

**PACKAGING COUNCIL OF AUSTRALIA**  
**RESPONSE**  
**TO THE**  
**PACKAGING IMPACTS**  
**CONSULTATION IMPACTS REGULATION IMPACT STATEMENT (PICRIS)**

---

**Executive Summary**

*The PCA:*

- *Believes the PICRIS does not make a clear, sustained and rigorous case for further government action to regulate packaging;*
- *Believes the PICRIS does not meet COAG requirements in assessing the cost implications on companies in the packaging supply chain of the various Options, particularly with regard to the impact of increased regulatory compliance and the potential impact of such increased costs on job creation and job maintenance;*
- *Argues that now is not the time to impose additional regulatory and cost requirements on companies in the Australian packaging supply chain given the competitive pressure they are currently under;*
- *Believes the PICRIS does not take sufficient account of:*
  - *the global trends affecting the manufacture of packaging, its recyclability and its other environmental credentials;*
  - *other aspects of government policy both in Australia and globally, including the food safety aspects which are currently under review by Food Standards Australia New Zealand (FSANZ).*
- *Questions the veracity of some of the assumptions underpinning the PICRIS and the validity of its calculations concerning the potential costs, benefits and recycling rates up to 2035;*
- *Believes the policy framework adopted by governments must enhance – not undermine – the capacity of Australian produced packaging to compete on a global basis. Particularly at this time when the ongoing economic and social contribution from manufacturing, including packaging, is under significant commercial pressure;*
- *Believes this requires a policy response which:*
  - *allows flexibility for Australian companies;*
  - *does not increase regulatory complexity;*
  - *does not impose additional compliance costs nor undermine the overall competitiveness of Australian produced packaging;*
  - *has the aim of recovering and recycling used packaging to levels where there is still a net environmental benefit and it is economically and technically feasible;*
  - *eliminates fragmented policy approaches across the States and Territories and results in a consistent national approach.*

- *Supports: Option 1 with its focus on achieving a consistent national approach. A comprehensive approach to this Option, particularly involving consistent and co-ordinated local government delivery of service, has the capacity to deliver real benefits nationwide;*
- *Supports: Option 2(a) and 2(b) but only on the following basis:*
  - *that changes to the way the Covenant presently operates are minimal;*
  - *that there are no changes to the definition of brandowner;*
  - *that governments acknowledge the Covenant as the sole scheme covering packaging under the Product Stewardship Act subject to satisfactory performance;*
  - *that it does, in practice, deliver national consistency and a co-ordinated approach across all jurisdictions;*
  - *that the beverage industry itself supports Option 2 (b).*
- *Opposes: Options 2 (c), 3 and 4(a) and 4(b) for the following reasons:*
  - *all these Options are among the most costly;*
  - *all are calculated to have a negative net benefit to society which is substantial in the case of 4(a) and 4(b) and also have the lowest Benefit Cost Ratio (BCR);*
  - *produce only marginal increases in 2035 recycling rates in comparison with the other Options;*
  - *container deposit collection systems – Options 4(a) and 4(b) – are high cost, focus on a relatively small sector of used packaging and would replicate (and undermine) the kerbside collection system.*

-----

## THE CONSULTATION RIS

We are aware that the standard and rigour of a Consultation RIS (CRIS) is not required to be of the high standard required of a Decision RIS. This CRIS fulfils that requirement! The following points are relevant:

- **Meeting COAG Requirements** – COAG’s Best Practice Regulation Guide requires that the range of feasible policy options be assessed “for their benefits and costs”. Most of the Options under consideration will have compliance and regulatory implications, cost considerations and, potentially, job outcomes for employees and companies in the packaging supply chain, including those in the food and beverage sector and those producing industrial and other types of packaging. Yet nowhere are the implications and consequences addressed in a considered or detailed manner:
  - Just what will be the job, cost and regulatory compliance outcomes of Options 2-4 for companies in the packaging supply chain? Will they enhance, hinder or otherwise leave unaffected job creation opportunities in the supply chain? On these matters the CRIS is virtually silent;
  - This is not just a theoretical or academic issue. Companies who manufacture or use Australian produced packaging are experiencing severe competitive pressure. Imported “empty” packaging is growing substantially with brandowners and packaging manufacturers increasingly either moving production overseas or sourcing their packaging from Asia. The CRIS says little or nothing about the effect of the various Options on these trends;

- These are real, live, everyday issues which the CRIS, in analysing “benefits and costs”, has virtually ignored. They need to be assessed because they will affect the viability of Australian jobs and companies.
- **Packaging and the Environment** – In our view, the environmental issues associated with packaging are not of a magnitude or seriousness to require implementation of some of the Options under consideration in the CRIS.

