

## Progress Report on development of overarching targets for the National Packaging Covenant

Boomerang Alliance Perspective – 30 March 2005

To date, progress towards achieving any actual agreements on the scope and level of overarching targets has been slow, with just 2 significant points of agreement that have been reached. They are:

### 1. No new packaging to landfill

It is agreed that regardless of the extent of agreed targets there will be an annual adjustment to increase targets by the same level that consumption grows i.e. for every tonne that consumption increases, the recycling targets will be increased by the same amount. This is an important step and means that we will achieve an effective 'cap' on the number of tonnes of packaging going to landfill.

### 2. An agreed baseline of the current levels of consumption and recycling

There is an acknowledgement by all parties that the total tonnes of glass and paper may be slightly understated, and that consumption data is understated (due to an inability to measure the volume of packaging on imported products). The following baseline has been agreed to be the best 'snapshot' of the current levels of both consumption and recycling:

Packaging Tonnes Per Annum:	Consumption		Recycling			
	Total	Materials Proportion of All Packaging	Through Kerbside	C&I / Away from Home	Total	Rate %
Packaging & Ind. Paper	1,709,000	49.20%	224,275	872,725	1,097,000	64.19%
Glass Packaging	850,000	24.47%	150,000	150,000	300,000	35.29%
Steel Cans	210,000	6.05%	46,200	46,200	92,400	44.00%
Aluminium Containers	45,741	1.32%	18,000	11,000	29,000	63.40%
PET	117,930	3.39%	41,646	11	41,657	35.32%
HDPE	160,842	4.63%	44,558	7,338	51,896	32.27%
PVC	12,171	0.35%	1,428	529	1,957	16.08%
LDPE	211,294	6.08%	607	30,271	30,878	14.61%
Polypropylene	108,031	3.11%	4,292	1,753	6,045	5.60%
Polystyrene	32,026	0.92%	0	1,753	1,753	5.47%
EPS	10,338	0.30%	0	844	844	8.16%
ABS/SAN	6,481	0.19%	0	539	539	8.32%
<b>SUB-TOTAL PLASTICS</b>	<b>659,113</b>	<b>18.97%</b>	<b>92,531</b>	<b>43,038</b>	<b>135,569</b>	<b>20.57%</b>
<b>TOTAL PACKAGING</b>	<b>3,473,854</b>		<b>531,006</b>	<b>1,122,963</b>	<b>1,653,969</b>	
<b>Recycling Rates</b>			<b>15.29%</b>	<b>32.33%</b>		<b>47.61%</b>

This indicates that the overall recovery through kerbside recycling is actually lower than earlier Boomerang Alliance reports, though the successful recovery of paper in Commercial and Industrial recycling programs demonstrates the effectiveness that well-structured and supported Away-From-Home recycling programs can have.

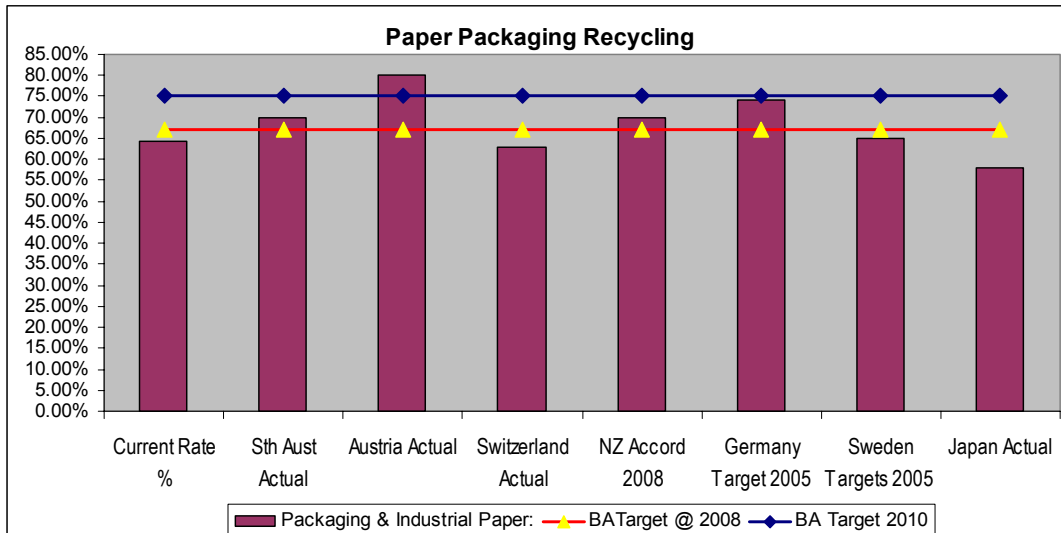
While tonnages are the agreed point of measurement, it is also important to note that all wastes should not be seen as equal. For example while plastics are a relatively small proportion of total packaging by weight, they represent a huge proportion of total volume, they take up much of the space in waste and recycling bins/vehicles, and the environmental impacts of plastics are of course well known.

