



**TRANSCRIPT
OF PROCEEDINGS**

SPARK AND CANNON

Telephone:

Adelaide	(08) 8110 8999
Hobart	(03) 6220 3000
Melbourne	(03) 9248 5678
Perth	(08) 6210 9999
Sydney	(02) 9217 0999

PRODUCTIVITY COMMISSION

INQUIRY INTO WASTE GENERATION AND RESOURCE EFFICIENCY

MR P. WEICKHARDT, Presiding Commissioner

TRANSCRIPT OF PROCEEDINGS

AT MELBOURNE ON TUESDAY, 1 AUGUST 2006, AT 2.14 PM

Continued from 31/7/06 in Canberra

MR WEICKHARDT: Good morning, ladies and gentlemen, and welcome to the public hearings for the Productivity Commission into Waste Generation and Resource Efficiency. My name is Phillip Weickhardt. I'm the presiding commissioner on this inquiry. The inquiry started with a reference from the Australian government on 20 October 2005. The inquiry will examine ways in which waste management policies can be improved to achieve better economic, environmental and social outcomes. The inquiry covers solid waste and, more specifically, the issues associated with municipal, commercial, industrial, construction and demolition wastes.

We are grateful to the many organisations and individuals who have already participated in this inquiry. The purpose of these hearings is to provide an opportunity for interested parties to discuss their submissions and their views on the public record. We released a draft report on 23 May 2006 and have received a number of submissions on the draft report. We have already held hearings in Perth, Brisbane, Sydney and Canberra, and by the end of this week, hearings will have been completed in Melbourne.

After considering all the evidence presented at the hearings and in submissions, as well as other relevant information, the final report will be forwarded to government in October 2006. Participants in the inquiry will automatically receive a copy of the final report.

We like to conduct all hearings in a reasonably informal manner, but I remind participants that a full transcript is being taken. For this reason, comments from the floor cannot be taken but at the end of proceedings for the day, I will provide an opportunity for anyone wishing to do so to make a brief presentation. Participants are not required to take an oath but are required under the Productivity Act to be truthful in their remarks. Participants are welcome to comment on the issues raised in other submissions or by other speakers here today. A transcript will be made available to participants and will be available from the commission's web site following the hearings. Copies may also be purchased using an order form available from staff here today. Submissions are also available on the web site or by order form.

Now, to comply with requirements in the Commonwealth Occupational Health and Safety legislation, I draw your attention to the fire exits, evacuation procedures and assembly points. The fire exits are clearly marked out here and we have a fire warden with us right here and he will give instructions should the case require it.

I would now like to welcome our first participant, the Australian Paper Industry Association. If you could please for the transcript give your name and capacity in which you're appearing here today.

MR WOOD: Certainly. Tony Wood, I'm the president of the Australasian Paper Industry Association.

MR JOHNSON: I'm Mark Johnson. I'm a member of the association. I'm also involved in the industry by being a director of an importing business and my previous business was involved in the wastepaper industry.

MR WEICKHARDT: Okay, thank you very much. Thank you for your submission. You should assume we've read that but if you'd like to make some introductory remarks, please go ahead.

MR WOOD: I think just by way of introduction, the Australasian Paper Industry Association brings together two parties previously existing, the National Paper Council and the Independent Paper Group. Both of those parties were involved in the fine paper industry which primarily is involved with the office supply of office papers and collectively would also supply something in the order of 95 per cent plus of the paper for printing and writing paper supplied to the market in Australia.

Our main interest in regards to the Productivity Commission hearing was one of timing in regards to the recent New South Wales government requirement for our industry, along with others, to be involved in various EPR schemes and we had a lot of discussion and internal debates as might be expected about this very issue, hence the fact that we were keen to be involved in making a submission and also add to the hearing our concerns and thoughts in regards to this matter.

MR WEICKHARDT: Okay. Thank you very much indeed.

MR JOHNSON: Particularly in relation to your report, in looking through the draft report, we were struck and pleasantly surprised really by virtue of all of the findings in that. We found that we've been an industry in a situation where the paper industry itself is a fairly low margin industry. We've been under, it's fair to say, pressure from the New South Wales government in relation to introducing an EPR scheme and it's something we've been really struggling to understand how we could possibly do it, given the structure and the nature of our business. So when we read your report, it's fair to say that we've been much relieved by many of the comments in it.

MR WEICKHARDT: I'm gratified that you agree with some of them. I don't know whether that should make you relieved, because we're only here to make recommendations, although hopefully they will have some influence on government that's an indirect process rather than a direct one. Let me just clarify a few issues. One is that I think the APIA is itself a member of Paper Round, who are appearing here this afternoon too at the hearings.

MR WOOD: Yes. As I said before, Mr Chairman, the fact is that of the

32 members we have in APIA, including the local fine paper manufacturing and paper distribution business, Australian Paper Links, and all the major suppliers into this market and the distributors, amongst that group you have quite a divergent range of views and opinions about this very issue. There would be those that would say that the paper industry already has a large degree of recycling and already is contributing quite a substantial percentage of paper usage, going into recycling and what have you. So from that perspective, there is an argument to say that we have concerns about the whole issue of waste and what have you.

There's also concerns within our group that the numbers spoken about in regards to the level of volume going to waste, particularly that of the New South Wales government DES was that we have a lot of doubts about that actual volume and we feel that those volumes are very much overstated. It took quite a while for us to effectively get all our members to come to the view that at least if there is going to be this EPR, let's say, investigation or discussion about involving the paper industry, the first thing we need to do is really consider is it justified and is there a problem? Then we need to quantify that, and then we need to deem is there anything actually we can do about it?

From that perspective, we finally agreed that we would be part of Paper Round, that we would have a member of our board on the board of Paper Round, and that they would be largely there to look after the interests of the APIA and make contribution, because one of the concerns we had is that it's very easy to have the answer before you actually do any of the investigation and we have been always concerned that we shouldn't pre-empt what the outcome of that was going to be, and so we had a lot of input into, let's say, formulating the objectives of the constitution of Paper Round to make sure that it didn't pre-empt and therefore we wanted to be involved in having some input to that.

So yes, we are part of Paper Round, we are making a contribution equivalent to that of the Printing Industries Association of Australia, but we come at it from a view that we don't want to pre-empt anything, we don't know whether it's an investigation that really has legs or has merit. As Mark said, we're concerned that perhaps we're being bulldozed a little bit into this with the New South Wales government without really understanding exactly how big an issue this is. So yes, we are a part of Paper Round - a long answer. I'm sorry about that.

MR WEICKHARDT: Thank you. Just to clarify this, the impression I gain is that both your association and Paper Round have very recently come together. Has the catalyst for that in both situations been this threatened EPR scheme for paper?

MR WOOD: Yes. Firstly, our group really only was formally brought together, bringing those other two industry groups together, on 15 February of this year and we didn't really have any input to the EPR program from the New South Wales

government until after we had formed our own group. Paper Round as such was already starting to develop, and develop some input. As I said, we had quite a divergent range of views and so it's only of reasonably recent times, only in the course of the last two to three months, where our group was happy to really be involved because we were happy with the make-up of the constitution and the objectives for Paper Round, because Paper Round is really an investigation body, it isn't really a body to determine exactly what should be done, and it's also only to make recommendations at the end of the day.