The production and use of packaging is similar to most other manufacturing activities. The composition and extent of production wastes will vary, but the nature of the problem and the means for addressing it is much the same for all manufacturing activity. As a result, measures aimed at environmental costs should not be specific to packaging production as the effects of other production will be missed.

The PICRIS’ analysis of the environmental role of packaging is simplistic and superficial:

- It focusses overwhelmingly on the recyclability of packaging. Running through the document is the assumption that more recycling is better for the environment. It refers to the low and sub-optimal recycling rates for some packaging materials. It states that “transferring some of the responsibility to manufacturers and users has the potential to promote greater recycling and reduce environmental impacts”. There are three points to be made in response:
- The environmental credentials of packaging are not synonymous with its recyclability. It is much more complex than that. Packaging is used to contain products and, in the vast majority of cases, the environmental impact of producing the product is far greater than in producing the packaging. For example, packaging which extends the shelf life of products is therefore contributing significantly to the environmental benefit of the product, irrespective of its recyclability. It also significantly reduces water wastage and usage;
- While the CRIS contemplates the possibility that the environmental benefits of higher recycling might require balancing against economic costs, there is little or no recognition that in some circumstances more recycling or re-use of resources might not be better, even for the environment. Recycling is a process which should only be continued while it is cost effective and produces a net environmental benefit;
- The CRIS takes the view that because the rates of recycling vary significantly for different materials (e.g. paper versus plastics versus steel) those materials which are recycled at lower rates are achieving sub-optimal recycling rates and, therefore, lower environmental outcomes. But does that necessarily follow? The various trade-offs between environmental and economic costs and benefits vary significantly in different sub-markets and at different levels of recovery. Yet the CRIS provides no meaningful discussion of these various sub-markets (e.g. paper versus plastics), and thus no separate treatment or analysis of why the different recycling rates for different materials exists, their differing problems and the appropriate policy response other than lifting recycling rates for the lower recycling categories.

The CRIS and supporting documentation refers to the costs associated with regulatory failure including the negative environmental and amenity aspects of packaging going to landfill. But how significant is the landfill issue? On this, the CRIS is silent:

- The 1996 Industry Commission Report into Packaging and Labelling found, the expertise is available to reduce the risks of unacceptable environmental outcomes to very low levels. In any event, it added “reducing the amount of used packaging going to landfill is unlikely to substantially reduce environmental risks, because packaging is only one part of landfilled waste and most packaging is environmentally benign in landfill.”

**Global Trends and other Governmental Policies** – There are two issues here:

- The production of packaging is now a regional and global activity with packaging itself being a tradeable commodity and standards being set by multinational companies and global groups. In putting forward its policy options, the CRIS fails to give adequate recognition to the following developments over recent years and their implications for Australian packaging:
  - Increasing amounts of packaging and packaged products sold in Australia are manufactured overseas;
  - Increasing quantities of “empty” packaging are imported;
  - Competition from packaging produced in Asia is pronounced and growing. The growth in consumption throughout Asia will continue to drive a capacity increase which will put further competitive pressure on Australian produced packaging;
  - The export of Australian wine in bulk (i.e. non packaged) has almost doubled in the last five years, in part due to competitive pressures;
  - Little recognition or account is given to the work and implications of global standards groups such as the ISO or organisations such as the global Consumer Goods Forum and its work on packaging sustainability and the compatibility of these approaches with the options presented in the CRIS.
- In Australia, other State and Federal government agencies have policy requirements which affect packaging. The CRIS almost completely fails to acknowledge these factors and their environmental impact on packaging including its recycling and reuse. For example:
  - FSANZ has recently commissioned an Industry Assistance Group to consider the suitability of packaging in its food contact role. At present, Article 1.4.3 of the Food Standards Code governs this matter but the formation of the Industry Assistance Group suggests that tighter restrictions are under consideration.
- **The Role of Packaging and the Covenant** – Overall, the consultants have failed to give due recognition, to the broader credentials of the Australian packaging industry as a net waste reducer or to the gains made since 1999 when the Covenant first came into existence. Two points to be made here:
  - Packaging reduces food waste. By allowing centralised food processing it permits the efficient use of food ingredients. It contributes to an efficient and low cost materials handling system. By facilitating the efficient transportation and distribution of goods, it reduces truck movements and energy use;

