

## Submission A: Policy Objectives and Options

### POLICY OBJECTIVES

The RIS identifies the following policy objectives for The National Packaging Covenant:

*“... objectives for policy action can be summarised as:*

- *Foster the reduction, minimisation and/or management of the environmental impacts in the life-cycle of packaging, including:*
  - *Efficient use of resources in the manufacture and distribution of packaging, and;*
  - *Optimal recovery of resources following packaging’s use.*
- *Have stakeholders in the packaging supply and recovery chains bear due responsibility and costs for the environmental impacts in the life-cycle of packaging;*
- *Facilitate appropriate structural arrangements to address the environmental impacts in the life-cycle of packaging;*
- *Create opportunities for the community and business to address the environmental impacts in the life-cycle of packaging through:*
  - *Purchasing and utilisation decisions and practices;*
  - *Product stewardship initiatives;*
  - *Resource recovery programs, and;*
  - *Litter management programs.”<sup>11</sup>*

The Boomerang Alliance agrees with this statement outlining the policy objectives required to address the environmental problems associated with packaging, but contends the following should also be considered a critical component of any well constructed policy on packaging:

- ***Establish a collection infrastructure to recover the increasing volumes of packaging generated by the growing trend towards Away From Home Consumption.***

Nearly 50% of all food and grocery packaging is now consumed away from home in public places and other venues where current recycling facilities either do not exist at all or are inadequate to ensure high levels of resource recovery. This position is supported within the RIS:

*“By contrast, research by Government agencies has determined that recovery from small to medium size enterprises (such as “High Street” shopping centres) and office blocks is comparatively underdeveloped. In these sub-sectors, volumes are not concentrated; there are significant logistical issues with recovery, and; there is a lower willingness/capacity to pay for environmental outcomes. Additionally, there have been contractions in the recycle collection industry, as commodity prices have shifted. Hence, there is market failure.*

*In terms of away-from-home recycling, including recycling in public places, recreational facilities, and at public events, the “system” is essentially in its infancy with very low recovery rates. (The notable exception is South Australia where the container deposit scheme provides a recovery system for beverage containers, but not all packaging.) Brand owner sources report that, while there is no definitive data, it would appear that the amount of packaging going into away-from-home consumption is increasing compared to packaging consumed in domestic settings. This would appear largely due to changes in both demographics (eg, smaller family units, increased dining out) and industry practices (eg, access to expanding markets). The development of recovery practices does not appear to have mirrored this trend.”<sup>12</sup>*

It is vital that jurisdictions plan the development of this infrastructure in a manner that will allow future expansion, and with a view to this infrastructure serving as a collection point for other problem wastes. By developing effective and comprehensive away from home infrastructure that can be used for packaging, it may be also be used to collect other wastes that are increasingly being nominated for EPR schemes such as mobile phones, I.T. equipment, and used chemical and paint containers. This allows the costs of recovery for all wastes to be spread across the greatest variety of materials.

This approach also ensures that consumers learn new disposal behaviours without difficulty, easily coming to grips with the habit of returning packaging and end of life goods to the collection point.

While broadly supportive of the basic premise of policy objectives stated above, the Alliance is disappointed that the RIS fails to objectively evaluate different options in a manner that delivers these objectives.

The Alliance believes that Section 5 of the RIS “OPTIONS FOR ADDRESSING POLICY OBJECTIVES” is flawed in its methodology and inadequate in its evaluation.

Table 5.10 is based upon a flawed methodology which dragged in a range of criteria of various degrees of importance, overlap and relevance. The problems this generates precede the difficulties which emerge with using the obviously subjective scores that have been ascribed to each criterion. In spite of the reviewers’ claims that their methodology complied with Australian Standards, it is clear that they have ignored or forgotten principles for multi-criteria analysis which are well established by experts in the field.<sup>[3]</sup>

While the Alliance supports the objective methods employed in the evaluation, we highlight that the scoring criteria were poorly framed. It is inappropriate to use an evaluation system for an environmental policy that provides equal weighting between those issues that are direct and critical outcomes of the stated policy objectives – such as resource conservation, material recovery rates, and net energy use – and secondary impacts such as administrative burden and transition impacts.