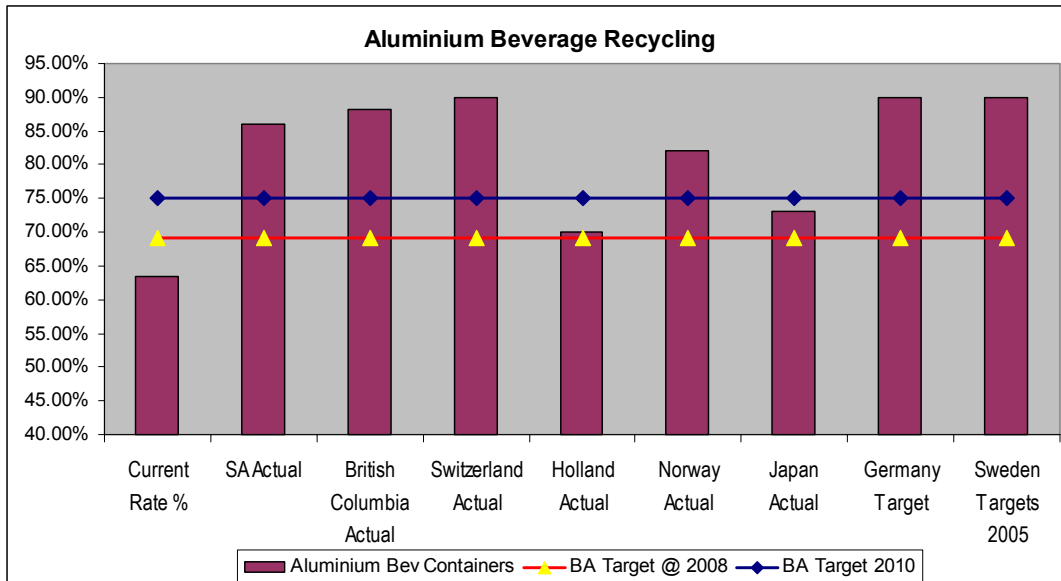
The Boomerang Alliance continues to lack confidence that the current National Packaging Covenant (NPC) model of shared responsibility is capable of delivering environmental outcomes that the wider community could reasonably expect from a more traditional regulatory approach. During the discussions within the targets working group, the Alliance has laid out clear expectations regarding the minimum standards of performance required to secure its support for the approach, and in the spirit of constructive dialogue has also offered to support a target level that is significantly reduced from the original minimum 80% recycling of all packaging material down to just 67.61% (reducing our required targets from an estimated 1.1 million tonnes down to 684,000 tonnes).