MR WEICKHARDT: Okay. But a lot of individual members of APIA are also individual members of Paper Round. Is that the case?

MR WOOD: I wouldn't say a lot actually. There are some that are individual contributors to Paper Round but the majority of them are like my company that I head up, Mark's company. We're only making a contribution via the APIA and so we're part of that because most of us feel more comfortable with that program.

MR WEICKHARDT: Okay, thank you. Now, it may give you some comfort or it may give you some distress, you're not the only organisation that feels that the New South Wales government has taken an initiative in trying to introduce an EPR scheme or product stewardship scheme of some sort around an industry for reasons that are sometimes not well understood, but can you help shed any background to why you think office paper has been elevated to this status?

MR WOOD: I would say that first and foremost - and in the correspondence we've had with Bob Debus on this point - it's obvious that they have a view that the volume going to landfill is very substantial. They talk about a figure of 620,000 tonnes going to landfill, and in actual fact it was one of those waste streams that was deemed to be in the 16 waste streams of concern, but then suddenly it was elevated, paper was elevated to be up there with batteries, televisions, computers and what have you and it seemed to us to be totally erroneous because (a) we don't agree with the volume figures in the first place and (b) we also look at paper and say that paper is basically an inert product, it isn't a product that would normally cause an environmental problem from a toxic output or anything of that nature, and by and large, it's already a product that amongst all the products being considered, has a high level of recycling attached to it.

MR WEICKHARDT: That appears to be a matter I guess of some contention. Given the fact that you attached your letter to Bob Debus as a confidential attachment to the submission and that contains some of the statistics you were talking about, are you prepared for the public record to indicate what your views are of the tonnages that you think are relevant in terms of - - -

MR WOOD: We're actually quite happy for that letter to be made as a public

submission in any case.

MR WEICKHARDT: All right. So we can attach that as part of the submission, okay. But the point of the discussion then, the Bob Debus view of the world or the New South Wales view of the world is that 620,000 tonnes of office paper are going to landfill. What's your estimate?

MR WOOD: That's one of the reasons why we opted to be part of Paper Round because we thought that actually Paper Round should also be investigating what is a more realistic figure. But if you look at the simplicity of an office environment, and most of us are involved in office environments, office environments today do encompass a lot of different types of paper, be it A4 copy or laser paper or what have you, magazines et cetera, but we would contend that the vast majority of paper going through offices is A4 format, going through laser printers or ink jet printers or whatever, and that in itself means that there's quite a problem. We say that the amount of copy paper in Australia supplied is about 235,000 tonnes. We say, working on population, that about 70,000 tonnes of that is being used and consumed in New South Wales. Not all of that is going to be going into typical offices of business, government or semi-government or whatever, a lot of it will be going into home offices, but if you contend that that's 70,000 tonnes out of 620,000 tonnes, then you're saying there must be 550,000 tonnes of other paper that's going into offices that's going into landfill, and we just believe that that totally is incorrect - - -

MR WEICKHARDT: Of submissions to the New South Wales government - - -

MR WOOD: Yes, because the simple fact is that offices generally don't use a ratio of 8 to 1 or whatever it may be in terms of the level of other papers they would use in an office. But that aside, we really would suggest that that figure is vastly inflated.

MR WEICKHARDT: How could it possibly be anything like that? What other papers in a modern office could possibly now make up that sort of difference?

MR WOOD: In this case, he's also taken out the fact that cartons and this type of thing is not included in that; newspapers, they weren't included in that either. So then it can only lend itself to advertising media, magazines, envelopes, that type of thing, but it's hard to imagine. Forms now have basically been replaced by A4 copy paper or A4 laser papers.

MR WEICKHARDT: Does the industry agree pretty solidly with the 235,000 tonne figure or is it possible that one of your competitors has a 50 per cent market share that you don't know of?

MR WOOD: No, if we look at the copy paper market itself, the largest market shareholder is the local manufacturer of course and that would be expected, but no,

that's taken from industry figures and that's mapped over a number of years as to how that volume has grown and changed over the course of the years.

MR WEICKHARDT: Do the New South Wales government cite where their statistic comes from?

MR WOOD: I'm not a hundred per cent sure exactly where they get that. They talk about industry experts but I'm not a hundred per cent sure which industry experts. But within our group, as I say, we concede that amongst APIA, we also have heads of a lot of major companies and there is obviously a lot of disquiet about the volume, so that would also mean, it's safe to say, that they're supposedly the suppliers but they're not comfortable with the volume that's being discussed.

MR WEICKHARDT: If your volume figure is more or less correct, what recycling percentage do you believe actually goes on in New South Wales or in Australia?

MR WOOD: They talk about a figure of 83,000 tonnes in New South Wales.

MR JOHNSON: Which can't be correct either - well, it may be correct but it means that the recycling rate is massively higher than what they view it as.

MR WEICKHARDT: People have talked about, in this inquiry, generating energy from waste. They might have generated paper from something. Getting to the bottom of those statistics sounds pretty crucial and presumably the whole industry has got a desire to do that.

MR WOOD: Absolutely.

MR WEICKHARDT: I'll be interested to hear what Paper Round say about that later on. Now, that having been said, the other areas that the New South Wales government have on their hit lists appear to have origins from schemes that have been introduced overseas. To your knowledge, is there any parallel EPR scheme or product stewardship scheme that has got some co-regulatory component in Europe or the United States or anywhere else?

MR JOHNSON: Not that we know of. We've seen the packaging in Europe; that's obviously strong. In the US, when we look at it, they seemed to have maybe cars and batteries and phones, but we don't see that anywhere else for the paper industry, for office papers.

MR WOOD: I think it's also fair to say that within Europe, for example, where there's a large number of paper manufacturers, perhaps the opportunity for self-regulation in terms of recycling is more commercially driven. I mean, there are

far more outlets for recycling and therefore to have recycled content in the final product - and you could say that that would be the same, whether it's Europe, certainly it's the same within Japan - but it's not necessarily a parallel situation in Australia because obviously your opportunity to use recycled fibre in Australia itself is actually quite limited, apart from the packaging sector, for example, partly in newsprint too, I think, and partly in the local fine paper industry. But apart from that, the supply of recycled product would probably far outstrip the opportunity to actually use it.

MR JOHNSON: It would be in balance now and the people that need it for various applications get it, but we really struggle to see where there's other major areas where you can consume cellulose fibre, aside from subsidising it to be exported overseas to mills in Asia or somewhere presumably through India or Indonesia where there are large markets, but it's not economically viable to collect and sort and ship it there beyond what's being done at the moment.

MR WEICKHARDT: Although I understand that PaperlinX, who are appearing later on this week, the statistics they have provided in their submission appear to suggest they actually import recycled fibre to incorporate it in their papers, so that seems a bit bizarre. If you say that there's the potential to collect and recycle more fibre here, surely the first step would be just to stop importing some.