Firstly, the criteria introduce significant redundancy into the analysis. For instance, “Stakeholder Acceptability” will in large part be a function of “Transition Impacts and Duration”, “Administrative Burden”, “Flexibility and Convenience” and “Material Recovery Rates”. When rating “Stakeholder Acceptability”, it is inevitable that one will reflect on these other criteria and hence the same aspects come to be counted a second time. Similar redundancies exist for those aspects which are likely to impact upon “Material Recovery Rates” and “Resource Conservation”. These redundancies distort the result and conflict with a key principle of multi-criteria analysis.

Secondly, the criteria have not been weighted. This introduces significant distortions into the analysis because it places equal emphasis on each option’s ability to achieve the central waste reduction objective and several administrative and mechanistic aspects. It is clear that each option’s ability to achieve improvements in material recovery rates is more important than whether it involves transitional dislocations or capacity to engender in-house environmental change. The lack of weighting strengthens the impression that additional criteria have been added to dilute the analysis in favour of particular options.

Rather than further critique the according ‘scores’, we feel it is simpler to offer a revised Policy Options Evaluation Criteria. Any areas where we disputed the actual score provided by Nolan-ITU are shaded in grey and the rationale behind the changed scores is outlined in footnotes.

		Material Recovery Rates	Net Energy Use	Resource Conservation	Impact on litter incidence	Effectiveness as an instrument to achieve an environmental outcome	Environmental Outcome(s) score adjusted to represent 50% of total score	Stakeholder Acceptability	Transition Impacts & duration	Labelling, education, program	Administrative burden	Flexibility & convenience	Coverage & Scope	Non-Compliance	Competiveness	In – House Enviro change	Measurement	Impact on Externalities	Certainty of Environmental Outcome	Social Ecology – ability to impact disposal behaviour	Creation of infrastructure for other problem wastes	Non Enviro Impacts	Non-Enviro Weighted Score represents 50% of total score	Total Score (out of 100)
Do Nothing Approach	Voluntary <sup>[4]</sup>	1	1	1	1	4.00	10.00	1.5 <sup>[9]</sup>	1.5	3	2.5	3	1.5	1	2.5	1	1.5	1	1	1	1	23	16.43	26.43
Do Nothing Further	Current Covenant <sup>[5]</sup>	2	2	2	1	7.00	17.50	2 <sup>[10]</sup>	5	5	3	4	3	2 <sup>[11]</sup>	4	2	1 <sup>[12]</sup>	1	2	1	2	37	26.43	43.93
Enhanced Approach	Covenant with targets	3	3	3 <sup>[6]</sup>	2	11.00	27.50	3.5	3 <sup>[13]</sup>	3 <sup>[14]</sup>	2.5 <sup>[15]</sup>	3.5	4.5	3 <sup>[16]</sup>	4.5	3.5	3 <sup>[17]</sup>	2	2.5	1.5	2.5	42.5	30.36	57.86
Alternative Approaches	Advance Recycling Fees	4	3.5	4	2	13.50	33.75	2.5	2	2	2 <sup>[18]</sup>	2.5	4.5 <sup>[19]</sup>	4	3.5	2	4 <sup>[20]</sup>	5	3	2	4	43	30.71	64.46
	Mandatory Take back & Utilisation	5	3.5	4.5	4	17.00	42.50	2	2	1.5	2 <sup>[18]</sup>	1.5	4.5 <sup>[19]</sup>	4	2.5	3.5	4	4	4	5	4	44.5	31.79	74.29
	Mandatory Container Deposit Scheme	4.5 <sup>[7]</sup>	3.5	4	4	16.00	40.00	3	2	3 <sup>[21]</sup>	2 <sup>[18]</sup>	3	3 <sup>[22]</sup>	4	2.5	3 <sup>[23]</sup>	4 <sup>[20]</sup>	4	4	4	4	45.5	32.50	72.50
	Increased Land Fill Disposal Levies	3	3	3 <sup>[8]</sup>	1	10.00	25.00	2	3	3.5	4	2	2	2.5	3	1.5	1.5	3	2.5	1.5	3	35	25.00	50.00