The Alliance views this level as the minimum target that can prove that the NPC can, eventually, reach best practice performance in terms of waste reductions and resource recovery. Our logic for this target is based on setting an overarching target for each major materials sector which will direct increased recovery towards the materials that are currently underperforming. To achieve this, the Alliance has used data provided in a Gap Analysis supplied by the NPCIA that identifies packaging materials in four broad groupings:

1. Developed markets performing well: Paper & Aluminium
2. Developed markets performing poorly: Glass, Steel, PET, HDPE
3. Undeveloped markets: Other Plastics
4. Non Recyclable materials: Most composite packaging

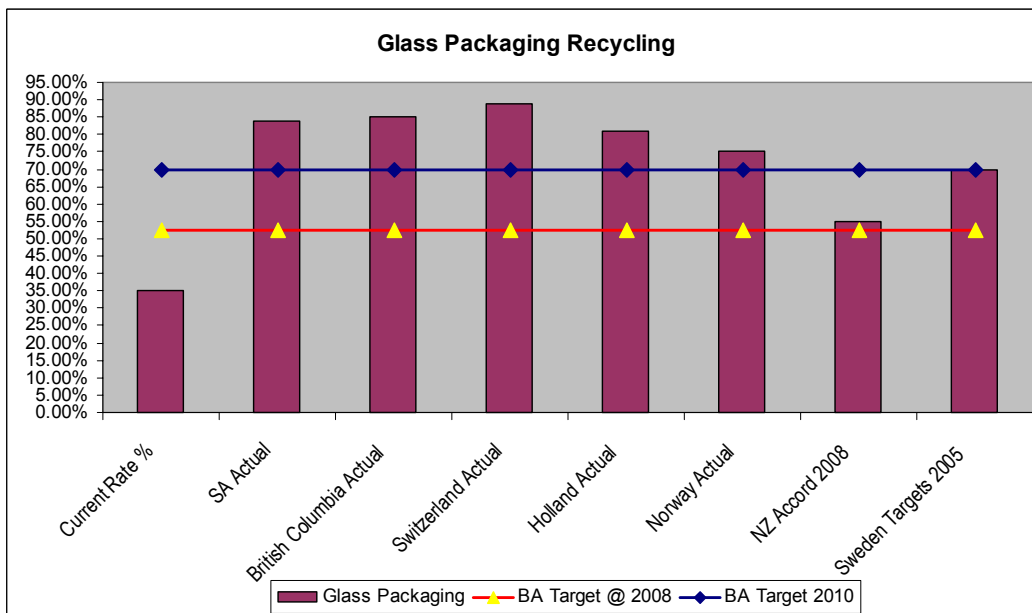
**Developed markets performing well:** Paper, Cardboard and Aluminium represent segments of the marketplace where industry has made significant efforts to improve recycling rates and close the loop. Prices for recovered materials are also healthy and create viable opportunities for recovery. Consequently these sectors currently achieve recovery rates of over 60% and demonstrate high recovery rates both through Kerbside collection and in the Away-From-Home sector. Overall performance is close to best practice performance levels achieved in developed nations and states in Europe and North America:

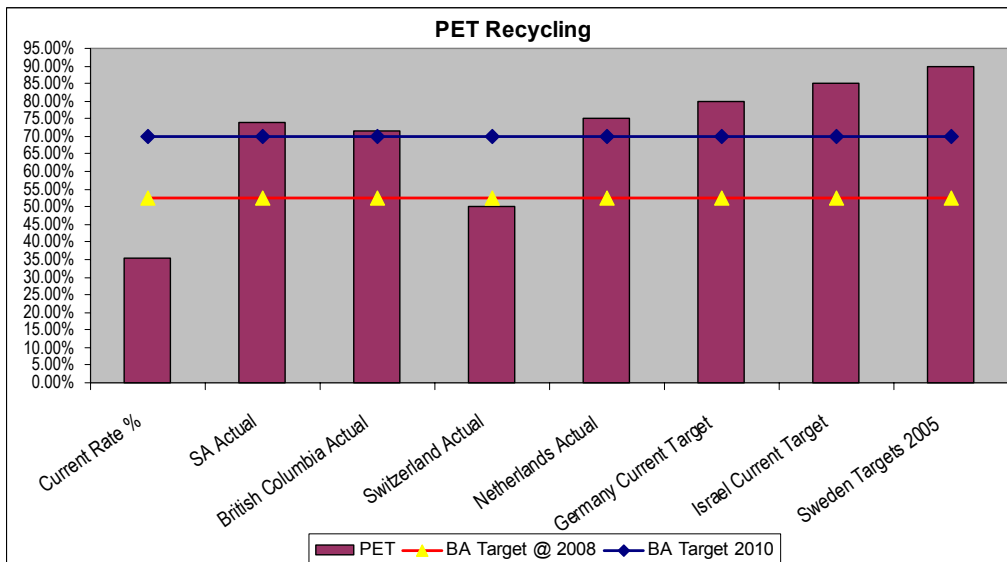
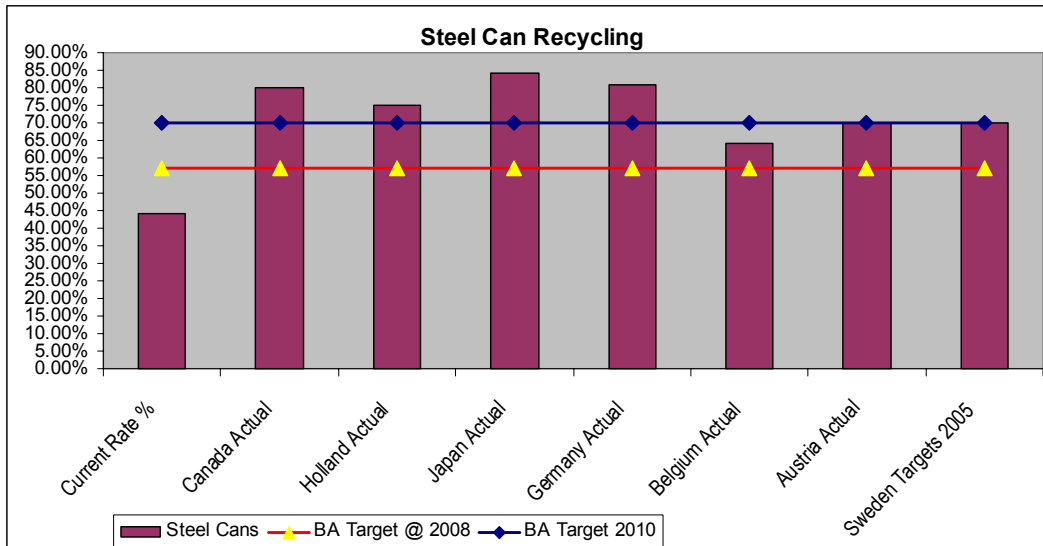




The Alliance believes that it is vital that targets need to recognise the leadership of these sectors and to this end has outlined a continuous improvement target for 2010 of 75%, representing a growth in recycling of around 2-2.5% per annum over each year of a further 5-year NPC term.

**Developed markets performing poorly:** Glass, Steel, PET, and HDPE represent segments of the marketplace where recycling programs have been in place for a considerable period but that continue to achieve poor recovery rates of between 30% - 45% per annum. Generally recovery rates for Away-From-Home are poor and industry's efforts to improve recycling rates are significantly less effective than those in the paper and aluminium sectors. Prices for recovered materials are poor compared to virgin materials. Consequently these sectors need significant effort to improve and in many instances will require the development of new Away-From-Home infrastructure to achieve effective recovery rates.





The Alliance believes that it is vital that targets require these recalcitrant sectors to demonstrate substantial improvement (comparable to that of paper and aluminium) over any further NPC term and to this end have outlined a step change target for 2010 of 70%, representing a growth in recycling of around 5-7% per annum over each year of a new 5-year NPC term.

**Undeveloped markets:** Plastics (other than PET and HDPE) sectors continue to have largely undeveloped markets for recycling and little or no infrastructure. They are also a product group that has little or no recovery from consumer markets either through Kerbside or Away-From-Home. While disappointed that these sectors continue to fail to develop effective recovery schemes, the Alliance accepts that before reasonable recovery levels can be achieved markets and infrastructure will need to be developed. To this end, the Alliance has indicated that the combined target of around 35% recovery needs to be achieved by 2010. However, the Alliance would also reasonably expect that if no significant improvement in recovery (say 23%) is achieved by the 2008 mid-term review these sectors will need to be subject to a regulatory phase-out.

