



AUSTRALIAN
FOOD AND GROCERY
COUNCIL

SUBMISSION

TO SENATE STANDING COMMITTEE ON ENVIRONMENT,
COMMUNICATION AND THE ARTS INQUIRY

Environment Protection (Beverage Container Deposit and Recovery Scheme)

Bill 2009

23 July 2009

PREFACE

Australian Food and Grocery Council (AFGC) is the peak national organisation representing Australia's food, drink and grocery manufacturing industry.

The membership of AFGC comprises more than 150 companies, subsidiaries and associates which constitutes in the order of 80 per cent of the gross dollar value of the processed food, beverage and grocery products sectors (a list of members is included as Appendix A). AFGC represents the nation's largest manufacturing sector. By any measure our members are substantial contributors to the economic and social welfare of all Australians. Effectively, the products of AFGC's member companies reach every Australian household.

The industry has annual sales and service income in excess of \$70 billion and employs more than 200 000 people – almost one in five of the nation's manufacturing workforce. Of all Australians working in the industry, half are based in rural and regional Australia, and the food manufacturing sector sources more than 90 per cent of its ingredients from Australian agriculture.

AFGC's agenda for business growth centres on public and industry policy for a socioeconomic environment conducive to international competitiveness, investment, innovation, employment growth and profitability.

AFGC's mandate in representing member companies is to ensure a cohesive and credible voice for the industry, to advance policies and manage issues relevant to the industry enabling member companies to grow their businesses in a socially responsible manner.

The Council advocates business matters, public policy and consumer-related issues on behalf of a dynamic and rapidly changing industry operating in an increasing globalised economy. As global economic and trade developments continue to test the competitiveness of Australian industry, transnational businesses are under increasing pressure to justify Australia as a strategic location for corporate production, irrespective of whether they are Australian or foreign owned. In an increasingly globalised economy, the ability of companies to internationalise their operations is as significant as their ability to trade globally.

Increased trade, rationalisation and consolidation of businesses, increased concentration of ownership among both manufacturers and retailers, intensified competition and dynamic, increasingly complex and demanding consumers are features of the industry across the globe. Moreover, the growing global middle class of consumers is more sophisticated and discerning, driving innovation and differentiation of products and services.

AFGC is working with governments in taking a proactive approach to public policy to enable businesses to tackle the threats and grasp the dual opportunities of globalisation and changing consumer demands.

SUMMARY

Australian Food and Grocery Council is pleased to have the opportunity to provide a submission to the Senate Committee on Environment, Communication and the Arts on the Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009. This submission is one of a series that has been made in relation to various inquiries into the issue of regulation around beverage containers and is accordingly brief in its nature. Additional information as included in previous submissions is attached as an appendix and should be referred to.

AFGC's position on the proposed Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009 is that it is a fundamentally flawed and simplistic approach to packaging waste management. It focuses only a small section of the waste stream and is an inefficient and costly policy.

As with earlier bills introduced into Victorian and NSW Parliaments by the Greens Party, and an earlier private members bill from Senator Fielding considered by the Senate Standing Committee on Environment, Communications and the Arts as recently as September 2008, each bill contains a provision for a beverage container deposit of 10 cents. None of the bills, nor any explanatory memorandum, contain sufficient detail on the actual operation of the container deposit scheme (CDS) and what the impacts might be on the industry, community and governments, either local or state. Nor do they consider the establishment costs (ie the costs to establish the necessary infrastructure of collection points and depots to enable the community to redeem their 10 cent deposit).

The second reading speech¹ by Senator Scott Ludlam maintains the system should achieve a recycling rate of 80%. If this were to be the case, the following scenario provides an insight into the costs that government would incur **annually**:

[handling fee based on the current South Australian CDS handling fee of 4 cents per container]

11 billion containers in the market place at 10 cents = \$1,100,000,000 (paid by consumers)

80% of the containers returned (i.e. 8.8 billion x 10 cents) = \$880,000,000 redeemed by consumers.

20% of containers don't get returned = \$220,000,000 (lost by consumers but left to fund the system).

At 4 cents per container handling fee the system actually costs \$352,000,000 to fund (i.e. 4 cents by 8.8 billion containers redeemed).

This results in a cost to government or to the consumer of \$132,000,000 per annum.

¹ Environment Protection (Beverage container deposit and recovery scheme) Bill 2009 Second reading 14 May 2009.

The Bill [Clause 10(1) and (2)] also outline a range of other activities that could apparently be funded by the deposit, including promotion of the scheme, the provision of grants and financial incentives to increase the use of recyclable and reusable containers, market creation and support for collected containers and materials, financial support for kerbside recycling services and product development to improve the recycling and reuse of beverage containers. As the above analysis illustrates, and contrary to what some CDS proponents might have us believe there will be absolutely **no funds** available to pursue any other activities. The system is not even self funding. It will cost a significant amount of money.

The Environment Protection and Heritage Council, at its May 2009 meeting, considered a major report into beverage container recovery in Australia. The report² undertook an assessment of potential options for national measures, including container deposit legislation, to address resource efficiency, environmental impacts and the reduction of litter from packaging wastes such as beverage containers. The report found that a national CDL (at a deposit level of 10 cents) would have an economic cost to Australians of **\$492 million a year**. These findings were based on a recycling (or container redemption rate) in the order of 78% (ie an additional 333,000 tonnes of beverage containers collected for recycling. The report further found:

- The cost per tonne of CDL was \$1500 a tonne (to recover an additional 330,000 tonnes per year compared to a range of \$13 to \$25 for approaches supported by industry under the National Packaging Covenant which would recover over 500,000 tonnes.
- A national CDS would require significant changes to collection and handling systems for beverage containers and would bring about a moderate increase in resource recovery.
- The scheme would add a financial impost on consumers (\$300m) due to the value of unredeemed deposits.
- Inconvenience in returning beverage containers would represent another impost.

These are considerable additional costs for the community to bear, given that they are already paying for kerbside recycling services, for a wider range of packaging materials to be recycled, at a cost of less than \$1 per household per week.

A 2008 study by waste management consultants, Hyder Consulting³ found that the current beverage container collection rates nationally are:-

- Glass beverage containers – 62%
- Aluminium beverage containers – 72%
- PET beverage containers – 50%

Some losses occur through sorting (ie glass breakage), giving an overall recycling rate for beverage containers of 47%, made up as follows:-

² See:

http://www.ephc.gov.au/sites/default/files/BevCon__Rpt__Beverage_Container_Investigation_FinalReport.pdf

³ See: <http://www.afgc.org.au/cmsDocuments/Beverage%20Packaging%20Quantification%20Study.pdf>

- Glass beverage containers – 46%
- Aluminium beverage containers – 70%
- PET beverage containers – 46%

The same study also found that collection of beverage containers from households was very high, achieving similar collection rates to those achieved under South Australia's container deposit system, ie:

- Glass beverage containers – 76%
- Aluminium beverage containers – 85%
- PET beverage containers – 75%

While households' kerbside recycling systems are performing extremely well, where improvement is needed is in the "away from home" are, ie workplaces, shopping centres, airports and other venues where people congregate.

