



21st March 2012

Secretariat to the COAG Standing Council on Environment and Water
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To the Secretariat:

**COAG STANDING COUNCIL ON ENVIRONMENT AND WATER – PACKAGING IMPACTS CONSULTATION
REGULATION IMPACT STATEMENT (December 2011)**

Wesfarmers Limited (Wesfarmers), as a signatory to the Australian Packaging Covenant (APC) on behalf of its relevant businesses, including Coles, Bunnings, Target, Kmart, Officeworks and our Industrial and Safety Division (predominantly Blackwoods) is pleased to make a submission in relation to the above Consultation Regulation Impact Statement. Together our businesses operate more than 3,200 retail outlets across all States and Territories of Australia, service more than 15 million customers every week and play a significant role in packaging design, use and the recovery/reuse/recycling processes.

Our businesses are committed to reducing the effects of packaging on the environment and we are hence pleased to make a submission on the Packaging Impacts Consultation Regulation Impact Statement (the Consultation RIS).

Several of our businesses, predominantly the former Coles Group Limited and Bunnings, were involved in the development of the National Packaging Covenant (NPC) in 1999 and have been a signatory to all forms of the Packaging Covenant since 2000.

Within the provisions of the NPC, APC and related policy instruments, our businesses have proactively implemented a range of initiatives to improve packaging design and use to help reduce the amount of packaging used in individual products as well as play our part in reducing the waste sent to landfill by the community as a whole.

Wesfarmers' businesses, which collectively deal with many different types and uses for packaging provide many examples of innovative treatments to reduce packaging on products, and improve recycling and reuse. Our annual Sustainability Reports (www.wesfarmers.com.au/sustainability) and NPC (and in 2012 APC) annual reports detail many of our initiatives in this area.

Currently only 2.4% of Coles' waste generated is sent to organic recycling. While this is being increased regularly, and is supported by our food donation programs, Coles believes there is an opportunity for the government to support and develop organics recovery or recycling, particularly considering the production and delivery of foods tend to have a much greater energy intensity than the packaging containing the food. Please find below our specific comments on the Consultation RIS for your consideration:

OBJECTIVES

Wesfarmers fully supports the objectives of the sum of government actions which aim to:

- continually improve packaging design;
- reduce packaging waste and increase packaging resource recovery;
- reduce the need to landfill recyclable packaging materials;
- reduce the negative amenity, health and environmental impacts of packaging waste and litter in line with community expectations; and,
- promote a consistent national approach to regulating packaging.

Wesfarmers is particularly supportive of this last objective because such consistent action will help reduce business costs (administration and operational) and result in more efficient and streamlined processes for businesses that operate in the national market as ours do. It will also potentially improve the quality of the packaging solutions developed across the commercial sector.

OPTIONS TO ADDRESS THE PROBLEM

Our comments on the four options proposed in the Consultation RIS are as follows:

Option 1: National Waste Packaging Strategy

Wesfarmers could support a national strategy that involved additional government funding and resources to address the impacts of all packaging, but believes the objectives may be better achieved through a co-regulatory approach to ensure full industry engagement. In particular this Option would not allow the packaging industries and users sufficient involvement to always deliver efficient strategies capable of achieving policy objectives.

Whilst we also fully support improved dissemination of information and advice to consumers in order to help achieve consumer behavioural change, this option may not be as comprehensive in terms of packaging design and life cycle analysis.

Option 2: Co-Regulatory Packaging Stewardship

Wesfarmers understands Option 2 involves a co-regulatory packaging stewardship arrangement with three sub-options that would require greater industry responsibility for end of life packaging waste management.

Option 2a: the Australian Packaging Covenant (APC) replaced by co-regulation under the Product Stewardship Act 2011

This is Wesfarmers' preferred option because it is estimated in the Consultation RIS to have the highest Benefit Cost Ratio (BCR) of 1.18. As identified in the Consultation RIS, this is the only option that has a positive net present value (NPV) of \$46 million to the Australian economy – one shouldn't place absolute reliance on the results of modelling, but being the only option with a positive NPV does lend support to this Option.

We believe the transition of the APC and NEPM under the *Product Stewardship Act* will strengthen

compliance and capture potential free riders more efficiently. From our perspective the APC has proved to be an effective framework for the life cycle management of consumer packaging (i.e. joint focus on packaging design, recycling and product stewardship) all of which helps to reduce the overall impact of packaging on the environment.