MR WOOD: I think it's really the quality of the fibre too, particularly in the case of fine papers, where it's mainly used for printing and writing. The quality of the recycled content of that would have to be of a very high standard.

MR WEICKHARDT: You don't think that's possible in Australia?

MR WOOD: I'd say it's probably not possible under the current facilities that would be available; they would be very limited to produce the quality of fibre that would be necessarily required for the fine paper industry.

MR WEICKHARDT: Okay. Now, you used the word, I think - I wrote down at least on my note - "bulldozed" by the New South Wales government, coerced or pressurised, whatever word you wanted to use; what action did they actually threaten to use that gives you the impression this is more than a friendly sort of discussion about whether you could do more?

MR WOOD: I think that's borne out of the simple fact that they basically say, "Look, you've got to have the bones of your program or what you're actually doing submitted by 30 June," which through Paper Round certainly was done. But then they're looking for a more definite plan of how you're going to basically save on paper going to landfill by October. Firstly, that presumes necessarily that you agree with what they're saying and, as I said before, simply our group would contend that

we don't necessarily agree with what they're saying, but being part of Paper Round gives us an opportunity of determining is it true, is it correct? Is there a large amount going to waste? Is that the best option anyway or is it actually an issue? It was done in such a way that said, "Look, if you don't come up with a program, we're going to impose one on you." Now, that's a bit of a strange way of necessarily going about trying to get cooperation, particularly when you're talking - I mean, you can talk about whether under COAG, the New South Wales government is basically talking on behalf of all state and territory governments which has been the view that perhaps they are, but then again on the other side, it would be a strange situation, if you're basically having to go down this track with New South Wales but it isn't deemed as an issue for Victoria, for example, or Western Australia or wherever.

There was a feeling that within our group, one of the arguments we had within our group is that we should simply say, "Look, do whatever you're going to do," because what can you do? What can you do? Can you add a duty? Can you add a levy? What can you do as an impost? What can you do? Are you simply going to end up making the industry here far less economic or less desirable and in fact drive business overseas in terms of the printing and paper industry overseas and we'll import the printed matter and what have you? Does that change the scale of things? These are the sorts of arguments we've been having.

MR WEICKHARDT: Do you have an answer to the question of what you think they could do?

MR WOOD: No, not really, we don't. We're not too sure what they can do.

MR JOHNSON: I think Bob Debus has pointed out that there is a piece of legislation there that gives them the ability to introduce legislation to force the industry to act, but it's very unspecific as to what form that would possibly take.

MR WEICKHARDT: Generally speaking, it's my understanding - and I should say and stress my understanding certainly shouldn't be relied on and it's very superficial - but my understanding is that generally speaking, the states need to enlist the Commonwealth's support if they're going to actually put some sort of real teeth behind these sort of schemes. So I guess that does bring you back to the issue of the degree to which New South Wales are acting, if you like, on behalf of the other states.

In the area of electrical appliances, we had AEEMA appear before the hearings in Canberra and they said in the case of recycling electrical appliances that it was their understanding that the New South Wales government were actually taking the lead role on behalf of the states and that some of these matters of concern to the states had been farmed out for different states to take a lead role on. I guess if the other states are tacitly behind this move, then it may be easier for them to motivate

the Commonwealth to take some interest in it.

MR WOOD: I guess in amortising the costs overall, the state jurisdictions would make a lot of commonsense, I think, but it's necessarily obvious that that's the case.

MR WEICKHARDT: I guess in some of the other schemes that have been suggested, there are a number of motivational factors that seem to get people concerned. One is the risk of disposal. In the case of electronic equipment, it is often cited that there's concern about heavy metals leaching in the landfill and things of that sort and then the other side of that is I guess the resource recovery or waste of resources if these products are thrown away rather than being recycled or reused. I assume in the case of wastepaper that it's very much a resource recovery argument but do you have any comment on that?

MR WOOD: Mark commented earlier on this, but I think it is driven by waste recovery and certainly an opportunity. It also should be said though that paper in itself is a very environmentally sensitive product inasmuch as it doesn't contribute to the toxic levels or any of those issues and it does break down. It's a very sustainable industry in that sense.

MR JOHNSON: The point to that, I see in your report, it's mentioned that one reason for putting an EPR scheme is to encourage producers to produce a more environmentally friendly product, be it a car or a TV. In our case, when you've got basically cellulose fibre with some starch added, it's fairly difficult to imagine that any sort of scheme promotes a more environmentally friendly product than what paper is at it stands. The New South Wales government report also mentions that they don't see any community concern with dumping of the product and they also say in their own report that they had no problems with any sort of toxicity or issues.

MR WEICKHARDT: Who said that, sorry?

MR JOHNSON: In the New South Wales government report, just prior to them elevating it, in the top category of the list. They did make the comment that they didn't see that there was any public concern. They didn't see that the waste was toxic in any way. The sole driver seemed to be based on volume and a perception also that it was a waste stream that was massively growing which is also something we contend is demonstrably untrue. Paper usage - and you don't have to go very far to see examples of it - in an office environment, it may have been true five years ago that with computers and printers it was growing, but that era would seem to have passed and if anything, we're going the other way now, with people motivated to exchange information electronically and not print it out.

MR WEICKHARDT: Okay. You mentioned that there's a sort of finite capacity of the fine paper market in Australia to absorb a significant increase in recycled fibre.

What are the other potential destinations for that fibre if you were looking to recover a resource? I assume it could go into other paper recyclable or cardboard recyclable streams?

MR JOHNSON: To some extent it already does. The cardboard recycling industry here is massively well developed. Visy Industries is one of the leaders in it, as is Amcor. They would appear to have as much fibre as they need. I mean, Visy Industries has run 100 per cent recycled board production for many years. There are different grades of waste. They're really looking more for the unbleached product, not the office papers. It's a concern when again the government would seem to be looking at it and saying, "You need to develop other uses," but it's cellulose fibre. There's only so many egg cartons or wine bottle spacers. There are only so many applications for secondary fibre, aside from putting it into paper or ultimately, if we were to massively subsidise collection for the sake of collecting more, the only way to move large quantities would really be to export them. There are certainly willing markets for export, but that would also tip the industry that currently exists on its head. There is commercial collection going on now where it's economically viable and if we were to set up a competing one that was subsidised, we would massively change the industry as it exists now and ultimately I'm not sure of the benefit of us just subsidising secondary fibre shipment to offshore paper mills.

MR WEICKHARDT: Okay. What about other domestic applications for the product, before we come to the export one, could any of this go into newsprint, for example?

MR JOHNSON: Small quantities, but again the newsprint, it's a different sort of pulp, and newsprint is a ground wood pulp. These are chemical pulps and to some extent you could put some in, but they really wouldn't want to blend too much of that fibre.

MR WOOD: It's at the lower cost end too in terms that newsprint is at the lower cost end of the paper stream in terms of its per tonne value in the marketplace.

