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Standing Council on Environment and Water Secretariat
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To Whom It May Concern,

Packaging Impacts Consultation Regulatory Impact Statement – Lion Ltd Submission

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Lion Ltd was created through a merger of two iconic FMCG businesses: Lion Nathan and National Foods. Lion Ltd is Australia's largest grocery supplier and a major brand owner in the beer, spirits, wine, milk, cheese, juice and dairy products categories. With operations in every Australian state and territory, Lion has annual sales revenue in excess of $5 billion and employs more than 7, 000 people. We are proud to be an integral part of the economies of many regional communities and one of the largest purchasers of agricultural goods in the country.

We generate substantial societal benefit by being both a profitable and sustainable business. For every job we create in Australia another four are created in associated industries. We have a long-term commitment to social and environmental sustainability, which extends to every decision we make as we seek to grow our business.

As part of this, Lion has closely followed the investigation of national packaging and recycling policy options by the Council of Australian Government's (COAG) Standing Council on Environment and Water, including the Packaging Impacts Consultation Regulation Impact Statement (PICRIS) released in December 2011. We have carefully assessed the PICRIS findings in terms of the costs, benefits and projected environmental outcomes associated with each of the seven policy options under review. We have also borne in mind COAG's stated objectives, namely:

- Reducing packaging waste and increasing packaging resource recovery;
- Reducing the volume of recyclable packaging sent to landfill;
- Reducing the health and environmental impacts of packaging waste and litter; and
- Promoting a consistent national approach to regulating packaging.

Lion takes an in-principle position in support of voluntary or co-regulatory, equitable, efficient and flexible policy arrangements to address the environmental impacts of packaging. Lion is also strongly supportive of the Australian Packaging Covenant, which has efficiently and effectively driven improvements in Australia's recycling performance over the past decade.

Perspectives on the PICRIS

We believe the PICRIS is a generally sound analysis, the broad results of which align with a number of previous government sponsored studies. Nevertheless, we would highlight that the costs assessment does not factor in the impact on demand for packaged goods that would accompany any price increases driven by deposit or advanced disposal fee systems. Recent research undertaken by ACIL Tasman modeled this impact, specifically on demand for beverages, in research that has been provided to COAG by the AFGC. ACIL Tasman's modeling did not extend to flow on impacts in the retail, service and distribution sectors. Nevertheless, their analysis showed that a CDL system along the lines of Option 4(a), assuming a 10c per container deposit and 4c average handling fee, would result in the loss of over 5,000 jobs across Australia.

Further, such a system is likely to result in a loss of 33,456 FTE employment years from the beverage and related packaging industries. This is equivalent to an average annual loss of 1,673 jobs between 2016 and 2035 and lost employee earnings of $2.56 billion (in 2010-11 terms), with a net present value of –$1,041 million, using a 7% real discount rate. In our view, these negative impacts of a drop in demand for beverages and other packaged goods should have been included in the PICRIS assessment, given the fact that they would flow directly and inevitably from higher prices.

We would also challenge the large benefits assumed to flow to local governments that are incorporated into the PICRIS analysis of Options 4(a) and (b). We note the study recently undertaken by independent consultants Equilibrium OMG for the National Packaging Covenant Industry Association in this regard (www.npcia.org.au). This study demonstrates that larger and metropolitan councils are likely to suffer financially from the introduction of a container deposit scheme, with any cost savings generally only available to smaller regional and rural councils. In our view, the cost impacts on councils of CDL need to be determined on a case-by-case basis and it is not safe to assume a large overall benefit would flow to local government.

Notwithstanding these limitations, which artificially lower the projected net cost of Options 4(a) and (b), we concur with the PICRIS' overall conclusion that these options are hugely expensive at an NPV of between $1.4 and $1.8 billion. This compares to the $51 million NPV attributed to the industry-funded Option 2(b) that achieves comparable environmental outcomes.

Increasing the cost of beverage and potentially other packaged grocery items would represent another environmental tax on the economy, which would ultimately flow through to consumers and others in the value chain. Lion believes a national container deposit system would represent a large and unnecessary cost of living impost, particularly given the availability of other more efficient and environmentally effective options as highlighted by the PICRIS study. We therefore urge Ministers to rule out any further consideration of the two CDL schemes and Option 3.

We agree with the PICRIS findings that Options 1, 2(a), (b) and (c) clearly deliver the highest reported Benefit Cost Ratios by a significant margin and have the potential to deliver against COAG's policy objectives, albeit at different rates. We believe therefore that these options warrant further review by Ministers. However, Lion specifically endorses and prefers Option 2(b). Our support for 2(b) is in response to Ministers' desire to accelerate outcomes and achieve environmental benefits analogous to those attributed to CDL. The PICRIS analysis accurately shows that 2(b) is capable of delivering these, at a fraction of the cost of CDL schemes.

Option 2(b) builds on industry's 20+ years' experience in voluntary recycling and litter reduction programs, implemented by the Product Stewardship Forum and its predecessors, and seeks to apply these successes on a national scale. 2(b) provides protection against free riders and enables a step change in total investment and impact, without imposing undue costs on the economy and adding in particular to cost of living pressures on consumers.

In summary, Lion is grateful for the opportunity to contribute our views into the COAG process. While we believe the PICRIS analysis underestimates the full cost implications of Options 4(a) and (b), we believe it is a broadly accurate assessment of costs and benefits and a sound basis upon which to narrow down the options in this process.

The PICRIS clearly shows that Option 2(b) is the most efficient and effective way to achieve accelerated environmental outcomes comparable to those achievable by container deposit schemes. Lion urges Ministers to support a full analysis of this most promising proposal. Options 1, 2(a) and 2(c) also deliver more modest environmental benefits at moderate cost and Lion would support further consideration of these. Finally, Options 3 and 4 (a) and (b) are inordinately expensive for the benefits they generate and should be wholly rejected.

We look forward to COAG agreeing a practical, cost-efficient and effective national approach to improving packaging recycling and reducing litter.

Yours faithfully

David Carter
Group Environment & Business Continuity Director