We also prefer this option because it provides industry with greater flexibility to determine how requirements and outcomes are achieved in a co-regulatory way.

Option 2b: Industry Packaging Stewardship

Wesfarmers is concerned that this option could result in higher costs that may be passed onto consumers for a range of products. As identified in the Consultation RIS, this option is estimated to have a NPV of \$-51 million to the Australian economy.

Option 2c: Extended Packaging Stewardship

Wesfarmers is of the view that this option could result in higher costs potentially being passed onto consumers for a range of products. As identified in the Consultation RIS, this option is estimated to have a NPV of \$-198 million to the Australian economy and does leave open also the prospect of uneven load sharing between the various market sectors involved.

Option 3: Mandatory Advance Disposal Fee (ADF)

Wesfarmers believes that this option could result in higher costs potentially being passed on to consumers for a range of products. As identified in the Consultation RIS, this option is estimated to have a NPV of \$-195 million to the Australian economy.

In our view, any mandatory fee based on weight per tonne of packaging (which could vary depending on material type and cost of recycling) could be complex and difficult for both government and industry to administer and would act in certain circumstances to reduce innovation and competition in the collection and aggregation markets particularly.

Option 4A: Boomerang Alliance Container Deposit Scheme (CDS)

Wesfarmers believes that this option could result in higher costs for beverage containers and that the estimated cost of CDS outweighs the market benefits (BCR 0.33). As identified in the Consultation RIS, this option is estimated to have a NPV of \$-1414 million to the Australian economy. In particular CDS proposals may cause some dislocation in the packaging collection and aggregation markets as certain materials are treated differently.

Our experience with CDS in South Australia (SA) and the Northern Territory (NT) is that these schemes impose ongoing regulatory and administrative costs in their management. However, if ever CDS is introduced nationally, we strongly recommend a consistent approach with the SA/NT model so that businesses can adopt consistent processes nationally. The RIS suggests CDS has a negative NPV for the economy and to implement it without national consistency would only increase the cost to consumers and companies.

Option 4B: Hybrid CDS

Wesfarmers believes that this Option could result in higher costs for beverage containers and that this option is estimated to have the lowest benefit cost ratio of all options (BCR 0.29). As the Consultation RIS suggests, this Option is estimated to have a NPV of \$ -1761 million to the Australian economy. Such a program would also act in part to place different levels of involvement on various sectors in the packaging chain (in this case manufacturers and importers), which could serve to break down the collective responsibility engendered by the APC.

Our business experience in NT and SA is that these CDS schemes impose ongoing regulatory and administrative costs. However, as mentioned above, if CDS is introduced nationally, we recommend and respectfully suggest that this be consistent with the SA and NT models (which in turn need some consolidation) so that we can adopt these established practices in other jurisdictions.

If either scheme is introduced nationally, we note that there would be a need for significant government education and awareness and funding to communicate the operation of the scheme to consumers and industry.

Section 2.7 QUESTIONS FOR CONSULTATION

Wesfarmers believes the future challenges relating to packaging and packaging waste in Australia will encompass innovation in packaging including the development of new materials and/or technologies to improve freshness, quality and shelf life for foods, and integrity and usability across the packaging cycle. This will be critical in delivering quality products and in turn should help to reduce food waste which will lead to a reduced carbon footprint in the economy and lower costs.

Light weighting of packaging is ever increasing. This will result in reduced yields for recyclers and require recyclers to innovate and adapt to the changing industry. In terms of packaging materials, we believe lightweight plastic blends will play a large part in the future, because they involve less material and improve packaging and transport efficiencies. These technologies are also more flexible in terms of design/formats and cost effective. A related challenge for the recycling industry will be setting up infrastructure to handle new light weighted materials.

We consider designing packaging with life cycle as a primary consideration to be critical to future success in this area. This includes the consideration of recyclability and other factors influencing the impacts of the products being packaged. Recyclability should not be the sole focus though, because this will reduce innovation and potential materials that will provide greater life cycle benefits. There is also a need for greater understanding to assess packaging to reduce product wastage.

We expect more innovation in terms of secondary packaging to appear, providing an increased opportunity for reusable options (e.g. soft drink secondary packaging and display friendly packaging, which is already a significant feature for many food and non-food products).