The need to increase beverage container recovery from the "away from home" sector was recognised by Environment Ministers at their May 2009 meeting. Ministers agreed that work on the National Packaging Covenant (NPC), the co-regulatory arrangement for the management of packaging waste in Australia, be strengthened to include additional focus on workplace and public place recycling and litter reduction programs.

AFGC supports a comprehensive national approach to waste management that encompasses all packaging waste not just beverage containers. An isolated and narrow focus on beverage containers through Container Deposit Legislation as proposed in the current Bill:-

- Will add to the regulatory and administrative burden on industry.
- Will increase costs to government (where recovery rates of beverage containers and associated costs of deposit redemption exceed the pool of funds generated by the 10 cent deposit).

AFGC is a signatory to the NPC, which is supported by industry, NGOs and all levels of government to reduce the environmental impact of all packaging waste not just beverage containers. The NPC has made significant progress towards meeting the 65 per cent packaging recycling rate target by 2010. The NPC is a more efficient method of recycling, addresses **all packaging and** requires no charges for collection and provides much better value for money.

Under the current recycling approach, Australia's packaging recycling rates have risen from below 40 per cent to almost 60 per cent over the past five years (an extra 700,000 tonnes of packaging recycled). AFGC acknowledges that the Covenant can not take sole responsibility for the increase in rates and tonnages. However it similarly must be acknowledged that the Covenant is an effective policy mechanism that addresses **all packaging** and has had a considerable impact in both facilitating recycling efforts across jurisdictions and bringing together stakeholders in the packaging supply chain.

More than 60 projects have now been funded through the NPC, focussed on glass fines (broken glass) recovery for recycling and the provision of recycling services to the commercial and industrial sector (“away from home”). Collectively, these projects have the potential to divert an additional 500,000 tonnes of packaging (including beverage containers) from landfill each year.

In addition to the Covenant, AFGC – through its Packaging Stewardship Forum – is continuing to work on improving beverage container recycling from workplaces, the hospitality sector, airports, shopping centres and venues where significant numbers of people congregate. The installation of public place recycling systems has either been completed, or will shortly be completed, at the following venues:-

- Lend Lease Shopping Centres (9 centres nationally)
- Connex Rail (installation of recycling systems at more than 100 host and premium stations across Melbourne’s rail network)
- Sydney International Airport (Terminal 2 – installation to take place in Qantas and Virgin terminals in Brisbane, Sydney and Melbourne this financial year)
- Warner Bros Movie World (Queensland)
- Warner Bros Wet & Wild Waterworld (Queensland)
- Royal Botanical Gardens (Tasmania)
- Queensland University of Technology
- Australian Catholic University (Victoria)
- University of Tasmania
- Macquarie University (NSW)
- Monash University (Victoria)
- University of Western Australia
- Melbourne University (Victoria)
- Chisholm Institute - Frankston/Dandenong (Victoria)
- Kangan Batman TAFE - Broadmeadows/Coburg (Victoria)
- Holmesglen Institute of TAFE (Victoria)
- Aurora Stadium (Tasmania)
- Bellerive Oval (Tasmania)
- Suncorp Stadium (Queensland)
- Dairy Farmers Stadium (Queensland)
- Skilled Park Stadium (Queensland)
- Carrara Stadium, Gold Coast (Queensland)
- GABBA Stadium (Queensland)
- Ethiad Stadium (Victoria)
- Subiaco Stadium (WA)
- Brisbane Convention & Exhibition Centre (Queensland)
- Cairns Convention Centre (Queensland)
- Burswood Entertainment Complex (WA)

A further project, focusing on installation of public recycling systems across Westfield Shopping Centre network of 35 centres throughout Australia has recently been approved for funding by the NPC, with rollout of new systems to take place over the next 12-18 months.

AFGC supports the current arrangements to address packaging waste management issues (including beverage containers), the NPC and kerbside recovery, are much more cost-effective and sustainable systems than CDS. A new framework for the Covenant is currently being developed and will be considered by the Environment Protection and Heritage Council at its November 2009 meeting.

New priorities in the Covenant will be sustainable design and improvement in the overall sustainability of packaging, including recyclability, at the beginning of the packaging supply chain rather than just focusing on the end recycling rate. Industry is taking a product stewardship approach to packaging design and is committed to working with governments, the community and partners within the supply chain to ensure that packaging placed onto the market is more sustainable.

AFGC also believes that there are much more pressing issues to address within the waste management environment, as noted in the Commonwealth's National Waste Policy Consultation Paper, released in April 2009. In particular, food and organic waste, all packaging (rather than just beverage containers), waste water treatment and prescribed wastes.

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Appendix A

EXCERPT FROM SUBMISSION TO PRODUCTIVITY COMMISSION INQUIRY INTO WASTE

CONTAINER DEPOSIT LEGISLATION

An obvious example of EPR is Container Deposit Legislation (CDL). CDL currently operates in eleven of the fifty US states, eight of the ten Canadian provinces and a variety of European countries. CDL was originally intended to protect market share for local bottlers and to reduce beverage container litter back before many recycling and litter management programs were developed⁸. Most US and Canadian CDL programs are 20-30 years old and therefore do not reflect contemporary waste management, recycling and litter management developments.

CDL schemes can be effective in increasing beverage container recovery and decreasing beverage container litter^{15,16}. However, consideration of social, economic and environmental impacts shows that CDL has no inherent benefits compared to alternative, comprehensive policy approaches⁸.

Alternatives to the current Covenant, such as container deposit legislation, have higher marginal costs due to separate competing systems, divert revenues from recycling programs and fail to consistently achieve higher recovery rates. Recent analysis also shows that a largely voluntary approach under the Covenant has resulted in recycling rates that are broadly comparable or exceed those of CDL recycling rates in other countries.

Prior to the introduction of CDL in Germany, CDL had always been introduced first and then comprehensive waste management and recycling programs could be designed around the CDL programs¹⁵. This reduced conflicts between CDL and recycling programs and contracts. **Given the advanced development of waste management, recycling and litter management programs in Australia, the introduction of CDL would create an additional system that would undercut recycling programs by creating competing systems and increase the costs of implementing both approaches.**

Most advocates of CDL in Australia highlight the findings of one report in NSW¹⁷, without acknowledging the significant criticism of the report's methodology¹⁸ or considering the findings of a range of reports (for NSW, ACT, Victoria and NT) that provide a more balanced understanding of CDL. We provide the following discussions of relevant CDL programs to assist the Inquiry in understanding AFGC's concerns about CDL.