MR JOHNSON: In the higher end areas, you can use it for recycled tissue, and toilet paper is a classic example and there are some small tissue mills in Australia, but again they're able to source as much as they need and at the end of the day, that comes down to how much recycled toilet paper the community will buy and unfortunately the answer is not very much. Those products are available now. People with all good intent don't buy them. So those mills, even though there is fibre available and they are available on the shelf, they represent a tiny amount of the market for that product.

MR WEICKHARDT: What roughly is the pecking order if you're looking at selling recycled fibre to various applications, if we go from sort of top dollar to the

bottom dollar?

MR JOHNSON: Do you mean the top dollar in what the fibre is?

MR WEICKHARDT: In terms of application. Let's say you've got good quality fibre and you saturate the first market. What are the sort of fall-back markets you would go to?

MR JOHNSON: Really, there's not that many. In Australia you could sell it to PaperlinX for using in their products where they run some secondary fibre.

MR WEICKHARDT: Roughly what do you get there?

MR JOHNSON: Sorry, what grade?

MR WEICKHARDT: How many dollars a tonne would you get?

MR JOHNSON: I'm a little bit out of touch with what the value of that would be.

MR WEICKHARDT: I see.

MR JOHNSON: That same grade you could sell to the tissue mills for using in their - - -

MR WEICKHARDT: But for a lesser - - -

MR JOHNSON: That would be the same sort of quality, but again, they're only small mills with not very big manufacturing and they're only taking as much as they need to fill what is quite a niche market. Then you're getting down to mixed waste sort of products where you've got a market for the egg carton manufacturers, the people making the moulded paper products or the wine carton products. In those same mixed grades, you could send - the board mills, the Pratts and Amcor will use that lower grade waste as well. Then you've got tiny niche markets for things like kitty litter and a small amount gets used for home insulation for blowing fibre into ceilings but these are very, very small applications for the product. Nowhere globally do we see anyone that's found a new use for using cellulose fibre for other applications.

MR WEICKHARDT: What about the issue of actually using the resource if you can't use the fibre itself, of actually turning it into energy, so some form of waste to energy facility, is that something that would pay, if you like, a sensible return for the effort of collecting the paper?

MR WOOD: Personally I couldn't answer that because I'm not too sure what the

emissions would be from the waste that would be generated by that or how you could actually do that. There is some element to say that part of it could go into some fertiliser or something of this nature, but again these are only relatively small areas. Mainly fibre will go back into fibre and that's the largest part of - - -

MR WEICKHARDT: Intuitively that makes sense as a sort of logical thing to do.

MR WOOD: That's fair to say, that Australia actually has a fairly proud history in terms of recycling of paper and so there is quite a high level of recycling already occurring in Australia. You've only got to look at that in relation to even the waste collected from households. I mean, by and large it's going into the recycling for the cartons and what have you and it's quite large.

MR JOHNSON: It is a difficulty, depending on what grade you want to produce, but the irony, if you like, of the change in the market is while consumers have recycling more on their mind, the fact of what they buy is completely the opposite. People want to use brighter, smoother papers that require virgin pulp. There's some exceptions but essentially the more secondary fibre you put in the sheet, the lower the brightness and the lower the tear values. Commercially, most mills have had the same experience, that it costs more generally to produce product with higher recyclable content and the end product isn't quite as good. So from the point of view of trying to sell these products, when you go to an envelope converter and say, "We've got this great 20 per cent recycled envelope paper for you, a fantastic thing, but it's not quite as white, so the Westpac logo on it is not going to look quite as sharp, and because of the recycled content, the tear value is not quite as high so you can't convert it as quickly, and because of that, we're going to have to charge you 10 per cent more," it's not a very good sell for the converting industry.

MR WEICKHARDT: The New South Wales government are obviously concerned about this. What percentage of the paper they buy through all their government instrumentalities is recycled paper?

MR WOOD: I couldn't answer that to be quite honest with you because I don't know whether there's necessarily any government that gives any direction on that point to their purchasing personnel in any case. But even if they did, would that necessarily benefit the recycling from within Australia? The answer is probably to a minimal extent because it might be that they're utilising product that's brought in from overseas that's simply recycled content, so that's not necessarily going to help the industry here, but I guess in essence it will end up being paper that needs to be recycled or go to landfill or exported as waste in another life.

MR WEICKHARDT: PaperlinX I'm sure will have these statistics and they have talked in their submission about concerns about subsidies to overseas manufacturers using the recycled paper and therefore I think their assertion is that they're on the

back foot trying to compete locally, but what percentage of the recycled paper that's available for purchase in Australia is from domestic recycled sources as opposed to imported recycled resources?

MR WOOD: Since there's only one - as I say, if you turn to the fine paper industry, PaperlinX is the only user of recycled fibre in fine papers. I don't know their statistics to be quite honest with you but if I took a broad guess, I would probably say that of recycled content it might be 20 per cent local and 80 per cent imported or something of that nature across all grades because there is recycled content being used in many products overseas now to a lesser or greater degree, be it in coated paper or be it in uncoated papers or whatever it may be. So if you looked at the broad market, there's many different grades that either boasts some degree or recycled content. Of course Australian Paper has their products as well and they market those products very well but they're generally in a specific area of either specialty papers or more niche market products.

MR JOHNSON: Could I add there that the other thing, like you say, from a paper manufacturing point of view, the large manufacturers now are running world's best practice environmentally and amongst papermakers, you won't find people saying, "Recycled is better." Most of their systems now are set up to produce paper in a very environmentally correct way. It's not necessarily hand in hand, which seems to often be mistakenly thought, that by adding secondary fibre, you're making a great leap forward because typically to handle secondary fibre, depending what's been on it, the process, the energy you've got to consume to get it, pick it up and the chemicals you've got to use to get the ink off it and rebrighten the pulp and do all that, not only does it make the finished product not quite as good and more expensive, it's not necessarily environmentally any better.

MR WOOD: It brings you really back to the argument to say that the use of recycled fibre is really relevant to the issue of waste stream and therefore the public good in terms of its reducing the level of waste and therefore using it in a more supposedly sustainable way. But in terms of a production perspective, it may not necessarily be the best outcome and certainly may not be the most cost-efficient or best energy use outcome for a paper manufacturer.

MR WEICKHARDT: Can we pursue that a little bit because it sounds like there's quite a lot of recycled paper produced overseas and you're saying that paper manufacturers are operating to world's best practice which of course is a moving feast all the time. But if they are, are you saying that they're only recycling paper because they're being forced at the point of a gun to do that?

MR WOOD: No, I think there's a lot of issues to do with marketing as well. A lot of mills utilise a percentage. It might be 15 per cent - or might be 10, might be 20 per cent - of their fibre resource might be coming from a recycled scheme rather

than just pure virgin fibre. But I don't know of any mills that are having to do that from a legislative point of view, but I think they are certainly picking up that on a pure commercial marketing perspective of saying, "Look, we're being seen to be slightly different than our competition, it gives us a slight edge, it shows us as being the good guys in helping the environment," blah blah blah, but is it really helping the environment? It's more to do with the perception than necessarily the reality. I think that it's a case in point here. We would ask: is the New South Wales government really motivated by wanting to have the New South Wales community see it as trying to do the right thing and reduce landfill, but is it really based on fact or is it simply that they want the perception to be out there and doing something, but we don't know whether the facts are sustainable to really support that.