- **The Covenant** – We believe the CRIS has significantly understated the policy implications and benefits which have been achieved since the Covenant was first introduced in 1999:
  - During the Covenant's lifetime, recycling rates have increased significantly from 39% in 2003 to 63.1% in 2011. And these recycling rates have been achieved at a significantly lower cost than recycling rates in Europe. Furthermore, the Australian Packaging Covenant (APC) which became effective in 2010, is seeking to lift recycling outcomes to 70%;
  - The amount of packaging going to landfill has decreased since 1999;
  - The APC has incorporated a much stronger focus on the sustainable design of packaging;
  - Approximately 700 companies are signatories to the Covenant;
  - It is surprising that little or no mention is made of the projects funded by the Covenant which, inter alia, have focused on providing glass crushers, magnet systems for extracting food cans and metal packaging, funding local litter campaigns and away-from-home recycling at major shopping centres and partly financed a glass processing centre.
- **The CRIS' Assumptions** – The basis and assumptions on which the CRIS has been drafted are not explicitly or fully made clear. For example:
  - **Recycling Projections** – Despite undertaking to ensure that the recycling projections were calculated in a rigorous manner this undertaking has not been met. One example:
    - Several factors are listed as “key” contributors although, surprisingly, little or no mention is made of the export of used packaging (particularly, but not only, to China) as a major contributor to that growth. The increase in global demand for recyclable commodities is a significant contributor to Australia's increased recycling rate as it has increased the value of those materials and therefore both the viability of recovering them and the surety that there is a market to actually recycle them. Yet the CRIS blithely assumes that the export of used packaging will continue at existing trends until 2035;
    - The Secretariat now acknowledges that there is “a degree of uncertainty” about this assumption. That assumption is not stated explicitly in the CRIS.
- **The Externality Issue** – The CRIS argues that negative “externalities” exist and should be internalised in the cost of packaging. In espousing this view, the CRIS concentrates on solid waste generation rather than the total environmental impact of packaging as the major negative externality in the production and consumption chain. But what of the external “benefits” of packaging – benefits for public health, more efficient transport and logistical systems – which are not reflected in the price of packaging? Moreover it is true of virtually all forms of production that there are a range of external costs that are not captured in the costs to the company.
  - The 1996 Industry Commission Report on Packaging and Labelling found that this issue was insubstantial.

- **The Case for Further Government Action** – There are two issues here:
  - Has there been – or is there currently – a significant failure in the provision of recycling and waste management services for packaging in Australia to justify further government intervention? We think not! Certainly the CRIS doesn't make out such a case. For example:
    - Over 90% of Australian households are serviced by kerbside recycling;
    - The recycling of Australian packaging has achieved, by world standards, outstanding rates at minimal cost to industry, consumers, householders and the environment. Simplicity and minimal cost are the keys to its success;
    - At the initiative of industry, the focus of the Covenant is now on sustainable packaging design;
    - Under the Covenant arrangements, governments have the policy instruments to bring poor and recalcitrant company performers into line through the NEPM.
  - All the options put forward in the CRIS result in an overall increase in recycling tonnages, but with only very marginal differences in the final projected outcomes between the various options. The differences are not of a magnitude to make a compelling or overwhelming case for change to the current regulatory arrangements for packaging – or for bringing the Covenant under more stringent regulatory control and oversight.

In our view the financial calculations on the various cost, benefits and environmental outcomes out to the year 2035 should be treated with extreme caution and regarded as highly speculative.

## **THE WAY FORWARD**

The Australian manufacturing sector, including those companies involved in the production, manufacture and use of packaging, are under considerable commercial and competitive pressure. That pressure is unlikely to diminish in the foreseeable future. Indeed, the reduced local demand due to the importation of packaged goods combined with the competition from imported “empty” packaging means that the commercial pressure will intensify.