1.1 SOUTH AUSTRALIAN CDL

'Traditional' CDL approaches such as South Australia's involve built-in inefficiencies. In SA, at least 18 different sorts by brand, colour and material are required to track container and deposit flows, even though the brands ultimately end up at a handful of end users for recycling¹⁵. A recent study commissioned by the SA Government found that these inefficiencies alone amount to \$4.1 million p.a., or around \$35,000 per collection depot p.a.¹⁹.

1.2 BRITISH COLUMBIA CDL PROGRAM

Figure 4 provides an overview of the British Columbia CDL program, one of the CDL models viewed as potentially effective under current Australian conditions if CDL were to be introduced¹⁵. An industry consortium is responsible for ensuring proper container returns, thus ensuring that industry has reasonable flexibility in running the program. An additional container recycling fee (“CRF”) may be charged to help ensure the full costs of recycling each type of container are being recovered.

A critical point to note is that in January 2005, the Consumers’ Association of Canada brought a Supreme Court challenge against the CRF, arguing that the CRF causes consumers to bear the full costs of recycling, rather than producers²⁰. The suit appears to still be pending.

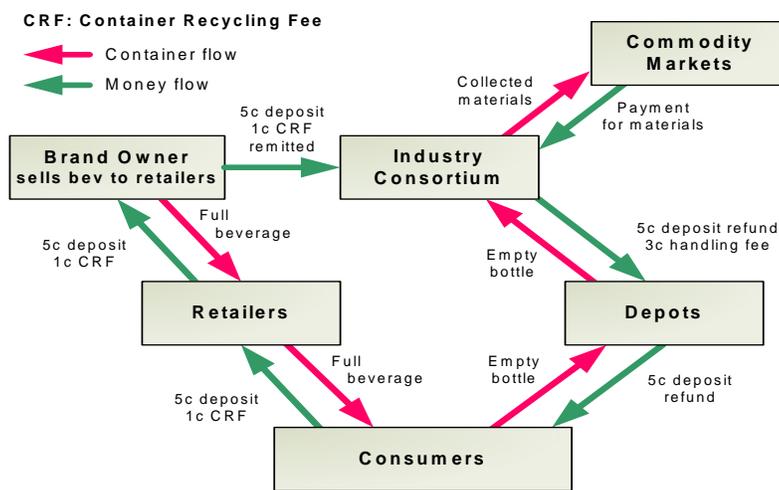


Figure 4. CDL in British Columbia. Source: MS2 2006⁸

Whilst the British Columbia model provides greater industry flexibility than traditional CDL programs, it has not resulted in substantially higher recycling rates than alternative approaches and still represents a separate, competing system.

1.3 CALIFORNIA BEVERAGE CONTAINER RECOVERY PROGRAM

Figure 5 shows container and financial flows for the California Beverage Container Recovery program.

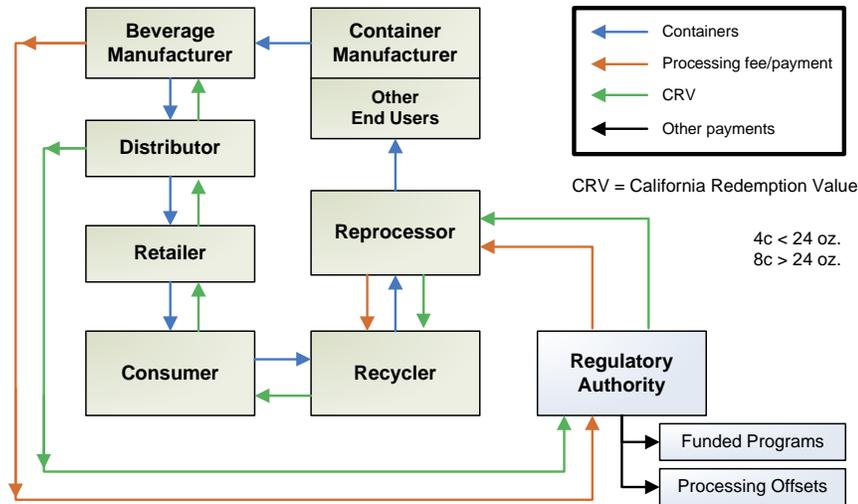


Figure 5. California Container and Financial Flows. Source: MS2 2006⁸

The California government has assumed audit and brand responsibilities assigned to industry in most other CDL programs. As a result, a significant amount of reliable data is available on the California program and the California data is more robust than that from other CDL programs. Administrative costs of the California program are substantial. This can be clearly demonstrated by the resources required to administer the program over one year. In 2004, California conducted 3,616 recycler inspections, 167 compliance audits and 29 investigations related to the program each of which has a significant cost²¹.

1.4 COSTS OF ADDITIONAL SYSTEMS

Deposit-refund systems work especially well for products where there is a significant risk of illegal dumping and where the hazardous nature of the product warrants collecting the products through a separate collection system¹⁴. We note that these conditions do not apply to beverage containers or to broader packaging. A review of the European Packaging Directive¹⁶ (p.130) found that,

“There is no evidence that mandatory deposits improve the efficiency of recycling systems – collection arrangements for non-beverage packaging are still needed, and one system is cheaper to run than two.”

Conflicts increase as recycling programs increase their recycling rates and reduce their costs. For example, introduction of CDL in the ACT could at best result in a 10% increase in beverage container recovery, yet increase the marginal cost for recycling from \$110 per tonne to \$900-\$1,900 per tonne²². Independent assessments in NSW, ACT, Victoria and NT have found that the costs of implementing CDL on top of comprehensive waste management and recycling programs exceed the benefits^{15,17,22,23,24}.

A Victorian inquiry²³ found that the introduction of CDL would "increase the overall cost of beverage consumption and beverage container recycling by a substantial amount, ranging from \$111 to \$157 per household per annum", compared to the current average cost of kerbside recycling services in Victoria of about \$28.85 per household per annum. The report was peer reviewed by the UK-based consultancy Perchards. Perchards

questioned aspects of the report's methodology, but concluded that an increase in costs of \$73 to about \$81.50 per household per year was still likely. The peer review also suggested marginal costs of \$1,700 per tonne to implement CDL on top of kerbside recycling in Victoria. This finding is comparable to the marginal cost estimated for the ACT of \$900 to \$1,900 per tonne^{22,23}.