MR WEICKHARDT: While we're on that topic of the facts, you made a comment that actually recycling more, if you take into account all the sort of inputs and outputs, all the energy and chemicals required, that this is not necessarily environmentally a desirable thing to do. Do you have any source for that statement, any references or a study that's been done to show that?

MR JOHNSON: No, but I suppose both Tony and I spend a lot of our time with papermakers and with industry people, and to go with Tony's example of experience overseas, one of the major mills in the world that we represent, an American company, their standard products will have small or an unspecified amount of secondary fibre but they will sell a range with 20 per cent post-consumer fibre for a price premium, and as Tony said, that's really to address a market need where they have consumers that say, "We want some recycled content," and they're prepared to pay for it. But I think both of our information really comes from talking with the papermakers and being in the industry. I haven't seen any specific study to back that up.

MR WEICKHARDT: If you, through your contacts with those principals overseas, could source any studies that have been done that sort of look at the total life cycle analysis here, inputs and outputs, and compare, if you like, the desirability of recycling versus not recycling, it would be very useful to us. Come to the issue of the consumers; I mean, we're told by lots of people that Australians want to recycle product, that they feel passionate about it, albeit that we've just seen in Toowoomba a topic that's not necessarily relevant to this inquiry, that when you ask people whether they want to recycle a product, which some would suggest is a bit of a no brainer, they say no. But talk to me about your experience with the consumers' attitude to recycled paper.

MR JOHNSON: I started in the paper industry by setting up a wastepaper business, - and that was involved in the office paper recycling industry - so I've had a lot of experience in dealing with the very keen to recycle public, and my experience over owning that business for more than 10 years was that with all good

intent, people really aren't prepared to put themselves out at all when it comes to recycling. Everyone is very keen to do it as long as it doesn't cost them any money and doesn't really put them to any effort.

We largely see the same sort of behaviour when it comes to purchasing products that contain recycled paper and as I say, the classic example is toilet paper. If there's a product that you would think lends itself to use of secondary fibre, that would have to be it, and I know from my time when we were the major suppliers of secondary fibre to tissue mills making 100 per cent recycled, I still couldn't convince my wife to buy the stuff. If you ask the supermarket people, in their whole wall of those products, what sells, it's not recycled, and I don't know how you convince consumers to do that but they don't want it. They want white, they want super strong and they will pay a premium to get it.

We see a similar thing happen with paper, and the mill that I have very close experience with some years ago decided that they would spend a huge amount of money and convert a whole facility to converting nothing but 100 per cent post-consumer products. As well as their virgin range, they were committed to world's best practice and they made a range of offset paper, envelope paper, file grade, really a full range of product. It was one of the greatest disaster's in the company's history because they came up with a range of product that were a little bit grey and they were a little bit rough and they were a bit dusty and they did need to sell them for a small premium above other product, and nobody would buy it. For Tony and I, out trying to sell paper products, while everyone wants recycled product, as soon as you tell them that it won't be quite the same shade and not quite the same performance and will cost a bit more, the experience is that it doesn't get sold.

MR WOOD: I was just going to say also in regards to recycling, I think there's no doubt that the kerbside recycling for Australian families or households, for example, has been a huge success. I think Australians by and large do get some satisfaction out of being involved in doing that. That seems to not translate though relative to offices, where perhaps education in terms of recycling or the availability or the ability to be able to get recycled fibre taken away, for example, is a much broader and much bigger issue. I think though, by and large, people actually would recycle if they're educated to do that within offices and if there's the facilities and availability to be able to do that. But this is part of the program and I guess under Paper Round, it's part of the program that they will have to seriously consider as to how do they get to that point because there's so many stakeholders.

That's one of the issues with the New South Wales government program that we were concerned about because extended producer responsibility says the onus is on the producer, but we would say that that is totally incorrect because there's so many stakeholders in regards to paper and supply of paper and identifying paper once it's been into the stream of usage is going to be extremely difficult, and should

that be the case anyway or should it be user responsibility? These are all the issues we would say that really need to be fully investigated, rather than just say, "Well, EPR is the way to go," because EPR only puts an onus on the producer but doesn't necessarily put any onus on the user or the subdistributor or the distributor or all the other stakeholders that are in the program.

MR WEICKHARDT: Has anyone tried to explain to you how this would work if it were an EPR scheme?

MR WOOD: I think by and large that's where we came from in regards to Paper Round and we really were saying to Paper Round, "Look, the first thing we need to really do is - is this the best way to go? Is it a program that can work? How do you get ownership and how do you take into account all the various stakeholders?" You can't just levy the supply side of it because necessarily there are so many other parties in the program. Therefore, one of the first things we need to do in looking at this issue of EPR, and it's going to take a lot longer than coming up with a program by October, is to really look at that and say, "Gee, how would we make it work?" How do we get the building managers, the waste collectors, the businesses themselves, the personnel to take ownership to recycling? How do we work out all the logistics, then what do we do with all the waste? These are the things that we need to consider, apart from the fact of, first of all, we need to be satisfied what level is actually going to waste? I mean, it's all right saying, "We've done a rubbish bag census of product going into the tip," but that is not too categoric, I wouldn't have thought, so we need to be a lot more scientific possibly on determining what level of waste is actually going into landfill. That's what's driving the whole point, what's actually going to landfill.

MR WEICKHARDT: As you say, getting to the bottom of the statistics sounds pretty important. If your statistics are relied on, 70,000 tonnes goes in and 83,000 tonnes goes out, that seems to be setting a world record for recycling.

MR WOOD: We're saying that the 70,000 tonnes related to, let's say, A4 copy paper; the New South Wales government is talking about 620,000 tonnes of paper going into offices that's going into landfill. The point we're saying is that if offices mainly use copy paper, which we believe they do, then they can't be using 620,000 tonnes of fibre or 550,000 tonnes of other papers, if you don't include cartons and packaging products and newsprint. It just doesn't add up. Then to think that that's all going to landfill, it doesn't make sense.

MR WEICKHARDT: But that having been said, certainly during the first round of hearings there does seem to be a lot of anecdotal comment that the issue you referred to, that is, in offices a lot of people don't have the same either access to recycling facilities or the same passion for recycling, and certainly it was asserted during our first round of hearings by some of those who were involved in collecting paper, Visy,

for example, that the yield out of offices is very low and even when offices have separate containers for wastepaper and for other waste, the office cleaners just throw it all into the same bin when they come along and that there aren't the sort of logistical facilities in buildings and that office managers in buildings don't want to provide the space for additional facilities. So there's a sort of story going around that is consistent I guess with the New South Wales government view that the yield of office paper being collected is low - in fact I think we've heard statistics of something like 11 per cent during the early sort of visits we made in this inquiry - but worryingly, you're saying that if you got whatever it is, the other 89 per cent, there's no application for it.