The principles underpinning any further government regulation of packaging need to be clearly enunciated. The PCA believes that any further government regulation needs to satisfy the following criteria:

- Not impose additional compliance costs or regulatory complexity on Australian manufacturers or users of packaging. Australian produced packaging and packaged products are facing increasing competition globally, particularly from Asia, where cost is a significant factor in their competitive advantage. As a general comment, Australian packaging producers are required to hold themselves to higher environmental and other standards than imported products from many producers in the Asia Pacific region;
- Given the global nature of packaging, it is essential that brandowners and manufacturers continue to have maximum flexibility in how products are packaged;
- It is essential that a consistent, national approach is adopted to the management and recycling of used packaging. Companies in the packaging supply chain produce goods for national and global markets, not for state-based markets;

- Recognise that recycling costs – economic and environmental – will increase with increasing rates of recycling. It is an industrial process with its own costs and environmental impacts and it is worth doing only if it produces a net environmental gain. The PICRIS does not address this issue or identify at what point returns will diminish and become negative.

## THE OPTIONS

The PCA's position on the various options is as follows:

- **Option 1** – The PCA supports this option. As previously noted, companies in the packaging supply chain produce goods for a national, regional and global market. State based differences in the management of used packaging adds to costs, undermines competitiveness and reduces confidence in Australian manufacturing. However this Option, if treated seriously and is to deliver the optimal benefits, entails far more than is suggested in the CRIS. It is not the minimalist option suggested by some officials, but comprehensively implemented, can deliver significant gains and cost benefits – gains and benefits exceeding the other Options. As far back as 2006, in response to the Productivity Commission Inquiry into Waste Generation and Resource Efficiency, the PCA made the following comments and recommendations:
  - The provision of waste and recycling services need to be rationalised, more consistent and better coordinated at the State and regional levels with clear structures, frameworks and guidelines to establish a network of utilities with strategic focus to guide system evolution;
 

Garbage and recycling services are provided by more than 670 local government agencies in Australia. Given the strategic and technical complexity of domestic waste systems in the 21<sup>st</sup> Century, this is not the most efficient or effective way of delivering this household utility. There are few, if any, major public services that are handled in such an uncoordinated fashion;
  - Nationally consistent and co-ordinated collection systems across Australia would create a greater incentive to packaging manufacturers and brandowners to endeavour to incorporate their products inside the recycling system and provide greater clarity and certainty to householders about what is and is not recyclable.
- **Option 2** – The CRIS glosses over and minimises the implications of transferring the Australian Packaging Covenant to bring it under the umbrella of the Product Stewardship Act 2011. Bringing the Covenant under the Product Stewardship Act 2011 would take considerable time (the television and computer Scheme has been fast tracked, and took two years) and may not be achievable ahead of the scheduled review of the Covenant in 2015. Nor does it guarantee a consistent and co-ordinated national approach and policies as the Product Stewardship Act 2011 does not inhibit States and Territories from taking their own legislative action.

Accordingly, the PCA's support for Options 2(a) and 2(b) is conditional on the following:

- That there be minimal changes to the Covenant as it presently exists;
- Governments provide assurances that the Covenant will be regarded as the sole instrument governing packaging subject, to its satisfactory performance;
- That the definition of "brandowner" be left unchanged;
- That it does, in practical terms, deliver national consistency and co-ordination;
- As regards Option 2 (b), provided the beverage industry supports this option.

- **Other Options** – The PCA does not support Option 2(c), 3, 4(a) or 4(b). The reasons are as follows:
  - All these Options are significantly higher cost than the others. Options 4(a) and 4(b) are the highest cost and have the lowest benefit to cost ratio;
  - Option 2(c) would potentially involve significant costs to industry to finance increased packaging recovery and reduced litter. These costs would be passed on to consumers;
  - Container deposit schemes – 4(a) and 4(b) – have been investigated relentlessly by government over the last 20 years. The vast majority of these reports and investigations have reached conclusions which are either negative or equivocal about the benefits of container deposit schemes. For example, the 1996 Industry Commission Report referred to earlier states that “it is doubtful that CDL can produce net benefits.”
  - Container deposit schemes are:
    - Inherently expensive compared to kerbside and broader scale collection schemes;
    - Traditionally, limited to a narrow range of packaged products;
    - Competitive with kerbside collection systems. They are rivals. They compete for the same materials. By attracting valuable materials away from the kerbside system they undermine it.
  - Finally, nowhere in the CRIS is there a compelling argument either that the magnitude and seriousness of the problem justifies the higher costs which these Options entail or, if implemented, that they would produce substantially better outcomes.

-----