Various studies have found that introducing CDL in Australia would double or triple the cost per household of kerbside recycling. Therefore, council rates could actually rise if CDL was implemented in top of comprehensive recycling programs. Such concerns led the US state of Florida to repeal a CDL program that was set to take effect in favour of an (ADF) that created market-based incentives for material recovery and market demand for recovered materials^{8,15,17,22,23}.

European experience supports these findings. Perchards *et al*⁶ (p.x) note that CDL programs in Nordic countries are

“stable and relatively uncontroversial. However, they started operating before there were recovery organisations for non-beverage packaging. Grafting beverage containers legislation onto a mature recycling system for all packaging appears to be much less successful.”

In addition, one study of environmental- and cost-efficiency analysis found that implementing CDL where Green Dot systems already exist would generate additional greenhouse gas impacts equivalent to an extra 500,000 to 700,000 cars, each travelling 10,200 km per annum²⁵.

Germany introduced CDL on top of their comprehensive waste management and recycling program as an arbitrary punishment for the German beverage industry. This cost the industry around \$490 million in 2003 and led to a net loss of 9,530 jobs. A recent study of the program has found that the program “has in fact had a considerable negative effect on the environment” by increasing the environmental impact of production plants and transport, increased litter, reduced choices for consumers and come at a considerable cost^{8,10}.

Consumers are also finding considerable difficulty in redeeming their CDL deposits in Germany. As a result, drinks are more expensive and deposits are much higher than those charged in other CDL programs (which were implemented before comprehensive recycling). Rather than pay the high deposit and return the containers, Germans are buying the cheaper refillable bottles, then not returning them. The refillable bottles are also increasingly being littered. The deposit has therefore triggered a shift away from lightweight non-refillable packaging to heavier refillable packaging. This shift, along with lower return rates for refillables, has resulted in an overall increase in the tonnage of packaging waste from drinks while actually increasing the environmental impact of packaging¹⁰.

1.4.1 Bias Against Regional and Rural Australia

Introduction of CDL could introduce additional bias between urban and rural areas. An investigation for NSW found that whilst some viable CDL depot systems could be established in metropolitan areas, CDL in rural areas would require \$123 million in establishment costs alone to create 500 depots, however only 30-60 of the depots would be commercially viable on their own¹⁵. AFGC is strongly opposed to such policy approaches that penalise regional consumers or reduce regional competitiveness. CDL should be

opposed on the basis of poor use of resources in the case of regional economies and the costly approach to such systems that do not have adequate facilities.

Modelling is not currently available to determine the extent to which regional and rural areas in other parts of Australia such as WA, NT or North Queensland would be impacted under introduction of CDL, although such impacts are likely to be significant.

1.4.2 Jobs

CDL can threaten, rather than create, jobs. Australian studies have shown that CDL does not lead to net job creation, as jobs at CDL collection depots and processing facilities would come at the expense of investment in other, more efficient uses such as kerbside recycling^{15,26}. Meanwhile, the introduction of CDL in Germany led to a net loss of 9,530 jobs in 2004¹⁰.

1.4.3 Diversion of Recycling Revenues

The potential exists for significant diversion of revenues from recycling programs under CDL if consumers are motivated to return the containers. For example, materials covered under CDL contribute 54% of the volume, yet 77% of the financial value of kerbside recycling in Tasmania²⁷. In Northern Queensland, CDL materials contribute 33% of the volume, yet 59% of the financial value of kerbside recycling²⁸. Economic viability of such programs could be threatened to the extent that consumers redeem containers through CDL collection depots rather than through kerbside.

California data (Figure 6) shows that where CDL and kerbside occur together, there may be a significant shift in materials, with easy to collect or higher value items returned through CDL and others left in kerbside recycling.

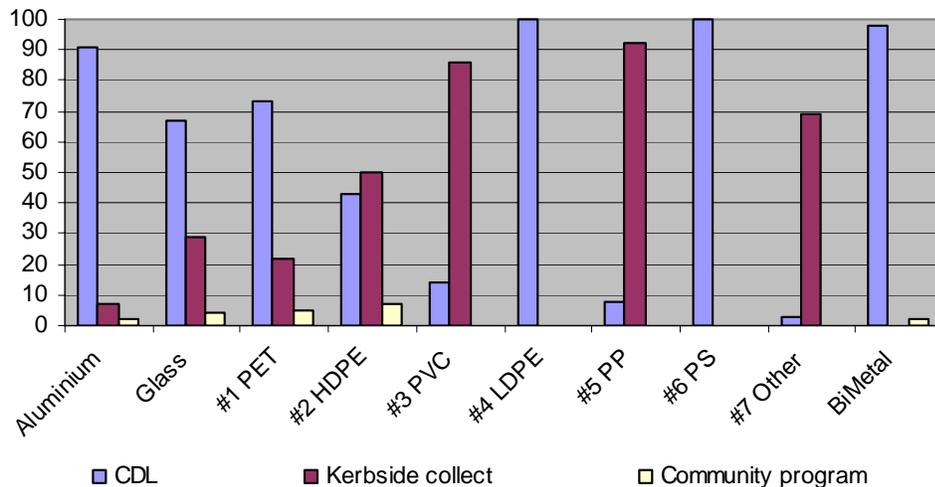


Figure 6. California Material Recovery Pathways 2004 – CRV. Source MS2 2006⁸.

In California, with CDL and kerbside together, virtually all the materials with value (especially glass, aluminium, steel⁴ and PET) get diverted to CDL. The kerbside programs are left primarily with PVC, PP, other plastics and of course paper. Again, modelling is not currently available to determine these impacts on a national basis if CDL were to be introduced, although such impacts are likely to be significant.

1.5 RECOVERY RATES UNDER CDL

CDL does not result in high overall recycling rates than alternative approaches. Two detailed studies have found no connection between presence of CDL and levels of waste diversion in the US and Europe^{15,16}. Perchards *et al*¹⁶ further found that

“It is clear that deposit systems for non-refillable beverage containers are not necessary to meet the recovery and recycling targets in the Directive. Member States without deposit systems have met the Directive’s 2001 targets, and in some countries were already meeting the material specific targets set for 2008.” (p.132) and “overall recycling rates in Member States with deposit systems are not higher than those of comparable EU countries where there are no special arrangements for beverage containers”. (p.x)

Recent analysis also shows that Australia’s largely voluntary approach under the Covenant has resulted in recycling rates that are comparable or exceed those of California’s CDL recycling rates for all materials except glass in 2003⁸. Australia’s material recycling rates tend to increase over time, whereas CDL recycling rates tend to decrease. For example, apart from an initial increase with program introduction and a slight resurgence since January 2004 due to program expansion and an associated education campaign, California’s container recycling rates have declined over time (Figure 7).

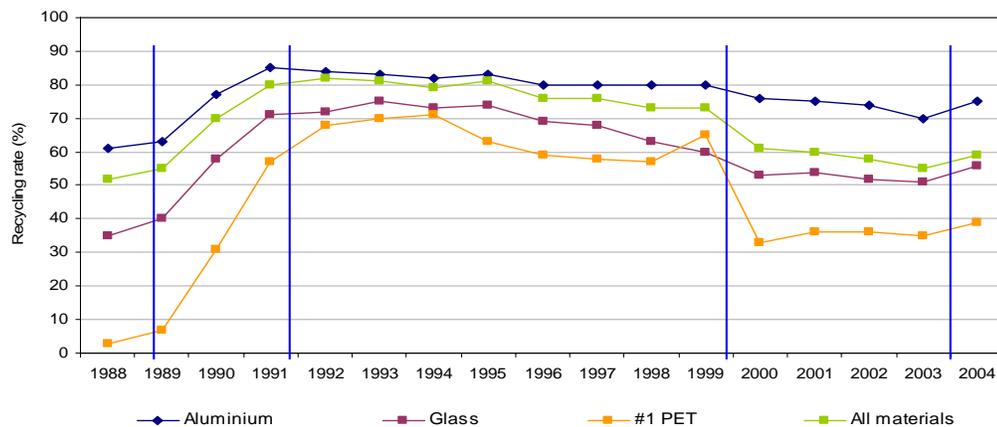


Figure 7. California Decline in Recycling Rates 1991 to 2003. Source: MS2 2006⁸

Another comparison of recycling rates shows the ACT’s 72% beverage container recovery rate is equal to recovery rates of the (then) 10 US CDL states and also equal to British Columbia’s. The ACT’s rate also clearly exceeds California’s container recovery rate. Recyclers of South Australia reported 1997 CDL recovery rates as being in the 74-83% range, although there’s not the same robustness in reporting that we see in California and

⁴ Steel cans are referred to as bimetal containers in California.

British Columbia, so the ACT's recovery is in the same ballpark as South Australia's. While the ACT's recovery rate has increased over time, one trend that's especially evident is a decline in CDL recovery rates over time, as shown for California as well as other US CDL states. South Australia's recovery rates for glass and aluminium also declined from 1991 to 1997. These trends happen because over time CDL deposits lose their value, new containers enter the market more quickly than the system can adapt and there is reduced education emphasis and reinforcement over time^{22,29}.

1.6 MATERIAL EFFICIENCY

Historically, beer and soft drink programs relied on the use of refillable glass bottles. Such bottles were quite thick and resource intensive in order to withstand multiple distribution, consumption and return cycles. It made sense for fillers to try to get the bottles back due to their inherent value, as container recycling programs were virtually non-existent at that time. Container lightweighting, one-way distribution and the advent of comprehensive recycling programs have led to the elimination of refillable beer and soft drink containers in the US and Australia, and to a steady decline refillable containers in Europe. In 1988, the Australian soft drink industry used an average of 453 grams of packaging in the manufacture and distribution of each litre of soft drink. By 1997, the amount of packaging required had been reduced to 150 grams per litre, an average reduction of 67 percent. The weight of the average glass 'stubby' has been reduced by 25 percent over the past 15 years.

As beverage containers have become lighter and less material intensive, they have also become more recyclable given the substantial development and implementation of recycling programs, especially kerbside recycling. As recycling has become widespread, consumers lost interest in returning their containers to get their deposit back and low demand for refillable containers has led to their demise in Australia and the US. **It therefore makes sense to use more resource efficient, 'one-way' beverage containers and implement approaches such as the Covenant to recover a broad range of material types and reduce litter in a comprehensive manner.**

1.7 DISTORTIVE EFFECTS

An extensive review of European packaging legislation provides further evidence of the significant distortive effects of CDL and other poorly developed packaging legislation¹⁶.

- Singling out beverage containers is discriminatory.
- Extensive conflicts in trade and implementation occur between CDL and other producer responsibility efforts.
- Germany's 1991 recycling targets led to recovered materials flooding European markets and protectionist responses from other Member States.
- Competitive distortions from imposing a deposit on non-refillable containers of some beverages but not on others.
- CDL fails to keep pace with new product lines and packaging innovation, which leads to inequities.
- CDL systems are more susceptible to fraud than other recovery approaches.
- EU packaging taxes tend to discriminate against beverage containers (or are biased in favour of refillables) and serve mainly as a revenue source, rather than driving environmental improvements. Such taxes also have a significant distortive effect on retail pricing.

- CDL marking requirements are more onerous for cans than for PET and glass and more onerous for fillers and importers than the requirements of producer responsibility organisations.
- CDL only impacts on beverage container litter, not other litter.
- Litter is best addressed comprehensively (including awareness and education), rather than singling out certain packaging types such as beverage containers, and litter should not be addressed through packaging waste legislation.

Initial evidence, including various studies specific to Australian jurisdictions, indicate that these concerns would also be applicable to the further introduction of CDL in Australia, especially if CDL were to be introduced in some jurisdictions and not in others.

2 LITTER

The following sections relate specifically to questions raised in the issues paper completed by the Commission. The questions provide a good basis to address litter issues. Responses are provided on an issues basis rather than answers to specific questions and are drawn from a variety of litter references with some significant areas of overlap. Please refer to the litter references contained at the end of this submission.

2.1 LITTER DEFINITIONAL ISSUES

Before addressing costs of litter, it is important to address litter itself and the causes of litter. Currently there is not a clear and simple definition of “litter” utilised by all regulatory bodies, industry and not-for-profit organisations, therefore addressing the matter of the main costs becomes equally complex. The least complex definition of litter is,

“discarded items not placed in waste infrastructure provided and left unattended in the environment”.

or in terms of the definition that is agreed by federal and state governments and industry involved in the National Packaging Covenant³⁰ (p.6),

“packaging or paper that when removed from a product is intentionally or unintentionally discarded”.

While the definitions are constantly debated, regulatory bodies and local governments grapple with the added issues of illegal dumping, bill posting, charity bin litter, fishing litter and inappropriate waste collection and disposal practices that result in litter blowing from uncovered trucks or compactors and tip sites. Additionally bird species such as the Australian White Ibis also contribute to the nation’s litter problem.

2.2 INDUSTRY INITIATIVES ON LITTER

AFGC established a Litter Working Group and Litter Policy to help address litter management issues. The litter policy reflects the organisation’s commitment, and that of its member companies, to sharing the responsibilities for the management of litter as part of its promotion of sustainable development principles for food and grocery products. Among AFGC member companies, some have significant exposure to the litter issue and for others the issue has less relevance. The level of exposure varies significantly across the membership.

Litter management initiatives are likely to be more effective if they have the support of government and industry stakeholders across the entire supply chain and are based on research of best practice interventions following the model of the National Packaging Covenant. This is largely due to the common interest in promoting behavioural change on the part of consumers and containing the costs associated with anti-littering intervention.

The policy approach of AFGC derives from the following realities of litter and its management:

- improved litter management relies on long term changes to consumer behaviour;
- management options need to be based on a complete assessment of the environmental risk posed by littered items and the varying product stewardship responsibilities of companies; and
- any approaches to litter management must recognise the responsibility/role of government in public place management and recycling issues.

AFGC encourages the development of proactive and appropriate litter reduction and management initiatives and the participation of relevant member companies in them consistent with their commitment to product stewardship. AFGC supports the significant amount of work that has been undertaken by the Beverage Industry Environment Council (BIEC) on litter and its prevention and management. AFGC looks forward to continued cooperation with BIEC and its members for a mutual benefit on litter.

2.3 LITTER COSTS AND RELEVANCE

During the past three years robust research and accompanying pilot trials of a new bin placement system (BInS) was undertaken by BIEC. This was undertaken in conjunction with social research on various issues relating to litter levels, desirable behaviours and other related factors. To date BIEC has contributed over \$68 million to waste and litter reduction research and programs³¹.

The BinS system has been proven to significantly reduce the cost of litter management in those participating local governments by reducing the number of bins that through incorrect placement are emptied at an individual cost (per lift) and are often less than half full.

Based upon the litter definitions above, calculating the combined cost of litter collection activities designed to remove it from the environment, provides the answer sought. Examples of these activities and the cost data sources are:

- Street sweeping (local government costs nationally);
- Roadside litter clean-ups (local government and State Roads & Traffic Authorities nationally);
- Clean-up of open spaces such as parks, gardens and malls (local government, State & Federal Parks Authorities and commercial property managers nationally);
- Beach clean-up e.g., beach raking using tractors and towed raking devices (local government, State & Federal Parks Authorities);
- Clean-ups of waterways i.e. rivers, harbours, channels, drains, reservoirs, seas (local government, State & Federal Waterways and Marine Authorities);
- Building site and industrial premises clean-up (private ownership/industry).

These costs are in turn affected by external factors such as weather (namely wind) and wildlife. For example, the White Ibis population has escalated particularly in metropolitan

cities due to the provision of reliable food sources such as putrescible waste at tip sites and the provision of bins in various non-domestic areas for the purpose of collecting litter and waste. According to the Bankstown Local Government Area in NSW, home to one of the largest Ibis populations, “the long curved beak of the Australian White Ibis is ideal for probing in open public garbage bins” and Ibis-proof closed top bins are required in public places to minimise the litter caused by these birds³².

Factors such as those above lead to apparently overestimated litter costs, as they are not differentiated effectively by local governments. For example, preliminary estimates of a pending report provided by Sustainability Victoria show that:

- Local government litter expenditure costs in Victoria, including illegal dumping, bin maintenance, street sweeping and litter prevention may be as high as \$89 million per annum. This data is based on a detailed survey of 22 councils costs undertaken through the Cost/Benefit Analysis and then extrapolated to all councils.
- Litter prevention and maintenance is around 1.2% of local government total operating expenditure.
- The available evidence suggests the proportion of litter prevention to litter maintenance is around 2.6-3.3% of litter expenditure (not including council staff costs).
- Internally funded litter prevention on a per capita basis for metropolitan, provincial and rural councils is 0.86, 0.24 and 0.21 cents respectively. Most of this funding is provided externally through government agencies (such as Sustainability Victoria) and other sources including the Butt Littering Trust and BIEC.

Various attempts have been made to calculate the cost of littering nationally, however a detailed analysis has not yet been completed. To gain an accurate result for a data gathering exercise of this magnitude would require a significant financial investment, time allocation and organisation combined with auditing and validation to ensure accurate quantitative and qualitative data was supplied. To ensure full compliance and disclosure, a regulatory framework would be required, thus incurring the added cost of compliance and monitoring.

The question that then arises is, “will knowing the cost provide a solution?” The answer is no. Similarly knowing the scale/quantity of litter will not provide a solution. Despite campaigns and various interventions, there will always be a small percentage of the community that are recalcitrant (reported as approximately 6%) and will deliberately litter even when penalty enforcement is applied. According to LBS studies, positive reinforcement of good disposal behaviour has been proven to be more effective than campaigns focused on enforcement and penalties. On this matter, cost is largely irrelevant and is used as an emotive tool by those using it to influence public and political opinions. However, where litter costs can be effectively determined and allocated, industries should bear physical and financial responsibility commensurate with the environmental impacts of their products.

2.4 TYPES OF LITTER AND ITS MANAGEMENT

Examples of litter that are most costly or problematic to deal with include:

- Plastic bags and micro litter such as cigarette butts, confectionary wrappers, public transport system tickets, ATM receipts, bottle caps, etc. Why? These items are easily obscured in some environments and are readily transported by wind and water, readily accumulate in restricted ways and are easily digested or distributed by animals and marine life. In addition, cigarette butts have ecotoxicity impacts.

- Larger litter items converted to micro litter through slashing and mowing roadside grass, parks, reserves, etc. Why? Refer to the previous point.
- Solid and liquid, food and drink litter including chewing gum. Why? It's difficult to remove from surfaces, attracts vermin and generates bacterial contagions.
- Hygiene and medical litter such as disposable nappies, wound dressings/bandaids, syringes, etc. Why? These items generate bacterial contagions, attract vermin, carry disease and present injury and other health and safety risks.

The issue of marine litter further complicates these problematic litter items. Offshore marine debris is the major contributor to beach litter, with ships often the primary source of the litter. Level of public usage is a relatively minor contributor. As with other litter types, knowledge of the amount of marine litter is quite limited³³.

Clearly, no one policy approach can address all these problem litter items, and policy approaches that single out one container, material or product type are likely to prove expensive means that fail to achieve their objectives. Removing one product or container type will not do anything to reduce costs. Costs do not change for example if you pick up 92 pieces of litter as opposed to 100 pieces of litter - litter management cost are dictated by regulation, legislation, cleanliness and odour. Comprehensive national approaches are necessary to target littering behaviour, provide appropriate infrastructure support and educate consumers.

2.5 APPROACHES TO MINIMISE THE IMPACT OF LITTER

In a modern, mobile and transient society, it is impractical to assume that all wastes generated in any environment will be carried by the person generating it to their domestic, workplace or remote waste infrastructure system. Enforcement is not only ineffective but its impact is limited by the cost and availability of resources. There is no best practice established in Australia, however the Victorian Litter Action Alliance and the Victorian Environment Protection Authority have established a number of programs targeting a joint enforcement and public education campaign through local government that have been evaluated. They report that less than 25% of local councils in Victoria utilised a program of enforcement and education. And despite the success of the kits, only 30% reported that the program saved them money.

The best example of an effective public education campaign acknowledged internationally is the "Do the Right Thing" campaign of the 1970s and 1980s, which resulted in a 70% reduction in littering over a twelve year period. Its successor "Don't Waste Australia - Do the Right Thing" relaunched in November 2003 by the Prime Minister the Honourable John Howard MP has been used in all communication mediums in Tasmania for over twelve months and the result has been a positive reduction in litter levels according to the LBS.

Various other state based campaigns together with local government projects and strategies also often suffer from lack of funding to raise public awareness and an unwillingness to embark on a shared national approach.

Organised annual cleanup campaigns rely primarily upon volunteers or council staff conducting cleanup activities. Whilst these programs provide some litter management, unfortunately they tend to reinforce the apathy and lethargy amongst the broad community who then assume a once a year effort is sufficiently addressing the problem.

A major body of research is available on the effectiveness of various strategies and campaigns, however Australia requires nationally consistent systems, penalties and communications to achieve a degree of success. The solution lies in addressing the causes of the littering activity - not the cost, not the scale and without a total ban on packaging materials, not the types of littered items. Australian and European experience shows that litter is best addressed comprehensively, rather than singling out certain packaging types such as beverage containers, and litter should not be addressed through packaging waste legislation^{15,16}. **The solution is to facilitate desirable behaviours through appropriate infrastructure provision and the deployment of behavioural change education and systems advice nationally.**

Appendix B

AFGC submission to Senate Standing Committee

Committee Secretary
Senate Standing Committee on Environment,
Communications and the Arts
Department of the Senate
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Committee Secretary

Australian Food and Grocery Council is pleased to provide a submission to the Senate Inquiry into the Management of Australia's waste streams and the Drink Container Recycling Bill 2008.

Implementing genuine environmental policy and reform is a complex issue. Incorporating a broader view of waste generation and its position within the overall production and consumption of goods and services is essential when considering waste management policy in Australia. Accordingly, AFGC opposes the Drink Container Recycling Bill 2008, due to its narrow focus and potential cost impacts on business and the community.

AFGC is of the view the objectives outlined in the Bill are addressed more comprehensively under the existing co-regulatory arrangement for packaging waste, the National Packaging Covenant (hereinafter referred to as the Covenant).

The Covenant is the voluntary component of an initiative by government and industry to reduce the environmental effects of packaging. It has the support of all levels of government industry and is designed to minimise the impacts arising from the disposal of used packaging, conserve resources through better design and production processes and facilitate the re-use and recycling of used packaging materials. Through the National Environment Protection Measure for Used Packaging Materials the Covenant also provides a regulatory safety net, which is used to regulate those sectors of the packaging supply chain which do not participate through the voluntary arrangements.

The Drink Container Recycling Bill contains a number of proposals which, if adopted, would be duplicative and inefficient.

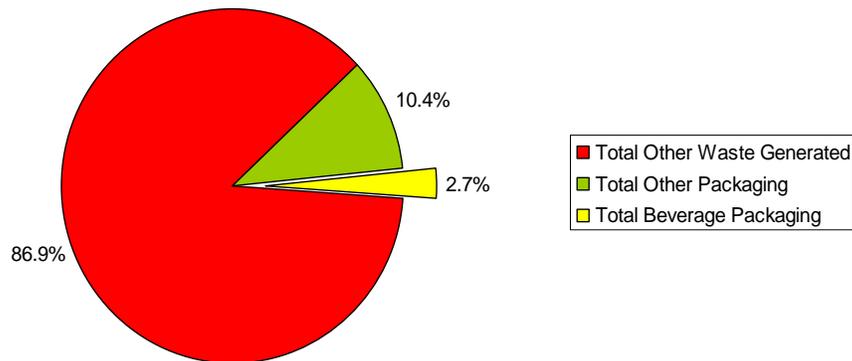
- The proposal for manufacturers to submit a beverage container stewardship plan which would be reviewed and reported against is already a feature of the Covenant. Importantly the existing requirement is not limited to just beverage containers. The Covenant arrangements provide for brand owners AND manufacturers of containers to be reviewed and assessed by an independent party with each company

report and plan given a performance rating. If the proposals in the Bill were to be implemented there would be a clear duplication of the requirements significantly adding to the regulatory burden placed on companies for no additional gain.

- The Bill requires the beverage container stewardship plan to include a minimum recovery rate of containers of 75% within 2 years and 80% within 5 years. The basis for the recovery rate is unfounded and appears to have been nominated in the absence of any rigour and robust impact and cost benefit analysis. There are a range of documented risks associated with setting targets that have minimal or no basis. The Covenant already provides for nominated recovery rates for the recovery of ALL packaging, not just beverage containers.
- The proposal to seek public comment on the plans, notify in newspapers of the existence of the plans and provide a dispute resolution process is concerning. It would place significant and unnecessary costs on manufacturers without substantiation of any specific benefit of measure or effectiveness. The proposal indicating the manufacturer can disregard any comments received as a result of the process is indicative of how short-sighted the suggestion is.

A proposal to implement a costly and onerous policy which addresses only a small section of the waste stream is simply not good public policy. Australians generate more than 32 million tonnes of waste each yearⁱ. Total packaging waste generated in Australia is just over 4.2 million tonnesⁱⁱ, from commercial, industrial and household sources. Packaging waste generated represents around 13 per cent of the total waste stream within Australia, with beverage packaging comprising less than 3 per cent.

Waste Generation in Australia 2005-06



AFGC refers the Committee to the findings of the 2006 Productivity Commission inquiry into waste management where it was reported that waste policy should be about achieving the best possible outcomes for the community, not prescribing one technical solution at the expense of others. The Commission went on to argue that the case for introducing container deposit legislation (CDL) in addition to existing kerbside collection schemes on resource recovery grounds is weak. The Commission also found that resource recovery under CDL is likely to be significantly more expensive than under kerbside recycling. AFGC provided a comprehensive submission to the inquiry and refers the Committee to it for more detailed references to waste management policy. In addition the Packaging

Council of Australia also made a detailed submission to the inquiry which provides further information. The submissions are available at www.pc.gov.au.

In terms of effectiveness of existing waste management arrangements AFGC strongly supports the National Packaging Covenant as the most appropriate and equitable policy option for managing the environmental impacts of packaging. The Covenant has achieved improvements from design through to production, consumption and disposal and across the whole packaging supply chain, not just beverage containers. It is a unique Australian initiative that has the potential to achieve sound environmental outcomes at a fraction of the cost to the community of approaches adopted in other jurisdictions.

The funding process within the Covenant through which up to \$6 million of joint government and industry money is available to fund new recycling and anti-litter initiatives annually is starting to show real results. While there has been some debate over actual numbers, there was always an understanding that data on recycling was difficult to obtain and that it would be improved over time.

Notwithstanding this, improvements in collection and recovery of post consumer packaging have been achieved and specific data reflecting this will be reported in the Covenant Annual Report for 2006-07 available in June 2008 which the Committee should examine (see www.packagingcovenant.org.au). Further to this, if the 50 plus projects currently being implemented achieve the outcomes stated in their applications, then an additional 500,000 tonnes per annum of consumer packaging will be diverted from landfill to recycling by the end of 2009. This equates to an increase in packaging recycling of around 12%, over two-thirds of the increase sought over the full term of the Covenant.

To implement an isolated and inefficient policy such as CDL would be duplicative and a costly impost on companies that are already improving recovery and recycling of packaging waste within an agreed co-regulatory mechanism. A comprehensive national framework that takes into account the broad issues associated with production through to waste management is the most equitable and efficient approach. This would result in a more comprehensive policy process that embraces the complex task of reducing environmental impact while also considering the economic and social issues.

If the Committee has any queries or requires further information in relation to any of the issues raised in this submission I would be happy to discuss such issues at any stage.

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AFGC MEMBERS LIST AS AT 4 JUNE 2009

Arnott's Biscuits Limited	Hoyt Food Manufacturing Industries Pty Ltd	Symrise Pty Ltd
Snack Foods Limited	Johnson & Johnson Pacific Pty Ltd	Tate & Lyle ANZ
The Kettle Chip Company Pty Ltd	Pfizer Consumer Health	The Smith's Snackfood Co.
Asia-Pacific Blending Corporation Pty Ltd	Kellogg (Australia) Pty Ltd	The Wrigley Company
Barilla Australia Pty Ltd	Day Dawn Pty Ltd	Unilever Australasia
Beak & Johnston Pty Ltd	Specialty Cereals Pty Ltd	Wyeth Australia Pty Ltd
BOC Gases Australia Limited	Kikkoman	Yakult Australia Pty Ltd
Bronte Industries Pty Ltd	Kimberly-Clark Australia Pty Ltd	
Bulla Dairy Foods	Kerry Ingredients Australia Pty Ltd	Associate Members
Bundaberg Brewed Drinks Pty Ltd	Kraft Foods Asia Pacific	Accenture
Bundaberg Sugar Limited	Lion Nathan Limited	Australia Pork Limited
Cadbury Schweppes Asia Pacific	Madura Tea Estates	Australian Dietetic Services
Campbell's Soup Australia	Manildra Harwood Sugars	ACI Operations Pty Ltd
Cantarella Bros Pty Ltd	Mars Australia	Amcor Fibre Packaging
Cerebos (Australia) Limited	Mars Food	CAS Systems of Australia
Christie Tea Pty Ltd	Mars Petcare	CHEP Asia-Pacific
Clorox Australia Pty Ltd	Mars Snackfood	Concurrent Activities
Coca-Cola Amatil (Aust) Limited	McCain Foods (Aust) Pty Ltd	Dairy Australia
SPC Ardmona Operations Limited	McCormick Foods Aust. Pty Ltd	Exel (Aust) Logistics Pty Ltd
Coca-Cola South Pacific Pty Ltd	Merisant Manufacturing Aust. Pty Ltd	Focus Information Logistics Pty Ltd
Colgate-Palmolive Pty Ltd	National Foods Limited	Food Liaison Pty Ltd
Coopers Brewery Limited	Nerada Tea Pty Ltd	FoodLegal
Dairy Farmers Group	Nestlé Australia Limited	Food Science Australia
Danisco Australia Pty Ltd	Nestlé Foods & Beverages	Foodbank Australia Limited
Devro Pty Ltd	Nestlé Confectionery	IBM Business Cons Svcs
DSM Food Specialties Australia Pty Ltd	Nestlé Ice Cream	innovations & solutions
DSM Nutritional Products	Nestlé Nutrition	KPMG
Earlee Products	Foodservice & Industrial Division	Leadership Solutions
Ferrero Australia	Novartis Consumer Health Australasia	Legal Finesse
Fibrisol Services Australia Pty Ltd	Nutricia Australia Pty Ltd	Linfox Australia Pty Ltd
Fonterra Brands (Australia) Pty Ltd	Ocean Spray International Inc	Meat and Livestock Australia Limited
Foster's Group Limited	Parmalat Australia Limited	Monsanto Australia Limited
Frucor Beverages (Australia)	Patties Foods Pty Ltd	New Zealand Trade and Enterprise
General Mills Australia Pty Ltd	Peanut Company of Aust. Limited	Promax Applications Group Pty Ltd
George Weston Foods Limited	Procter & Gamble Australia Pty Ltd	Sue Akeroyd & Associates
AB Food and Beverages Australia	Gillette Australia	Swisslog Australia Pty Ltd
AB Mauri	PZ Cussons Australia Pty Ltd	The Nielsen Company
Cereform/Serrol	Queen Fine Foods Pty Ltd	Touchstone Cons. Australia Pty Ltd
Don	Reckitt Benckiser (Aust) Pty Ltd	Visy Pak
GWF Baking Division	Ridley Corporation Limited	Wiley & Co Pty Ltd
George Weston Technologies	Cheetham Salt Limited	
Jasol	Sanitarium Health Food Company	PSF Members
Weston Cereal Industries	Sara Lee Australia	Amcor Fibre Packaging
GlaxoSmithKline Consumer Healthcare	Sara Lee Foodservice	Bundaberg Brewed Drinks Pty Ltd
Golden Circle Limited	Sara Lee Food and Beverage	Cadbury Schweppes Asia Pacific
Goodman Fielder Limited	SCA Hygiene Australasia	Coca-Cola Amatil (Aust) Limited
Meadow Lea Australia	Sensient Technologies	Foster's Group Limited
Quality Bakers Aust Pty Ltd	Simplot Australia Pty Ltd	Golden Circle Limited
H J Heinz Company Australia Limited	Spicemasters of Australia Pty Ltd	Lion Nathan Limited
Hans Continental Smallgoods Pty Ltd	Stuart Alexander & Co Pty Ltd	Owens Illinois
Harvest FreshCuts Pty Ltd	Sugar Australia Pty Ltd	Visy Pak
	SunRice	
	Swift Australia Pty Ltd	

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