MR JOHNSON: What are you going to do with it? It's a major concern to us when the discussion is about, "Well, let's collect it, let's sort it." There's no new outlets. PaperlinX could be importing some product because they need a particular sort of fibre or their need might be a little higher than what they're picking up right at the moment but there are no hollow logs of areas where, if that product was available, it could go there. So what that leaves you with: yes, there's an enormous global market for the product. It's a very well established, well-graded trade and there is a market for that, but there are people commercially who are involved in doing that right now that are running round today, picking up bins out of offices and sorting it and shipping it, and what limits them is the commerciality of that because those prices tend to not be very high. So when we look at this, what we basically see happening is there's an industry being asked to collect a whole lot of product and subsidise supplying it to other countries.

MR WEICKHARDT: Now, I'm not necessarily suggesting this, indeed I'm not suggesting it at all, but just as a hypothetical question: if the state governments, who are so concerned about this, said, "From now on we'll buy no paper apart from domestically produced paper that contains more than X per cent recycled fibre," how much would increase the demand?

MR WOOD: I think the local mill would probably have a problem with producing enough paper with recycled content, firstly, because if you look at it, I mean, Australian Paper is spending \$200 million on their pulp mill upgrade down at Maryvale here in Victoria, so obviously that's to improve their output of virgin fibre because that's their largest paper mill. So for them to be able to then ramp up their recycling, commercially, what have you, and business for the mill is going to be quite a big issue for them to come to grips with the costs and what have you, so I think those issues are going to be rather major factors for them.

But I think coming back to the other point, one of the points that we would say in regards to the investigation by Paper Round is also to investigate what are the other opportunities for use of recycled fibre. I mean, that should again be part of the program and not necessarily say it's a great thing because it certainly would have

something to do with it.

MR WEICKHARDT: Yes. We'll certainly pursue some of those issues with PaperlinX when we see them later this week but in the meantime, I guess you will be pursuing your discussions through Paper Round with the New South Wales government. It certainly sounds as though there's some important distance to be covered before one could be satisfied that this looks like a scheme in the benefit of the net community.

MR WOOD: Yes, I think that's a good comment.

MR WEICKHARDT: Okay. Thank you very much indeed for appearing here.

MR WOOD: It's a pleasure.

MR WEICKHARDT: We'll adjourn briefly now.

MR WEICKHARDT: We'll now resume and our next participant is Paper Round. If you could please for the transcript give your name and the capacity in which you're appearing.

MR DUNCAN: Tony Duncan, chief executive officer of Paper Round.

MR WEICKHARDT: Okay, thank you very much indeed. We've received a submission from you which you should assume we've read, but if you want to make some introductory comments, please go ahead.

MR DUNCAN: I'll just give a brief overview and a brief intro. The formation of Paper Round really came about as we were bulldozed - but we use the word "capitalised" - by a letter from the New South Wales minister for the environment in November 2005, where he just asked his department to elevate office paper to a high priority and assist the office paper industry in discussing its product stewardship concept with other jurisdictions and sponsoring the idea of a national product stewardship approach.

At that stage and for the past several years, there was a group operating within the printing and paper industries and recycling industries called the Paper Recovery Action Group or PRAGA. I guess the formation of Paper Round and the elevation - sorry, the elevation of office paper waste and the formation of Paper Round and its genesis in that organisation called PRAGA. PRAGA was primarily an organisation whose members were, if you like, at the other end of the chain. They were generally in the recycling recovery area and while there had been a lot of good work done by that organisation, particularly in the research areas - I think there was a general feeling they both were within the group and probably within New South Wales and Victorian environmental departments - good research didn't necessarily spell any action and that the group was struggling to actually move the debate forward in a practical sense and as such, when the letter came through from the minister, some of the primary players in the group, the PRAGA group, being PaperlinX, Printing Industries Association, got together and decided to form Paper Round. So Paper Round was incorporated at the end of May this year, started in June and have been going for about two months.

MR WEICKHARDT: Okay. Thank you very much indeed. You probably overheard some of the issues that I was raising with the last participant, but it would be useful if you could help explain to me why it is you think the New South Wales government have elevated paper and particularly I guess office paper up in terms of their priority and what's driving them to want some form of EPR scheme introduced.

MR DUNCAN: It's not clear to us exactly the rationale behind it but there is an amount of deduction. However, in saying that, it's quite well-known that the newspaper industry or the newsprint schema have developed what we would call

very much a world-class act when it comes to recovery. They're recovering around 70, 75 per cent of their fibre, coming back in, and that is - if you like, it won't continue. In the paper industry, it's very good. At the same time in the cardboard industry, recycling rates there are also relatively high and more than support the local industry. Although both of those are driven primarily out of kerbside recycling schemes, there was an obvious gap in the middle and that gap in the middle is what's loosely termed in the industry terminology as printing and writing grades.

MR WEICKHARDT: Sorry, what was it?

MR DUNCAN: Printing and writing grades.

MR WEICKHARDT: Printing and writing, yes.

MR DUNCAN: So they include copy paper, they include glossy papers, magazine papers, and a whole raft of products that you would use in the middle, certainly not tissue, not newsprint, not packaging, but almost everything else. The kerbside recycling scheme is obviously picking up paper and cardboard et cetera from a household in a reasonably efficient manner, and I say "efficient" from the point of view of the amount coming back, and I'm referring to an economic efficiency in that.

The area where New South Wales felt and the other states - and I would say that the other states, from my conversations with them, certainly Victoria and WA and I think SA as well, are very aligned with New South Wales. Effectively New South Wales, my understanding, have been given office paper in the same way that the feds are looking after tyres and Victoria is looking after mobile phones, I believe, so they're very aligned with this. There's no business - we don't perceive this as a New South Wales only venture, albeit informally, so we've got a situation where there appears to be a gap, as I said, from the kerbside recycling of the other products, there seems to be a gap in the middle where there's a large amount of paper being consumed and no-one really knows where it's going and that's this so-called office sector. I should also add that the definition of "office" in this goes to not only buildings like this but extends right out to virtually everything that isn't a home, so small office, home office where there's no kerbside recycling, light industrial, all of these sort of areas where paper is consumed, so it's not only a CBD issue.

MR WEICKHARDT: APIA, who were participating immediately before you, were casting some great doubt about the sort of tonnage that is potentially available and indeed if that tonnage were believed, then where fibre might be utilised, do you have any comment or reaction about those points?

MR DUNCAN: I concur with APIA's comments from the point of view that the data is not as solid as we would like. APIA are building from the bottom up. If we take it from the other end, what we do know is that in this particular sector of the

market from the industry's perspective is about 1.5 million tonnes consumed.

MR WEICKHARDT: How much?

MR DUNCAN: 1.5.

MR WEICKHARDT: Million tonnes?

MR DUNCAN: Overall. Now, the area of debate and discussion and research that will be initiated is to establish how much of it is actually in the office sector as its quite loosely described by New South Wales and how much of it is actually going to a situation where it's automatically part of the kerbside recycling scheme as to whether we end up at 700 or 600 or 500 or 400 thousand tonnes, we would need to know, but we do know much is going out into the marketplace.

MR WEICKHARDT: How do I reconcile, if you can just help me for a moment, the 1.5 million tonnes that you say is consumed against the 235,000 tonnes of A4 copy paper that APIA cited?

