



[*COMMENTS ON THE PAPERS FOR THE
NATIONAL PACKAGING COVENANT
FRAMEWORK GROUP MEETING*]

6 February 2009

General

This may not be politically acceptable, but in my view the Australian packaging sector's recycling performance is already good, and that the next Covenant should only aim to maintain it. The one exception to this is packaging discarded away-from-home, and this should be the focus of recycling efforts after 2010.

In general, I think the focus should shift from maximising recycling towards reducing overall environmental impact and working towards sustainability. It is much more difficult to do this through numerical targets, since each company's mix of impacts and hence its priorities will be different. Instead, I recommend the following:

- For big companies – the ones which will make most difference to the national picture – institutionalising a culture of continuous improvement where this isn't already in place, benchmarking performance against competitors and publishing an annual environmental report. These reports could be reviewed by the Covenant Council in an annual report of its own.
- For smaller companies, the focus should be on building awareness and providing guidance. Maybe big companies could help by running workshops for their smaller suppliers to make clear their expectations and to provide assistance.

If accepted (unlikely as that might be), this move away from KPIs towards something more qualitative would fundamentally change the Covenant. I believe that it is still important to have a Covenant in some form, for if it disappeared there would be a vacuum which the NGOs and some politicians would try to fill with something more prescriptive and almost certainly less relevant to Australia's real environmental needs.

The Operating Model Working Group

Taking the proposals at face value, my comments are as follows:

- No observers on the board – like it
- Would a board of 6-8 members represent all interest-groups?
- Ditto re advisory group of 12-15 key stakeholders
- Trying to establish a framework for clear accountability could be valuable

This all looks clean and tidy and thoroughly sensible, but what's behind it? Is there really a problem that needs to be addressed or is it just some people showing off what they learned at business school?

In my view, this paper should not be accepted until the authors have explained why change is needed, and what less elaborate alternatives were considered and rejected. That should have been set out at the beginning of the paper.

The “packaging minimisation” KPI

Since resources cost money, the price at which packaging converters sell their packaging is an indication of its relative resource-efficiency – and a better indicator than weight! Weight is a good unit of measurement for waste management, but not for sustainability.

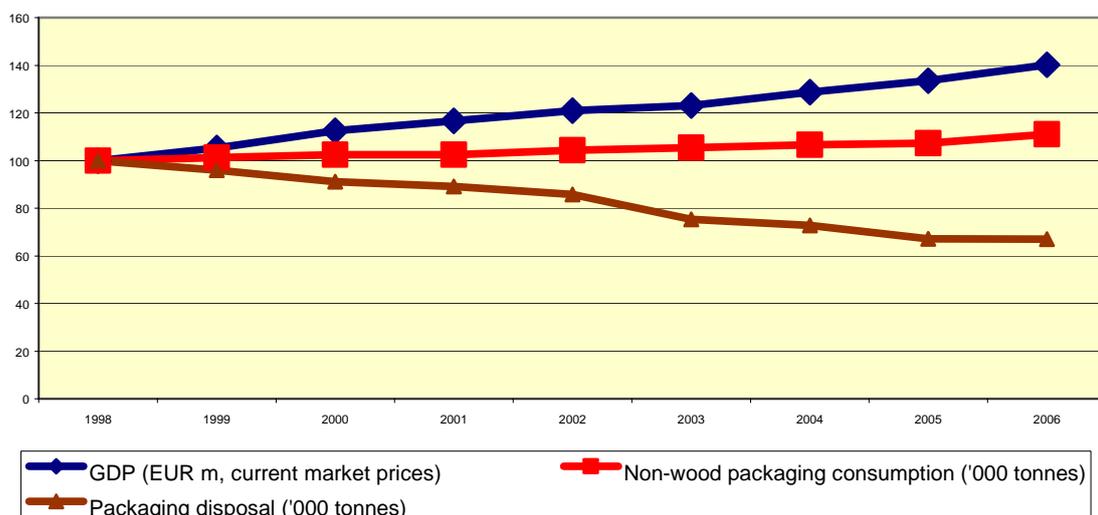
Weight of packaging sold in relation to weight of packaged products sold does to some extent address changes in economic conditions but doesn't take account of changes in demand patterns. In an economic downturn, demand for FMCGs holds up better than demand for consumer durables or for industrial packaging, so the packaging mix will move away from (heavy) corrugated board and steel drums towards (lightweight) flexible plastics.

Measuring weight of packaging per unit is useless, because pack sizes change according to demographics and lifestyle changes – smaller household sizes and people in the same household eating at different times should mean more smaller pack sizes, which have a lower ratio of product to packaging.

If companies are to be judged by the ratio of product to packaging in their output, this will be an encouragement to offer large sizes, which will result in more product wastage, which is worse for the environment than using more packaging (since typically only 7%-10% of the resources used for a packaged product are attributable to the packaging itself).

