

30 March 2012



Secretariat
Standing Council on Environment and Water
GPO Box 787
Canberra ACT 2601

Via e-mail: SCEW.Secretariat@environment.gov.au

Dear Secretariat,

Packaging Impacts Consultation Regulation Impact Statement - Australian Beverages Council Submission

The Australian Beverages Council (Beverages Council) and its members have a long history of resource and product stewardship. To that end the Beverages Council welcomes the opportunity to provide this submission to the Packaging Impacts Consultation Regulation Impact Statement (PICRIS) through the Standing Committee on Environment and Water (SCEW).

The Beverages Council has monitored closely the national packaging and recycling policy options by the SCEW, including the PICRIS released in December 2011. The Beverages Council has critically assessed the PICRIS findings in terms of the costs, benefits and projected environmental outcomes associated with each of the seven policy options under review including the impacts to employment within the non-alcoholic beverages industry. Underpinning this assessment has been the stated objectives of the SCEW, namely:

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

To address the environmental impacts of packaging, the Beverages Council supports co-regulatory, equitable, efficient and flexible policy arrangements as outlined below and as detailed in our submission, found in the enclosed Attachment A.

In the current economic climate, both at an economy-wide and household level, the industry is extremely conscious so as to avoid any further increased cost of living pressures on the Australian community. The Beverages Council strongly advocates for the continuation of the existing co-regulatory arrangements through the Australian Packaging Covenant that has driven efficient and effective improvements in Australia's recycling over the recent medium term.

The Beverages Council supports Option 2 (a) and contends this is clearly the best policy given its ability to deliver the highest reported Benefit Cost Ratios (BCR) by a significant margin. This option also has the potential to deliver fully against COAG's policy objectives. The Beverages Council would support further consideration of options 1 and 2 (b) moving forward as secondary and tertiary preferences.

The Beverages Council rejects outright options 4 (a) and 4 (b) - the proposed mandatory Container Deposit Schemes (CDS). Further, the beverages industry requests Ministers not give further consideration to these extremely expensive and discriminatory options. In this regard, the Beverages Council specifically calls out the PICRIS findings that the costs outweighed the benefits of the CDS by between \$1.4 and \$1.8 billion.

A national CDS would result in the additional costs being passed directly onto consumers. As evidenced in the Northern Territory, this will result in higher grocery prices which in turn will impact on beverage sales. This will have a negative impact on employment within the beverages industry and supply chain, while also representing another tax cost on the economy. The Beverages Council contends a national CDS is an unnecessary expense given the availability of a range of more efficient options as clearly outlined in the PICRIS document.

The Beverages Council gratefully acknowledges the opportunity to submit its views into the COAG process. We request Ministers pursue only those options that achieve the objectives efficiently and without imposing collateral costs on the wider economy, industry or consumers. We look forward to working with COAG towards a cost-efficient and effective national approach to improving packaging recycling and reducing litter that does not adversely impact on the industry.

Yours sincerely,



Geoff Parker

Chief Executive Officer

Encl

Attachment A



The Australian Beverages Council

Submission to:

Standing Council on Environment and Water

With regards to:

Packaging Impacts Consultation Regulation Impact Statement

30 March 2012

1.0 Preface

The Australian Beverages Council (the Beverages Council) is the peak body representing the \$7 billion non-alcoholic beverage industry. The Beverages Council provides a single, united industry voice to a range of stakeholders including government, non-government organisations, media and general public.

Membership of the Beverages Council comprises over 95% of the non-alcoholic industry's production volume, and is comprised of multi-national companies and small and medium businesses. The Beverages Council's guiding principles focus on: Safety; Education; Accountability; and Collaboration. The industry achieves this through a range of commitments to a suite of policies and positions that underpin these values; e.g., Health and Wellbeing; Marketing and Communications; Product Information; and Environment.

In Australia, the non-alcoholic refreshment beverage industry employs 6,211 Australians¹, and is a major contributor to the domestic economy through the provision and production of an extensive and innovative range of beverages. This, in turn, supports a large number of Australian producers, manufacturers and large and small businesses in addition to providing significant support and funding to community organisations and gross domestic and state products.

A full list of the Beverages Council members is included in the Appendix B.

1. ABS, 2006 Census Tables, *Industry of employment – 2006 ANXSIC (full classification list), place of usual residence*, Catalogue number 2068.0.