MR DUNCAN: That figure is correct. It only covers A4, that's the A4 office papers.

MR WEICKHARDT: What is the rest made up of?

MR DUNCAN: Magazines, papers, coated papers, some packaging grades but very light; there could be grades for advertising mailers, it could be envelope papers. There's a vast range of various products which go into an office situation, so the books that might come in from CCH - - -

MR WEICKHARDT: I must say I intuitively - without knowing anything about - I was sort of fairly persuaded by their comment that the vast majority of the paper around my office is probably A4 paper, so the fact that - - -

MR DUNCAN: What I'm saying is that there's 1.5 million tonnes of these grades go to the marketplace. How much goes into the home or normal office environments is a matter for conjecture and that's why we have no firm figures on it. So whether half or three-quarters of that ends up in a letterbox situation, then all - - -

MR WEICKHARDT: So a lot of it could be the Women's Weekly going into people's homes?

MR DUNCAN: Absolutely, yes, or mailbox drops from Coles or direct marketing from Readers Digest.

MR WEICKHARDT: So is your group working with the industry to try to get these statistics nailed down?

MR DUNCAN: It would be fair to say that the industry's data is coming forward more and more. We have data from the industry, we have some data from the recyclers. We are also asking the government for data as well, so we're talking to New South Wales and Victoria about settling on a data set that we can use to move forward, the point of that being that there's no point trying to do our product stewardship plan if we've got no benchmark to work with and there's an obvious difference in that benchmark, 200,000 tonnes or 600,000 tonnes.

MR WEICKHARDT: The tone of your submission is I guess somewhat different from the APIA submission. I guess if I could use a crude characterisation, their submission is in the, "Why is all this happening?" type of deal; you seem to be more in the, "We're working to facilitate a sensible implementation of a scheme." Are you convinced that a scheme of some sort is justified here?

MR DUNCAN: I think we believe that what is justified is an in-depth look at what is happening in the overall market which is the waste of office papers now, and I say that from the point of view that none of us can give you exact numbers. For example, the reason that the industry is interested in waste fibre is because it is another alternative fibre source for production eventually or it is a source of potential benefit for those who may have export markets or may have other markets for it. So from our perspective at this stage, we need to understand the numbers and we need to understand the issues underneath all of this. Our product stewardship I guess or EBR, I think it's still a very loosely defined term - New South Wales defines "product stewardship" effectively as a subset of EBR, whereas if you look at WA's obligations on it, they would define it the other way round. So again, we think there is an opportunity for product stewardship to move forward in this area, but again we'll come from a fairly pragmatic base, that it's driven from an opportunity side rather than a reduction of landfill per se side.

MR WEICKHARDT: Okay. Can you talk to me about the opportunity; you mentioned at the start there's this sort of gap. On the one hand, you've got newsprint recycling that looks successful and on the other hand, you've got cartons and board fibre that looks successful. The last participants were suggesting that even if you could dramatically improve the recycling that there's not a big demand or opportunity for the recycled fibre. Do you have a somewhat different take on that?

MR DUNCAN: I've got a slightly different take. I think that we've seen, in both the newsprint and the packaging side, recycled fibre being used very well and a lot of packaging these days is basically built out of recycled fibre and technically there's no issues. I think when you discuss - and I won't give exact figures because it's up to Australian Paper or PaperlinX to give those, but when you talk to them, you'll see

that there are increasing markets for them that they are finding in some grades for recycled fibre, so there are opportunities still there. These are not though opportunities which are going to consume 2 or 3 hundred thousand tonnes of recycled fibre, these are opportunities that may consume 50, 60 thousand tonnes over a period of time. So while there are opportunities to bring it back into the current manufacturing of fine papers in Australia, the major opportunities are going to have to be looked at outside what is now the traditional paper industry.

MR WEICKHARDT: Can you give me any instances of where they might be?

MR DUNCAN: We mentioned the energy one briefly. We think there is some interesting work that appears to be happening overseas in the energy area in potentially mixing cellulose fibre in with coal so we see that as probably a major. As Tony and Mark talked about, there are other areas like mulch which there is - you know, we can really come back down into some fairly niche areas fairly quickly, but there is very little other than papermaking and potentially energy which stands out as being a major opportunity for the sort of tonnes that we're talking about.

MR WEICKHARDT: You also allude in your submission to the issue about government procurement practices and you I think are suggesting in your submission that there's no specification constraint but that procurement practices don't favour recycling or recycled paper. Would you like to elaborate on that as well?

MR DUNCAN: I'd prefer to leave that to someone closer to the market. I know anecdotally that while policies might be in place for minimum content or Australian content that practices have at times not necessarily reflected those and that comes through the experience of the printing industry as well as the paper industry. I think Australian Paper might have a stronger comment, given that they recently closed their recycling plant in New South Wales.

MR WEICKHARDT: Yes, okay. You mentioned in terms of the potential to increase collections that perhaps new investment might be required in that but it's at the moment not considered currently viable. What sort of investment are you thinking about here?

MR DUNCAN: If we look at the wider chain, and you touched on it briefly with APIA, recycled fibre has got a range of qualities which achieve every price in the marketplace and if you can bring your fibre to market in one of those higher quality categories which is effectively only a streaming issue, then you can potentially make 100 or 200 dollars a tonne, more than if you end up with a gunmetal bundle. There appears to be a real issue in the office environment, where people who recycle well at home come to the office and forget about the good habits that they might have in the household. Partly that's to do with the systems in place and partly it's to do obviously with the culture as an organisation.

One of the areas that we would like to see worked on is actually developing programs, if you like, that start to focus on people's behaviour in the office, albeit with systems that are appropriate to recycle at source, stream at source, for either categories, so we end up with fibre streams that are actually far more malleable than they currently are. Now, export markets are viable at reasonable levels and they're very large. The Chinese market still takes millions of tonnes of recycled fibre, a lot of it from the US and some of it from Australia, but there are markets there which are available.

MR WEICKHARDT: So in big economies like Europe and the United States, is it your understanding that those markets end up consuming and reusing in their domestic market most of the recycled fibre or does a lot of it go to places like China?

MR DUNCAN: Certainly from North America, a lot of that will end up in China. I think the European situation is slightly different. They have had a stronger culture of recycling fibre into fine papers much longer than the Australian market has.

MR WEICKHARDT: Have there been sort of formal schemes or government intervention to force that?

MR DUNCAN: My understanding is yes, we've seen situations in both Europe and North America where, for example, in the US there's a state-wide ban on paper from landfill which then obviously tends to drive the behaviour. One of those behaviours is of course you drive it to the next state and get rid of it in landfill there, but the reality is that those are mechanisms that have been used both in the States and I understand in Europe as well, so you ban them from it.

MR WEICKHARDT: You cite in your submission a revenue opportunity of somewhere between 35 million and 150 million dollars per annum if optimal sorting was undertaken and you say those represent gross sales revenue; I assume that's the sort of potential value of the fibre.

MR DUNCAN: Yes.