From a consumer perspective, we expect that consumers will continue to actively seek out environmentally friendly packaging, so a key challenge for business will be to provide more information, choice and convenience.

Section 3.3 QUESTIONS FOR CONSULTATION

Wesfarmers agrees with the primary packaging resources and litter management problems identified in the Consultation RIS. However we believe innovations in packaging design are improving recyclability. For

example, we believe light weighting or packaging reduction (particularly in multiple layers of transport packaging) has had significant environmental benefits that may not be captured by the current approach to recyclability statistics (for imported goods it is also true that some of these benefits accrue outside Australia in lower resource use in packaging). Whilst soft plastics have traditionally been seen as non recyclable, the future challenge will be to find new markets for these materials. One of our businesses, Coles, with the assistance of APC funding, is currently conducting a trial to collect post-consumer flexible plastics at 114 of its Melbourne stores for conversion into bench seats to be donated to schools.

We suggest that rather than restricting material choice for recyclability, the waste and recycling sector could assess and develop a future strategy to cope with reduced yields through light weighting or packaging reduction and develop new markets for these materials.

In terms of the impact of inconsistent frameworks on packaging resource recovery, our experience has been that any fragmentation adds unnecessary complexity and administrative burden (e.g. preventing our businesses from adopting national processes and procedures which increases business operational costs).

Coles' experience with CDS in SA and NT is a good example. While the principles of the scheme are the same in both jurisdictions, there are different reporting and administrative requirements. As a result, Coles has had to establish different arrangements and tailor specific communications for its customers and team members in the two jurisdictions.

Section 5.8 QUESTIONS FOR CONSULTATION

Wesfarmers suggests that another option to improve the current state of packaging and recycling in Australia might be to conduct an assessment of recycling capabilities and deficiencies for packaging with a view to developing a strategy to determine the value of materials and the development of appropriate markets for these materials.

In our view, higher value markets for packaging materials will increase recycling whilst acknowledging the environmental benefits of light weighting.

If initiatives proposed within Options 2c and Option 3 are broadly the same, Wesfarmers suggests industry (with government support) would be more effective and/or efficient in overseeing these initiatives.

As outlined above, Wesfarmers does not support the introduction of a mandatory ADF. However, if the Government were to introduce an ADF and the funds created by the ADF were to be collected and managed by the Commonwealth Government, we believe packaging funding should be directed towards the following:

- support and assistance to industry with the rollout of new reusable packaging initiatives;

- tools to assist developers design and choose the best packaging materials to reduced overall lifecycle impacts;

- targeted consumer education and awareness campaigns to help achieve behavioural change;

- development of markets for the light weighted packaging materials; and

- funding to support the recycling industry to adapt to the future direction of packaging.

In all cases though such funding should be directed to significant and sustainable business cases that address a major issue and not dispersed across a large number of small initiatives

If a CDS arrangement is introduced, we suggest an education and awareness campaign is needed to ensure the community is aware of products that actually are recyclable when collected in sufficient quantity. Focus should be on the individual materials used in beverage containers that will prevent recycling, regardless of volume.

Wesfarmers believes the timeframes proposed for implementation and review of the product stewardship arrangements are reasonable. Any future review should be independent and look at ways to simplify and further reduce the regulatory compliance burden on business, while progressing the scheme's environmental and resource efficiency objectives.

SECTION 6.6 QUESTIONS FOR CONSULTATION

Wesfarmers believes the costs and benefits estimated in the Consultation RIS are realistic. Depending on which Option is introduced, there may be additional impacts (e.g. impact on kerbside collection, consumer education and awareness campaigns etc) which need to be carefully thought through before implementation in policy design. In terms of the threshold for industry under Option 2, we suggest that for consistency this could be \$5 million annual turnover as per the current APC and NEPM arrangement, with perhaps a CPI escalator or similar.

CONCLUSION

In conclusion, Wesfarmers supports Option 2a because it would have minimal additional impact on consumers and is the only option where the benefits outweigh the costs to the Australian economy.

Thank you for the opportunity to comment on the Consultation RIS. Should you wish to discuss our submission, please contact me by telephone on 08 9327 4423 or by email on cschuster@wesfarmers.com.au.

Yours sincerely,



Cameron Schuster

Sustainability Manager [for Wesfarmers Limited]