**Composites.** The practice of embedding or layering of different materials in a single package represents a significant and material threat to Australian recycling. Over the last 5 years this practice has expanded dramatically, with the NPC apparently unable to halt the practice. This is best demonstrated by the widespread practice of replacing paper labels on PET bottles with PVC sleeves, which does nothing to protect the product or increase its shelf life but does significantly contaminate the recycling stream. The recent strengthening of the Environmental Code of Practice for Packaging has made some welcome improvements, however many of these practices will need to be subject to action through the development of specific targets for the reductions in non-recyclable packaging.

Immediate action is needed to ensure the NPC does not allow the introduction of any new composite that cannot be readily recycled or the invention of new non-recyclable materials.

Development of an actual target has been restricted by the lack of any data (at all) on the market share that composites enjoy. The working group is reluctant to set targets without any baseline data, however, the Alliance believes that if industry cannot provide any data an 'aspirational' target should be set to (say) reduce composites that are not recyclable by at least 50%.

#### **NEW PRODUCTS AND MARKETS FOR RECYCLATE:**

Rather than targets for the use of recyclate in new products generally, the Alliance feels that targets should be aimed directly at packaging. Packaging is the only area where NPC signatories can directly influence product development, and it is felt that market development for a next NPC term should be focussed on dealing with packaging markets before being expanded into a wider domain of influence. To this end the Alliance has recommended that this target would be better served as a target for minimum recycled content standards for common packaging materials of:

	<b>2008</b>	<b>2010</b>
Aluminium	30%	35%
Steel	30%	35%
Glass	30%	35%
PET	20%	25%

#### **PROCESS AND MECHANICAL ISSUES:**

Other 'mechanical' issues affecting the development of targets that the Alliance has called for include:

- a. Targets should be based on agreed improvement in total tonnage terms so that targets will not need adjusting once accurate baseline data is collected. i.e. the target is to improve by XX tonnes regardless of views on current performance. This overcomes scepticism towards data sources and points of compilation, and allows us to accept unverified baselines.
- b. Once the baseline is established, progress reporting must be undertaken by a mutually agreed third party and its reports should be peer reviewed or externally verified.
- c. Targets should be established separately in each jurisdiction. Targets should be equitable against the national population spread and be designed to achieve similar levels of recycling recovery in each jurisdiction – this will allow each state and territory to better judge the Covenant's performance and also allow jurisdictions to compare and contrast the effectiveness of different initiatives undertaken over a next Covenant period.
- d. That the funding required to deliver improved performance is not borne by local government (as this would extend an already unacceptable negative externality that the packaging industry enjoys the benefit of).

### **COUNTER OFFER BY INDUSTRY:**

In response to this offer, industry has responded with a counter offer outlining various scenarios all of which offer little more than marginal improvement. Industry has failed to respond to the Alliance's formal requests to outline its approaches in greater detail, including the mechanics of its proposals, which makes any in-depth analysis impossible.

Based on the information at hand, we feel that the current offer is seriously inadequate on a number of fronts, including the lack of actual targets for particular materials and also of a recurrent funding arrangement to support new collection infrastructure.

Industry offered three (3) scenarios based on a number of assumptions. The only scenario the Alliance would consider as a starting point for further discussions would be scenario three (the most aggressive) which constitutes a target for an increased recovery of 510,000 tonnes (industry used the old recovery data to establish a baseline, but did confirm during the meeting that its proposal was based on identified additional tonnes for recovery). To that end the Alliance has assumed that the target would be based on an increase of 510,000 tonnes from the previously agreed baseline.

### **OUR UNDERSTANDING IS THAT THE OFFER IS:**

Increase recovery by 510,000 tonnes by 2010 (5-6 years to reach the annual totals), based on:

- additional 190,000 tonnes sourced from kerbside
- additional 320,000 tonnes sourced through C&I and AFH

This is dependent on a number of actions by a range of non-packaging interests and assumptions about collection infrastructure capacity.