I would disagree with the footnote that the ratio is meaningless at an aggregated level. For the reasons set out above, I don't think quantitative analysis of individual companies' performance is useful, but you can track high-level trends over time to see how the packaging supply chain is performing:

Trends in GDP, packaging consumption and packaging disposal in EU-15, 1998-2006



The “resource consumption” KPI

The KPI of resources used to produce and distribute packaging, in terms of MJ and kLitres makes some sense. Hopefully the aim would not be to set arbitrary targets, but to encourage companies to measure their performance, and benchmark it against best practice. As we suggested in the sustainability report, standardized calculation and reporting methods would be needed.

Every company has a different starting-point in terms of location, existing equipment, product range and financial ability to invest, so this should not be a competition between signatories or a name-and-shame exercise (cf the proposed star system) but a tool for continuous improvement. Maybe the Covenant could facilitate this by establishing a panel of approved consultants who would go into smaller companies and advise on how to optimise performance. Tools like PIQET may be a useful screening tool for companies that know what they are doing, but for those lacking in-house expertise, we are not convinced that this is a viable substitute for hands-on consultancy advice.

Some sort of subsidised support using Covenant funds might help, if bigger companies are willing to allow that, but of course it’s the big companies that will really make a difference to overall environmental performance and many of them already produce regular environmental reports and are under scrutiny from shareholders as to what they are doing about sustainability.

Recycled content should *not* be a KPI. Closed-loop recycling is only a virtue when it is more resource-efficient than “downcycling” to a less demanding application. For instance, it may be better to use virgin polymers for food-grade applications and recycle for non-foods or even non-packaging (automotive applications etc) than to clean up recycled plastics to the extent needed for food-grade use. This has to be decided on a case-by-case basis.

As I’ve said before, I’d like to see a KPI on distribution efficiency, expressed as freight km travelled per tonne of packaging or packaged goods delivered.

The “packaging design” KPI

Packaging shouldn’t be designed and manufactured specifically to “optimise its recoverability through most Australian collection systems and thus recycling rates; and to optimise inclusion of recycled resources” – this goal is a sub-set of overall resource optimisation, and should in any case be subordinate to fitness for purpose.

Buy Recycled campaigns are fine as a guide to what is available, but shouldn’t be adopted slavishly as policy if it means sub-optimal overall performance.

In the EU, companies are supposed to demonstrate that they have minimised their packaging by reference either to the CEN standards or to some equivalent method of showing conformity. The legal obligation is to ask yourself the right questions and document the answers – the legislation doesn’t prescribe what those answers should be. However, if you don’t do anything, you’ve broken the law. I have to admit that in practice, very few member states have enforced this, but I still think it’s a very good approach, and one that is followed by many big European companies.

As we said in the sustainability report, I think more should be made of the ECOPP and would like to see a Packaging Standards Sub-Committee set up to oversee random audits and adjudicate on complaints about breaches of the Code. This should have minimum bureaucracy, as it may not have much work to do. (Even if it doesn't, it would be a useful lightning-conductor and would make the point that people aren't as unhappy about packaging as the NGOs think.)

The “away-from-home” KPI

In my view this is the top priority KPI – it's where there really is room for improvement in the recycling rate and in litter abatement. The strategies outlined are fine, except that as a priority I would like to see an annual litter survey that is much more robust than the NLI (I have some ideas about that).

If “trends, amount and type of consumer packaging in the litter stream” are to be made a KPI, then you need robust data that takes proper account of footfall through the survey site, weather conditions, and when the site was last cleaned, etc.

I don't like the idea of a Branded Litter Study, which is just a way of scapegoating companies with a large market share. If Coke outsells Paper by 2:1 (I'm making this up) and if Coke's incidence on the branded litter study is 2.4 to 1, that's more likely to be an indicator of the type of outlets through which each brand is sold than an effect of their respective litter prevention initiatives.

Branded litter studies have more validity as regards fast-food outlets, where you could say that chains should have litter patrols picking up litter (not just their own) within a certain radius of each of their outlets, but this is just going to show up chains with branded packaging like McDonalds or KFC and overlook independent kebab shops and fish-and-chip shops. The rational response would be for McD to take their name off their clamshells.

If you think, as I do, that litter patrols are a good idea, when why not write a code of practice and include that in the new Covenant?

The “good governance” KPI

I agree that non-application of the regulatory safety-net and free-riding should be addressed, insofar as there are KPIs in the Covenant that specifically relate to individual companies.

Data to be collected annually

Do you have a robust methodology for measuring consumer packaging, or even all packaging? (Does a corrugated box for a computer count as consumer packaging or not?).

The “litter stream” is somewhat heterogeneous, and a protocol is needed to ensure that any measurement is done fairly (if you don't have one already).

Introduction to objectives/KPIs

The statement of the Covenant's aims rightly puts resource-efficiency at no. 1, ahead of recovery and recycling. This needs to be carried forward into the KPIs themselves.

"Future extended framework" document

I like the idea of a matrix for reporting requirements so that the degree of detail required will be appropriate for the type of business.

I can't agree that the use of the NEPM to direct free-riders towards the Covenant should be described as "an unacceptable and unsustainable use of the government resources in the jurisdictions in support of the NPC." Isn't enforcement the proper role of government?

The paper envisages companies putting pressure on their suppliers to comply with the Covenant. This is fine up to a point, but beyond that, might it not be regarded by the competition authorities as a illegal abuse of a dominant position?

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