MR WEICKHARDT: But do you have any feeling of how much the cost base would be to have to collect that sort of stream? The newspaper scheme and the fibre container scheme appears to be one that is cost effective; there aren't governments intervening in that stream. The private operators appear to make enough money out of it to justify it. In this particular area, do you believe the sort of revenue opportunity and the gain would justify the cost of collection?

MR DUNCAN: The recycling members of my group do. I mean, what they're saying is that the infrastructure is already in place. All we're looking at doing here is

improving the quality of the waste streams coming out of business and perhaps some new recycling facilities, but primarily if we can improve the waste stream coming out and separated at source, there is little contamination, if you like, so rather than the apple core going in the bin with the paper which then destroys that (indistinct) and it is a systems issue, that there are those sort of numbers available with effectively an infrastructure that is in place at the moment and would also suggest that there are a number of technologies coming into place which may or may not seem - based in Australia, where automatic streaming of material is feasible. So these are optical scanners et cetera which can operate and are currently operating in other parts of the world.

MR WEICKHARDT: The recycling members of your group, these are people like Visy and others.

MR DUNCAN: Paper to paper, yes.

MR WEICKHARDT: Right, okay.

MR DUNCAN: And one or two members of APIA.

MR WEICKHARDT: So given the fact that some of them are actually in that marketplace already, what is it that's stopping more of this happening now? What's the key required to unlock the door and why haven't the private interests actually made the investment that's required and knocked on the doors of the offices saying, "We're prepared to award you if you sort paper. We want to collect it and we're prepared to pay for it because it's valuable"?

MR DUNCAN: I think some of them would argue that they have. I think some would argue that it is happening to a degree. What we're trying to unlock also within this is the value components initially always bring paper down in value. You can use some of this in newsprint or you can use it in corrugated cartons. You can't come back up. So we have a fairly diverse group of people within this organisation and we need to move that discussion forward. Now, my view is if there is still a load of product sitting in offices which is currently, as New South Wales would suggest, going to landfill, it needs to look at how we actually work on that, rather than as Tony Wood rightly mentioned before or the other people mentioned before, trying to subvert the current whitegood recycling activities done by the major people in the paper industry in Australia.

MR WEICKHARDT: Okay. So what's the sort of schedule that you're envisaging from here? You're in dialogue with the New South Wales government. It sounds like they are expecting, from what APIA were saying, some sort of further response in October. What do you anticipate that will be?

MR DUNCAN: What it all is is based on discussions that we're going to have between now and then because as I indicated earlier on, the whole issue of that product stewardship plan is one which is fairly dependent on actually achieving an agreed baseline. Our view is at this stage until we can at least agree on a process to move forward towards a baseline, there is no point in putting the product stewardship plan in place to the level that they initially indicated. However, in saying that, as a group we'll also be looking at opportunities that we believe are available out there which will reduce the amount of paper going to landfill and whether that's increasing the level of recycling or whether that's improving the waste streams to make them more valuable and more economically viable as an export alternative and we're considering those at the moment as well, as well as looking at other areas, if you like, some of the more fringe areas which might be the mulching issues which will be the combined power areas, energy production areas. They will take time. But the idea is to at least move forward with New South Wales in October with an understanding that this is what we think we need to move forward with to deliver some improvement to the situation, but again agreeing with the APIA people, what we do need is baseline sort of numbers to work with initially.

MR WEICKHARDT: Do you have any feel for the sort of potential value of the fibre if you had to fall back to an energy from waste sort of - - -

MR DUNCAN: None at this stage.

MR WEICKHARDT: Okay. I asked this of the last group, that New South Wales are driving this; you say they've got the other states sort of supporting them, but what action did New South Wales threaten to take, either individually or collectively, if the paper industry don't cooperate in this process?

MR DUNCAN: New South Wales haven't threatened anything. There have been discussions with other states about the fact that the EPHC is moving towards a national NEPM framework; whether that could be construed as something which if we're in a really do nothing situation within that may then be more down on the industry where it wasn't made clear. But as I said, it was certainly made clear that the EPHC is looking at developing a more formal alignment process.

MR WEICKHARDT: Okay. So would you characterise the interaction that's going on at the moment more as sort of cooperative exploration as to what can be done to improve the situation or that you're being dragged at the point of a gun into some sort of scheme that you don't want?

MR DUNCAN: I guess as I'm CEO of the organisation, I'm probably going to take a more optimistic perspective. I take it from the point of view that there has to be an opportunity if there is 600,000 tonnes of fibre in Australia, not just New South Wales, going to landfill, then is there an opportunity to actually divert that into areas

where people can make some money. Now, whether that's with the traditional players, whether it's simply an export situation or not, I think that's an opportunity worth exploring, so from that angle, I use the word "capitalise" rather than "bulldoze" when we're talking about the relationship with the New South Wales government.

MR WEICKHARDT: Okay. Does Paper Round as a group owe its genesis to this initiative that the New South Wales government seem to be leading?

MR DUNCAN: Effectively, yes. As I said, it has grown out of some work that's been done by the industry over the last five years which is the Paper Recycling Action Group and probably one or two other areas they were involved with. At the same time, a number of our members have seen what has happened overseas. They have understood the underlying environmental sustainability debate certainly from the printing side. Members have seen some fairly strong messages being promoted under the auspices of green wrapping, I suppose, for want of a better word, which we believe alleges economic issues rather green issues, so all of that has been going on now for two or three years when the letter came in from the minister, and so that is probably the catalyst to bring a number of these thoughts together, pick them up and move forward as a unified group. I would say that this is the first time in certainly Australasian history that I'm aware of where the printing industry, the local paper manufacturers, the paper importers and some publishers have got together as a single group which is not necessarily a bad thing.

MR WEICKHARDT: Looking around the world where best practice might be in terms of recovery of these sorts of papers in the most sustainable and cost-effective manner, where do you believe best practice exists and what sort of recovery rate applies there?

MR DUNCAN: That again is a very difficult question to answer for a couple of reasons: one of them is that the situation in Europe with population densities et cetera make that scenario quite different to the Australian scenario. The US is similar as well. I make a comment there in the submission around the issue of privacy issues, where we understand that stronger privacy legislation in the US is driving people to shred paper a lot more than it is in Australia. Now, if you shred paper, you will tend to put it into a specific location. This is paper that just ends up in a bin. That appears again, anecdotally, although there's some evidence that it has actually driven up recycling rates in the US, so a little bit of cause and effect, so we're seeing that.

MR WEICKHARDT: So presumably Enron had some good recycling rates for a while.

MR DUNCAN: A papermaker's dream, I think.

MR WEICKHARDT: All right. Look, thank you very much indeed for your submission. Thank you for appearing. We greatly appreciate it.

MR DUNCAN: Thank you for the opportunity.

MR WEICKHARDT: Okay. Now, ladies and gentlemen, that completes today's scheduled proceedings. For the record, is there anyone else who wants to appear today before the commission? Okay, I adjourn these proceedings until tomorrow. Thank you very much indeed.

AT 3.51 PM THE INQUIRY WAS ADJOURNED UNTIL
WEDNESDAY, 2 AUGUST 2006

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