2.0 Introduction

The Beverages Council and its members have a long history of resource and product stewardship. To that end it welcomes the opportunity to provide this submission to the Packaging Impacts Consultation Regulation Impact Statement (RIS) through the Standing Committee on Environment and Water (SCEW).

The beverages industry's commitment to reducing its environmental impact is evidenced through the large number of programs and campaigns the industry has supported through a range of forums and co-regulatory bodies.

As is widely reported, the national kerbside collection system is a key plank to the nation's packaging recycling. Australians recycle around 70% of the beverage containers consumed at home.² The industry recognises that when consumers are out and about, it's not always that easy to recycle.

To address this, the major bottlers and recycling partners are members of the [National Packaging Covenant](#) which aims to provide more effective management of used packaging. The Covenant is designed to:

- Minimise environmental impact from the disposal of used packaging
- Conserve resources through better production processes
- Facilitate the re-use and recycling of used packaging materials.

The Covenant involves all sectors of the packaging supply chain from consumers and collectors to re-processors and all spheres of government. As well as the Covenant, many bottlers also participate in the [Packaging Stewardship Forum \(PSF\)](#), best known for its iconic "Do The Right Thing" campaign, along with many state and local campaigns and programs.

In considering its preferred position, the Beverages Council has critically assessed each of the options as presented in the RIS, namely:

- Option 1: National Waste Packaging Strategy
- Option 2: Co-regulatory Packaging Stewardship, with three specific sub-options

2. http://www.ephc.gov.au/product_stewardship/packaging_impacts

- 2 (a): the Australian Packaging Covenant replaced by co-regulation under the *Product Stewardship Act 2011*
- 2 (b): Industry Packaging Stewardship
- 2 (c): Extended Packaging Stewardship
- Option 3: Mandatory Advance Disposal Fee
- Option 4: Mandatory Container Deposit Scheme (CDS), with two specific sub-options
 - 4 (a): Boomerang Alliance CDS
 - 4 (b): Hybrid CDS

The Beverages Council has consulted with its members and Board, and asserts that any preferred option as outlined in this submission in Section 4 represents that of the industry. This submission has analysed a broad breadth of data and reports in developing its position.

3.0 Options Analysis

The beverages industry recognises that reducing litter and increasing recycling rates are not only complex issues that require a multi-faceted approach to a long-term, sustainable solution, but also important factors that have a measurable impact on the environment and broader community in which members conduct business. The industry must also consider any option through the lens of its own viability and long-term sustainability, and looks to employment as a key index in this regard. Ultimately, the industry relies on a bank of independent, reputable evidence when assessing options within any solution's framework, as is regularly requested by Government in any policy consideration put forward by industry.

3.1 Litter impacts

One of two key considerations for the EPHC in developing the RIS on national measures was to decrease litter.³

The Keep Australia Beautiful National Litter Index (NLI) is Australia's only national annual quantitative measure of what litter occurs where and in what volume, based on counts taken twice a year at 983 sites across Australia.⁴

The average number of items across all sites surveyed in the 2010/11 NLI was 61 per 1,000m², while the average estimated volume was 6.49 litres per 1,000m². These figures represent a decrease in the number of items and volume on the previous year

3. http://www.ephc.gov.au/product_stewardship/packaging_impacts

4. [1_nil_pr_summary_final_final p1 http://www.kab.org.au/litter-research/what-we-do/national-litter-index/](http://www.kab.org.au/litter-research/what-we-do/national-litter-index/)

(66 items and 7.55 litres per 1000m²).⁵ This would suggest that nationally, under a base case scenario, that is, the ‘business as usual’ scenario that occurs in the absence of (Federal) government intervention⁶, litter has reduced by 14% by volume and 7% by number of items between 2009/10 and 2010/11.

As is evidenced from the NLI data, litter is made up of a wide range of items found in a wide range of areas. In the 2010/11 NLI, cigarette butts were the most frequently identified litter item, whilst plastic litter objects contributed the largest amount of volume to the litter stream. The largest number of items were located within retail sites, industrial sites and shopping centres, while the largest volumes of litter objects were found at industrial and highway sites⁷. The results from the NLI suggest that anything other than a stream-wide approach to reducing litter will not be effective in achieving one of two main objectives from a national solution’s framework under the SCEW. To that end, it is the Beverages Council’s contention that options 1, 2 (a), 2 (b), 2 (c) and 3, provide for the greatest impact on litter reduction. The container-centric options under 4 (a) and 4 (b) are not supported as a means to reduce litter by the Beverages Council.

3.2 Recycling impacts

The other key objective of the EPHC in considering national measures is with regards to increasing packaging recovery.⁸ The SCEW in its PICRIS found that, in considering the scenarios put forward under the PricewaterhouseCoopers cost-benefit analysis (CBA) report, all options would result in an overall increase in recycling by 2035.⁸ Further analysis of the CBA recycling rates show a mere 6% difference between the lowest recycling rates in 2035 of 4,222,000 tonnes under Option 1, and the highest recycling rates under Option 2 (c) and 3, at 4,497,000 tonnes.⁹ Given the minor difference between the lowest recycling rate and the highest, analysis of any preferred options must turn to other key indices.

5. *1_nli_pr_summary_final_final*, p1 <http://www.kab.org.au/litter-research/what-we-do/national-litter-index/>

6. http://www.ephc.gov.au/sites/default/files/Packaging%20Impacts%20Consultation%20RIS%20-%20December%202011_ISBN%20updated%20201211.pdf, p8

7. *Ibid*, p4

8. http://www.ephc.gov.au/sites/default/files/Packaging%20Impacts%20Consultation%20RIS%20-%20December%202011_ISBN%20updated%20201211.pdf, p14

9. *Ibid*, xiii

3.3 Economic impacts

The economic impact on governments, consumers, communities and industry is a key consideration in assessing any option. Drawing on the net present value (NPV) and benefit-cost ratio (BCR) figures outlined in the SCEW PICRIS, the PricewaterhouseCoopers report shows that of all the options, option 2 (a) returns the most desirable figures for BCR at 1.18 and NPV of \$46 million¹⁰. This is in stark contrast to the economically worst option, being 4 (b), with BCR and NPV of 0.29 and -\$1,761,000¹¹.

On an economic basis the most cost effective model, option 2 (a), is preferred. Conversely, the economically worse options, 4 (a) and (b) are rejected.

3.4 Employment impacts

In addition to the impacts on litter, recycling and broader economics of the various options, a key area for industry and the wider economy is the impact on employment.

The beverage industry commissioned research by Acil Tasman to accurately quantify the scale of the impacts if the core assumption of no impact on demand for beverages as a result of price changes was relaxed. This is a critical point given the relative elasticity of beverages. Any price change (increase), for example from a CDS, would ultimately impact on packaging volume changes from changes in beverage consumption. The scope of the impacts were restricted to domestic beverage producers and associated domestic packaging producers and did not cover flow-on effects in retail, service and distribution sectors.

As outlined in other submissions, notably that of the Australian Food and Grocery Council and Coca-Cola Amatil, the research clearly shows that in its first year of operation option 4 (a) with an assumed 10c deposit and a modest 4 cents handling fee would result in direct and indirect losses of over 5000 jobs.

10. *Ibid*, xiii

11. *Ibid*, xiii

This would result in:

- A loss of 33,456 employee years of full time equivalent employment from the total domestic beverage and packaging industries.
- This equates to an average annual loss of 1,673 jobs per year between 2016 and 2035 or a change of –3.47 per cent in employment relative to the Reference Case.
- A loss in cumulative labour incomes of \$2.56 billion (in 2010-11 terms), with a net present value of –\$1,041 million (using a 7 per cent real discount rate).
- The greatest impacts felt in micro, small and medium enterprises, comprising over 90% of businesses.

As an industry, the beverage manufacturing sector is under increasing pressure from whole of supply chain taxation increases and regulatory stress on labelling and ingredients. This is exacerbated most in the micro, small and medium end of the industry as their scale can least absorb such market forces. As an industry the impact from option 4 is untenable and is rejected. Options 1 and 2 (a) and 2 (b) provide no negative impact on the employment participations rates within the industry and are supported.

4.0 Beverages Industry - Recommendation

In analysing all options within the PICRIS, against the two core criteria of reducing litter and increasing packaging recovery, as well as a third critical factor of industry employment, underpinned by the most cost effective means possible, the Beverages Council Board at its 21 March 2012 meeting, unanimously adopted the following resolution in regards to its preferred recommendation under the PICRIS:

That:

- ***Option 2 (a) is the preferred option as it is the only option expected to provide a net benefit to the Australian economy; and***
- ***consideration of Option 2 (a) be conditional that the Australian Packaging Covenant is the sole product stewardship scheme for packaging in Australia; and***
- ***the Beverages Council is willing to support exploration of Options 1 and 2 (b) as secondary and tertiary preferences.***

Further, that:

- *following the independent analysis by PricewaterhouseCoopers and analysis of the impact on litter, recycling and employment, **Options 3, 4 (a) and 4 (b) should be rejected from further consideration as options to reduce litter and increase recycling.***

Also, that:

- *there needs to be further clarification as to the ability of the states to enact legislation that may undermine a co-regulatory arrangement under the Product Stewardship Act 2011.*

Ends.

For more information:

Geoff Parker

Chief Executive Officer

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Attachment B –Australian Beverages Council Membership

Bottlers and Distributors

100% Bottling Company P/L
Alpine Beverages Pty Ltd
Aquasplash P/L
Bayer Australia Limited
Beloka Water Pty Ltd
Bertshell Pty Ltd
Bevco Pty Ltd
Bickfords Australia Pty Ltd
Big Springs Riverina
Big Wet Natural Spring Water
Blue Mountains Natural Spring Water
Bundaberg Brewed Drinks Pty Ltd
Cantarella Bros Pty Ltd
Cascade Brewery Co Pty Ltd
CB Juice
Central Burnett Fruit
Coastal Springs Pty Ltd
Coca-Cola Amatil Ltd
Coca-Cola South Pacific
Cooks Soft Drinks
Cool Aqua Springs
Don Kyatt Pty Ltd
Eastcoast Beverages
Emma & Tom Foods Pty Ltd
Fosters Australia
Frezco Beverages
Frucor Beverages Ltd
Grove Fruit Juice P/L
HJ Heinz Australia Pty Ltd

Hopes Goulburn Cordials
IQ Beverages
Jolt Corporation Australia Pty Ltd
Juicy Isle Pty Ltd
Just Squeezed Fruit Juices
Just Water
Lillyman Bros
Lion
Lithgow Valley Springs
Mildura Fruit Juices
Mountain Fresh Fruit Juices
Mountain H2O
Nippy's Fruit Juices P/L
Nudie Foods Australia Pty Ltd
NZ Quality Waters Ltd

PET Technologies Ltd
Pleass Beverages
Red Bull Australia Pty Ltd
Saxby's Soft Drinks Pty Ltd
Schweppes (Aust) Pty Ltd
Springwater Beverages Pty Ltd
The Cape Grim Water Company
The Spring Water Man
TruBlu Beverages
Vitality Brands
Waterfarms Australia Pty Ltd
Wet Fix Pty Ltd
Wimmer Marketing Pty Ltd

Suppliers

Amcor Australasia
Amec Plastics Ltd
Aquatek Products Pty Ltd
Bev-Cap Pty Ltd
Beverage Holdings Pty Ltd
Black Mount Spring Water
Brooke-Taylor & Co
Bundaberg Sugar Ltd
Capitol Ingredients
CHEP
CHR Hansen
Cormack Packaging Pty Ltd
Correct Food Systems
Cuno Pacific Pty Ltd
Directus Australia Pty Ltd
Eaton Filtration
Ecolab Pty Ltd
Ed Ten Water
Elkay Pacific Rim (M) Sdn Bhd
Idexx Laboratories
Firmenich Ltd
Fruitmark
Interaust Foods Pty Ltd
International Flavours and Fragrances Inc
Invita Australia
Johnson Diversey
JNI Pallet Systems
Kerry Group / Mastertaste
KHS Pacific Pty Ltd
Lloyd's Register Quality Assurance
Manildra Harwood Sugars
Matthews Australasia Pty Ltd
MeadWestvaco

Millipore Australia Pty Ltd
National Measurement Institute
NCSI
Neverfail Springwater Ltd
Norco Foods
Nugan Quality Foods
O-I Asia Pacific
Pall Corporation
Peacock Bros Pty Ltd
PureCircle Australia Pty Ltd
Quality Assurance International (QUASI)
Roxset Australia
Scholle Industries Pty Ltd
Sensient Technologies Aust Pty Ltd
Sopura Australia Pty Ltd
Splatt Engineering Group
Sugar Australia Pty Ltd
Tate & Lyle ANZ Pty Ltd
The Product Makers (Aust) Pt Ltd
Tradex NZ & Australia
Visy Beverage Packaging
Vitality Brands
Waterworks Australia Pty Ltd
Woodbine Park (Operations) Pty Ltd
Zymus International Ltd