### **RESPONSE TO SCOPE AND EXTENT OF IMPROVEMENT:**

The Boomerang Alliance believes the offer is far too low. Our minimum acceptable position was for an increased recovery of at least 684,000 tonnes by 2010 – this was a significant compromise from our original position of around 1 million tonnes and approx. 80% recovery rates. As an absolute measure of improvement it represents an annualised growth in recovery of just 102,000 tonnes per annum or less than 3% each year of a new 5-year NPC term.

Given that the offer did not include any allowance for increased levels of consumption, the Alliance view is that it is highly likely that in 2010 we could actually see more tonnes of packaging going to landfill than the current amounts.

Further, the level of 'double dipping' in terms of pre-consumer recycling (much of which has been included in the proposed baseline figures for paper and plastics recovery), and projected increased levels of improved recovery from:

- the expansion of the South Australian CDL scheme;
- retailers' plastic bags phase outs and recovery programs; and
- development of effective recovery through waste mining activities undertaken by both GRL and SITA;

leads the Alliance to believe that the actual improved recovery **directly attributable to the Covenant** is far lower than the scenario figures project.

To be credible, the Covenant needs to move beyond seeking to pluck low hanging fruit through opportunistic approaches (as was identified by Nolan ITU in the initial review of the first Covenant period) into a more sustainable approach of embedding ongoing recovery systems within the supply chain.

**AGGREGATION:**

Despite our understanding from NSW and Victoria that Ministers support disaggregated targets, no disaggregation per se was in fact offered by industry. Instead, the NPCIA outlined a minimum of 30% recovery in each materials sector and a formal undertaking to maintain or improve recycling rates from each sector.

**RESPONSE:**

The Boomerang Alliance cannot consider targets that are not disaggregated. The Alliance had agreed not to target plastics for phase out or banning on the premise that they must develop effective recovery systems to remain a common choice for packaging; however, a minimum 30% remains completely unacceptable. Plastics and glass both create significant problems in landfill and in the litter stream – frankly, these sectors of industry need to come to terms with the fact that they MUST achieve high levels of recovery in the next 5 years or be subject to a phase-out process. Polystyrene, PVC, LDPE or glass should not be allowed to continue to contaminate landfill, and erode the viability of alternative waste technologies for recycling and composting.

**TO ACHIEVE THESE OUTCOMES, INDUSTRY CLAIMS IT WILL REQUIRE:**

1. increased funding for Covenant education and awareness (no detail);
2. greater financial support for end-market development;
3. develop comprehensive anti-litter programs;
4. greater compliance with Covenant requirements and increased take up of companies into the Covenant;
5. tightening of small business exemptions under the NEPM;
6. widespread adoption of best practice systems by local government;
7. away-from-home recycling in all public spaces;
8. a triple bottom line assessment of waste and recycling tenders by all government authorities;
9. national review and enforcement of labelling laws relating to recyclables and recycled content; and
10. recycling systems in all government and commercial offices.

Additionally, industry identifies that a national uniform data collection system, adoption of the ECoPP by all signatories, and achievement of targets will specifically need to be developed within NPC targets.

**RESPONSE:**

The systematic expansion of recycling collection points and infrastructure is certainly in line with the scope and extent that the Boomerang Alliance expects, and the Alliance would support a number of the proposed changes to regulation and policy, particularly the need to tighten up the NEPM, small business exemptions, recycling in government buildings etc.

However, there is no indication that the ongoing funding to operate the physical infrastructure and recovery systems, particularly for away-from-home, will be sourced from any entity other than local government, which is already overburdened by industry's packaging waste collection costs and understandably averse to any possible increase in this financial burden. In effect, this would expand the existing externalities already inherent in council rates funding both kerbside recovery and litter abatement. The Boomerang Alliance believes that this will lead to a further deterioration of recovery infrastructure over time, and that from a policy perspective, this would move governments further away from the Polluter Pays Principle already in place in jurisdictions across Australia.