As a primary point of selection criteria, the Alliance contends each policy option should be evaluated to assess its ability to meet the stated policy objective. Using Nolan-ITU's criteria, this would suggest that Material Recovery Rates, Net Energy Use, Resource Conservation and a new criterion to measure impact on litter should represent a weightage of at least 50% of the total score.

Litter is correctly identified as a major policy objective of the NPC; however, the RIS fails to recognise it as an area for evaluation. The Boomerang Alliance would like to stress that all forms of litter are not the same, for example glass in the litter stream has well known social costs through glass injury and as a cause of bush fires. Plastics take considerably more time to break down when littered in the natural environment and research shows they have a devastating impact on marine and estuarine fauna. A wealth of independent information supports the case that alternative policy options such as materials take back schemes and container deposits have a significant impact on reducing the incidence of litter, while advance recycling fees and other financial instruments can do much to reduce the toxicity and improve degradability of litter.

To that end, we have added in an evaluation of each policy option's effectiveness in addressing litter problems:

**Litter.** On a 1 – 5 scale we have reviewed each policy option on its ability to reduce the incidence and impact of litter on the environment. The scores are broadly characterised as: 1 - overall incidence and environmental impact of litter is likely to increase; 2 - status quo; 3 - minimal reduction in incidence of litter or its impact on the environment; 4 - some reduction in incidence of litter and its impact on the environment; and 5 - significant reductions in the incidence of litter and its impact on the environment.

It should be noted that the alternative EPR-based approaches are the only policy instruments that score above the critical pass mark of 12 (average of 3) for limited effectiveness. These are the critical areas of assessment, given that if the above areas of evaluation are not an outcome they will not address the very purpose of the Covenant: "The Covenant aims to improve the total environmental performance and lifecycle management of consumer packaging and paper". Any approach that fails in this area fails to meet policy objectives, and as such should not be considered in terms of its other criteria.

Having established which tools are likely to achieve the desired environmental outcomes, the Alliance believes that other criteria should be evaluated to identify the impacts that the proposed approach may have. The Alliance disputes a number of the scores Nolan-ITU has applied, and has provided a revised scoring on each criterion (all revised scores have been shaded in grey with explanatory notes in footnotes).

Having established which tools are likely to achieve the desired environmental outcomes, the Alliance believes that other criteria should be evaluated to identify the impacts that the proposed approach may have.

Further to these criteria, the Alliance suggests that there are 4 other key areas of assessment that should be added into the evaluation. The first aims to assess the "impact on externalities" that are not factored into the costs of production and pollution created, which is consistent with the RIS's stated policy objective that "stakeholders in the packaging supply and recovery chains bear due responsibility and costs for the environmental impacts in the life-cycle of packaging". The second evaluates "certainty of outcome" i.e. the extent to which jurisdictions and Ministers can be assured that the policy objectives stated earlier are achieved.

The third, “social ecology”, measures the ability to impact on consumers’ disposal behaviour both in terms of packaging and on a wider scale. Finally, we evaluate the likelihood that new infrastructure will be properly developed and the likelihood that it will be practically developed to address other problem wastes.

The evaluation criteria used are:

1. **Impact on externalities between the costs of production and pollution created:** On a 1-5 scale we have reviewed each approach on its likelihood to ensure that the ‘polluter pays’ principle is addressed within the adopted approach. The scores are broadly characterised as: 1 - existing externalities are likely to extend; 2 - status quo; 3 - possible minimal reduction of externality; 4 - some reversal of externality; 5 - significant reversal of existing externality.
2. **Certainty of outcome:** On a 1-5 scale we have reviewed each approach on its likelihood to produce a desired outcome. The scores are broadly characterised as: 1 - overall impact of packaging is likely to increase; 2 - status quo; 3 - minimal reductions; 4 - predictable reductions; 5 - significant and predictable reductions in overall environmental impact of packaging.
3. **Social Ecology:** On a 1-5 scale we have reviewed each approach according to its likelihood to affect disposal behaviour. The scores are broadly characterised as: 1 - no impact; 2 - status quo; 3 - limited change in disposal behaviour; 4 - some change in behaviour; 5 - significant change in behaviour.
4. **Creation of infrastructure for collection:** On a 1-5 scale we have reviewed each approach on its likelihood to develop adequate infrastructure for resource recovery. The scores are broadly characterised as: 1 - no creation of infrastructure; 2 - status quo, with limited some infrastructure development in reaction to market forces; 3 - limited new collection infrastructure for some packaging; 4 - some new infrastructure for packaging and able to be utilised for other products; 5 - significant new infrastructure for both packaging and other products.

To the Boomerang Alliance, a Covenant with targets – disaggregated and set high with the expectation that they will be strengthened in future Covenants – is the minimum acceptable approach. The Alliance would however note that this approach has been clearly understood to be an instrument that will deliver significantly reduced outcomes than any of the three EPR-based approaches identified within the RIS.

Adjusted total scoring is then based on the total scoring being adjusted to allow a 50% weightage to measure the approaches’ ability to deliver on stated policy objectives (4 criterion) and 50% to assess other impacts (15 criterion). The first column in totals indicates the raw score/total possible; the score underneath outlines the adjusted score as a proportion of a possible 50 points.

It should be noted that a score of < 60 broadly equates to a status quo approach, while a score of 60 indicates overall improvement. The Boomerang Alliance therefore formally submits that the only approach likely to result in any significant environmental improvement is one of the suite of Extended Producer Responsibility options, namely the three policy options that score at an average of better than 60 – Advance Recycling Fees, Mandatory Take back, or Container Deposits.

Finally, the RIS evaluation applies no weightage for and fails to recognise that there is no financial underpinning or guarantee that the voluntary signatories to the Covenant will do anything to reach the minimum recycling or landfill reduction targets. While Advance Recycling Fees, Mandatory Take Back and Container Deposit approaches are reliable, proven instruments to drive improved recovery, the Enhanced Covenant with targets approach remains nothing more than a goal that needs to be achieved to avoid future regulation. Unless it is underpinned by sound financial instruments to develop new infrastructure, as well as mandated minimum materials and performance specifications, the NPC will remain a policy to prohibit rather than improve recycling in Australia.

Recognising that the transition impacts and economic effects need to be properly contained, the Alliance would conditionally accept the RIS's preferred option 'Enhanced Covenant with Targets' as a transitional strategy, with the four following conditions:

1. Recycling targets must be fully disaggregated for each type of material.
2. Targets for minimum recycled content must be directed within the packaging supply chain.
3. The enhanced Covenant is underpinned by a switch to an EPR regime in **2008** if targets are not met. Adopting this concurrent policy approach will improve the overall effectiveness of the enhanced Covenant option to an acceptable level as it provides a certainty of outcome for jurisdictions in the long term and also applies the necessary pressure, through the potential for regulatory intervention, to ensure polluters address existing externalities. In this framework, perhaps, a co-regulatory approach could provide an effective system to capture and recycle the 1.6 million tonnes and more of resources lost to our economy.
4. A policy statement undertaking that local government will be protected from additional costs. Local councils, and in turn ratepayers, already perform an enormous recycling role, which creates an existing environmental externality. Allowing this to be extended betrays the polluter pays principle and creates an inequitable market that will ultimately destroy the viability of the recycling industry in Australia.

**Footnotes:**

<sup>[1]</sup> RIS: 4. Policy Objectives - page 35.

<sup>[2]</sup> RIS: 3.2 Resource Recovery, Away From Home Systems - page 26.

<sup>[3]</sup> See for example Annandale D and Lantzke R (2000), *Making Good Decisions: A Guide to Using Decision-Aiding Techniques in Waste Facility Siting*, Institute for Environmental Science, Murdoch University.

<sup>[4]</sup> Adjusted all scores for voluntary approach to a score of 1 i.e. likely to increase, as jurisdictions' primary rationale for supporting the NPC is that these areas are likely to result in increased resource consumption and energy use and decreased materials recovery rates.

<sup>[5]</sup> Reduced all scores for current Covenant approach to 2 i.e. status quo, as to date the Covenant can provide no tangible evidence that any outcomes in these areas have occurred as a direct result of the NPC.

<sup>[6]</sup> Reduced resource conservation score for Enhanced approach to 3. Unless the NPC has a specific plan to underpin markets (which the current draft does not) or enforce targets, there will be similar performance between material recovery rates and resource conservation.

<sup>[7]</sup> Increased material recovery rates score for container deposits to 4.5 given that the major areas where packaging recovery rates are inadequate are in fact the materials used to manufacture beverage containers such as PET, PVC, HDPE and glass. Evidence shows that container deposit approaches will see these recovery rates double almost immediately under this approach.

<sup>[8]</sup> Increased score for resource conservation to 3. An increased price signal on waste disposal prompts resource conservation through pre-consumer and commercial & industrial recycling.

<sup>[9]</sup> Reduced stakeholder acceptability in voluntary approach: NGOs, local government and the community would not accept this approach at all.

<sup>[10]</sup> Reduced stakeholder acceptability in current Covenant approach: Newspoll survey (enclosed) shows the community requires more action.

<sup>[11]</sup> Reduced non-compliance for current Covenant, as there has been no enforcement of NEPM to test non-compliance.

<sup>[12]</sup> Reduced measurement from current Covenant: after 5 years the NPC still cannot measure consumption; a complete failure.

<sup>[13]</sup> Reduced transition impacts as substantial costs and changes are required under new Covenant – see RIS Submission B: 'Preferred Approach'.

<sup>[14]</sup> New ECoPP will require substantial labelling. ECoPP and Labelling requires significant industry and public education.

<sup>[15]</sup> Reduced administrative burden as targets will require significant administration and all stakeholders have identified NEPM enforcement as requiring significant action by jurisdictions.

<sup>[16]</sup> Reduced non-compliance for enhanced Covenant: no evidence that NEPM will be enforced in new approach.

<sup>[17]</sup> Reduced measurement of enhanced Covenant: imports of filled products remain a problem and only signatories report for measurement.

<sup>[18]</sup> Increased all scores for administrative burden on EPR approaches: EPR approaches are often administered by industry bodies and trusts.

<sup>[19]</sup> Increased coverage and scope for Advance Recycling Fees and Mandatory Take back to 4.5 as scope would apply to the same audience as the enhanced Covenant.

<sup>[20]</sup> Increased measurement for Advance Recycling Fees and Container Deposits as reporting for EPR scheme would ensure all packaging is measured.

<sup>[21]</sup> Increased labelling and education to 3: all containers currently labelled for SA CDL scheme, most adults remember earlier deposit approaches.

<sup>[22]</sup> Increased coverage and scope for Container Deposits: covers majority of segments of all 3 areas, particularly where current recovery is poor.

<sup>[23]</sup> Increased in house enviro change for Container Deposits: SA CDL requires that new packaging must be able to be recycled. This provides a strong driver for packaging designers to choose recyclable materials.