

Product Stewardship Council

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An independent, non-profit organisation dedicated to understanding and advancing the principles of product stewardship

Submission to the Productivity Commission Inquiry on Waste Management

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Overview

The Product Stewardship Council (PSC) is a recently formed independent, non-profit organisation dedicated to understanding and advancing the principles of product stewardship (PS). As such, we appreciate the opportunity to provide input to the Australian Productivity Commission's inquiry on waste management. In particular, the PSC has prepared this submission in response to the Commission's Draft *Waste Management Report* ('Report'), released in May 2006.

The PSC supports the principles of PS in clear preference to extended producer responsibility (EPR). We concur with Draft Finding 10.1 that mandatory PS and EPR schemes — involving either industry-government co-regulation or government regulation — tend to be costly and are unlikely to deliver a net benefit unless a number of conditions are met. However, the PSC believes that properly developed PS schemes can produce worthwhile outcomes that belie simple cost-benefit analyses.

We concur with Commission findings that robust analytical frameworks have not been applied effectively in the development of many PS and EPR schemes or in jurisdictional pressure on industry to develop such schemes. All too often, however, analytical frameworks fail to encompass many of the harder-to-quantify benefits of such schemes.

It is unfortunate that a number of Australian jurisdictions have sought to mandate the introduction of EPR schemes without clear policy objectives and without full consideration of costs, benefits and risks of such schemes. All too often, there seems to be "policy envy" in wanting to copy programs from other jurisdictions, including other countries, without fully understanding the implications of introducing those policies in a local context. The PSC has been established, in part, to help understand the strengths, weaknesses and critical factors to the success or otherwise of these programs. We seek to promote the awareness of these factors in a transparent way to better enable proper policy development and sensible development of PS schemes where they deliver net benefits.

Finding the Right Balance

Consumers increasingly expect producers to bear some responsibility for the products they introduce into the market place, and producers that seek to provide a balanced response to these consumer expectations often experience increased brand loyalty and stabilised profit margins. The difficulty is in establishing an appropriate level of commercial and government resources to support such schemes. For example, we would certainly not expect significant government resources to be dedicated to enforcement of product stewardship schemes without a net public benefit.

Governments can often yield strong results by facilitating development of product stewardship schemes and increasing public awareness, as evidenced by Australia's Product Stewardship for Oil program. Where industry sectors seek to develop voluntary and co-regulatory schemes, a reasonable approach is to consult with Governments in their development, while seeking to limit ongoing involvement of Government beyond consultations and information roles.

Attempts to apply EPR to relatively benign or inert products are misguided where externalities are minimal or where such products do not impose net costs on the community to manage. For example, attempts to apply EPR to packaging as a means of shifting or spreading waste management costs are inconsistent with OECD principles and objectives for EPR, and represent an expensive and ineffective means to achieve what often amount to vague or conflicting policy objectives. Approaches such as the National Packaging Covenant (Covenant) and comprehensive recycling and litter management programs are far more cost-effective than container deposit legislation in reducing externalities of packaging.

Conversely, PS schemes can be appropriate and cost-effective for truly hazardous or expensive to manage products, as noted in a variety of submissions to the Commission. The U.S. Product Stewardship Institute, a partner organisation of the PSC, has recently facilitated the development of PS schemes for mercury-containing products. Viable PS programs have been developed internationally for products such as used oil, tyres, paints, computers, etc. We note that a variety of market-based instruments (MBIs) and advance disposal/recycling fees (ADFs and ARFs) have been instrumental to the success of these programs, and that these programs can be effective in the absence of recycling targets.

Ontario has implemented a variety of PS schemes using an approach in which baseline data for the product in question is first collected, then used to determine the best approach to achieve intended outcomes. Program needs can then be determined, followed by program funding requirements if necessary. This basic approach can fit within the analytical frameworks proposed by the Commission.

Moving Forward

Despite the somewhat flawed development of some Australian PS schemes, it would be inappropriate and ineffective to scrap the work done to date on the schemes. What would be more appropriate and effective would be to deliver net public benefit without mandating such schemes or penalising industries for failure to achieve arbitrarily developed targets. Moving forward will require considering the full costs, benefits and risks of such schemes while engaging key stakeholders in a transparent and accountable way.

A number of Australian PS schemes, such as those for newsprint and packaging, have delivered solid results in fairly cost-effective ways. These industries should be recognised for their efforts.

The PSC concurs with Commission findings that Australian governments should thoroughly evaluate or re-evaluate the rationale for existing and proposed PS and EPR schemes, and do so within an appropriate analytical framework. Many of the current schemes were based on a less-than-full consideration of costs, benefits and risks, or were intended to achieve vague or even conflicting policy objectives.

The PSC also concurs with Draft Recommendation 10.1 that the terms of reference for the scheduled 2008 review of the Covenant should be expanded beyond an assessment of effectiveness and that an independent review should consider all relevant evidence about whether the Covenant (and supporting

regulation) delivers a net benefit to the community. The packaging supply chain has demonstrated substantial PS under the Covenant, and is justifiably concerned that a perceived lack of progress against the Covenant's arbitrary targets may trigger a strict regulatory response by governments that is disproportionate to the externalities of packaging.

The PSC agrees with the DEH submission that Australian policies are more likely to be effective when similar EPR or PS schemes exist overseas. We further agree with the Commission's view that "there may be a role for Australian policies to complement those of other countries if it limits the importation of highly problematic or difficult to recycle products" (p.231). For example, introduction in Australia of legislation consistent with the European Union's Restriction of Hazardous Substances (RoHS) Directive could help protect Australia from transitional dumping of non-RoHS compliant products. Such an approach could help support PS efforts for domestic appliances in Australia.