Industry and State Governments have both voiced reluctance to incur further costs for additional recovery, and as stated, local government is already weighed down by both litter and kerbside financial imposts. Given this, the Alliance has little faith in current proposals being achieved in the absence of a new self-funded program.

Further, the Alliance believes that the real costs to operate the programs outlined by industry would in fact result in a greater financial outlay from the community and government than any number of EPR approaches, including but not limited to landfill bans, Advance Disposal Fees, and Container Deposit Legislation – all of which would guarantee high levels of recovery and the ability to focus on poor performing materials such as plastics, glass, and steel. Such a “free ride” to industry is rejected.

### **FUNDING OPTIONS:**

Clearly, sustainable ongoing funding for the development of away-from-home infrastructure and operations is an issue. Variations of prices of recyclate are too volatile to guarantee recovery operations. For example, Gavin Williams of the Packaging Council of Australia recently pointed out that virgin PET is up to 20% less expensive than PET sourced from recyclate. Recent falls in activity in the building industry indicate that prices for paper will weaken in the near future (as a result of slowing demand within the building industry).

Local government currently invests some \$300 million in operating kerbside recycling, and estimates of the cost of litter abatement run at similar levels. Given these costs create a negative externality that hides the true costs of packaging, it is unconscionable that funding could be sourced from the ratepayer.

Current Covenant funding of \$6 million per annum is clearly inadequate to either establish the infrastructure or to support its ongoing programs. Choices for funding would include:

1. Increase the extent of direct funding for the NPC. However, given that the definitions of shared responsibility within the Covenant means jurisdictions need to match industry funding on a dollar-for-dollar basis, we feel this option is less than satisfactory;
2. Develop a broad EPR scheme such as an ADF or CDL to create a direct funding stream for away-from-home recovery;
3. Develop a more ‘blunt’ economic instrument such as a waste levy for all (including importers’ and non-signatories’) packaging items to create a pool of funds for increased recovery;
4. Redirect a proportion of existing state waste levies into the Covenant and require industry to match contributions of government.

### **SUMMARY OF BOOMERANG ALLIANCE POSITION:**

The Boomerang Alliance rejects the offer of industry and recommends that the EPHC do the same. We should only consider solutions to the current impasse that will:

1. See the Covenant over the next 5 years advance to levels of recovery that could reasonably be expected from a regulatory approach (70-80%). The Alliance accepts and in many instances supports voluntary approaches – examples of voluntary schemes which Alliance members support include the PNEB scheme for newsprint recovery, the Waste Oil Recovery program, the Refrigerant Reclaim scheme, and the AGSAFE/DrumMuster programs for recovery of used chemical containers. However, from a policy perspective, while voluntary approaches can be designed with the flexibility to drive cost effective innovation for recovery, they SHOULD NEVER accept reduced environmental outcomes nor allow polluters to continue avoiding a producer’s costs and responsibilities.

2. The Alliance cannot consider an approach that expands existing externalities. This type of policy approach has been redundant in most sectors for at least 20 years, and this is reflected in most effective economic policy approaches including the Federal Government’s approach of eliminating indirect taxes in favour of a more direct consumption tax, namely the GST. Further, the reluctance of parties to fund these programs suggests either local government will be additionally burdened or targets will simply fail to be achieved.

3. Any program that is not adequately underpinned by funding to develop and support infrastructure will ultimately fail and create upstream effects that will damage existing recycling operations and have significant economic consequences.

4. Development of undirected targets will lead to improved recovery of easy targets such as paper and aluminium, but will not direct activity where it is needed. The environmental consequences of poor recovery of plastics and glass are far greater than that of paper, for example. The Alliance finds it ridiculous to consider supporting a program that equally places pressure for improved recovery on materials sectors (such as the aluminium and paper industries) that have already done far more than their fair share to support Australian recovery and recycling than the obviously recalcitrant glass and plastics industries. Therefore, all materials sectors should ‘maintain and improve’, with specific step-change targets for those sectors that are not performing well. This means of course that all signatories will need to improve as directed by the Ministers.

Yours Sincerely,



Dave West

For the Boomerang Alliance:

