and supporting regulation) delivers a net benefit to the community.*

Amcor strongly supports this recommendation. The introduction of specific KPI's for signatories and a requirement on signatories to demonstrate introduction of the Environmental Code of Practice for Packaging (ECoPP) in the product development process provide a solid framework for industry to further progress product stewardship under the Covenant framework up to and beyond 2010. Amcor is concerned however that any perceived lack of progress towards meeting the Covenant's arbitrary targets by the mid-term 2008 review may trigger a strict regulatory approach at the expense of taking a broader, more balanced and longer-term policy response.

**Draft Finding 11.2:** *Using government procurement practices to create demonstration effects for the broader community and assist the development of markets for recovered materials, is an indirect and, most likely, a relatively ineffective way of pursuing those waste policy objectives.*

Amcor suggests modifying this finding. Although indirect, the influence of government procurement practices can provide significant market development for recovered materials. Far greater, though, is the influence of corporate procurement practices. Amcor is a Founding Member of the BRBA, and supports such market-driven approaches to help ensure strong end-use markets for the increased materials recovered under the Covenant and other recycling programs.

**Draft Recommendation 13.1:** *The Environment Protection and Heritage Council should coordinate the development of a concise, nationally consistent, data set for waste management that would facilitate evaluation and comparison of waste management policies across jurisdictions. It should have regard to data collection practices already in use.*

In light of the widely acknowledged current lack of data and the inadequate basis on which the targets under the revised Covenant were set, Amcor supports this recommendation. It is critical that Governments work closely with industry to establish a comprehensive and sound data set to determine the effectiveness of waste management policy.

## Concluding Comments

Despite the shortcomings of the initial Covenant and the ongoing challenges of the improved Covenant Mark 2, Amcor is a strong advocate for its co-regulatory approach to handling product stewardship across the packaging supply chain. Industry participants have signed on to the new Covenant agreed by Federal and State Governments in the expectation that it will provide certainty in relation to packaging regulatory arrangements over a five year period up to 2010. A requirement to report progress against specific performance targets and to implement a revised and stronger Environmental Code of Practice for Packaging in the decision-making process should lead to improved environmental outcomes across the supply chain over time.

Amcor strongly believes the Covenant provides the most cost-effective approach for managing post consumer and industrial waste. Australia currently achieves impressive recovery/recycling rates from the residential kerbside systems. An increased focus on the Away From Home sector in the current Covenant provides significant opportunities to improve waste management and resource recovery over coming years.

Despite the arbitrary development of Covenant targets, Amcor is committed to contributing towards their achievement in its role as a reprocessor of waste material into packaging products. Amcor supports building on the significant achievements that have been made to date at considerably less cost than some other policy approaches. Amcor therefore supports examination of the Covenant's costs and benefits within a robust analytical framework, consistent with Commission recommendations.

Amcor continues to support the Covenant as a co-regulatory approach to product stewardship for packaging, especially given the strength of recycling in Australia, cost-effectiveness of the current approach (comparable recovery rates to Europe at significantly less cost) and general lack of more detailed data.