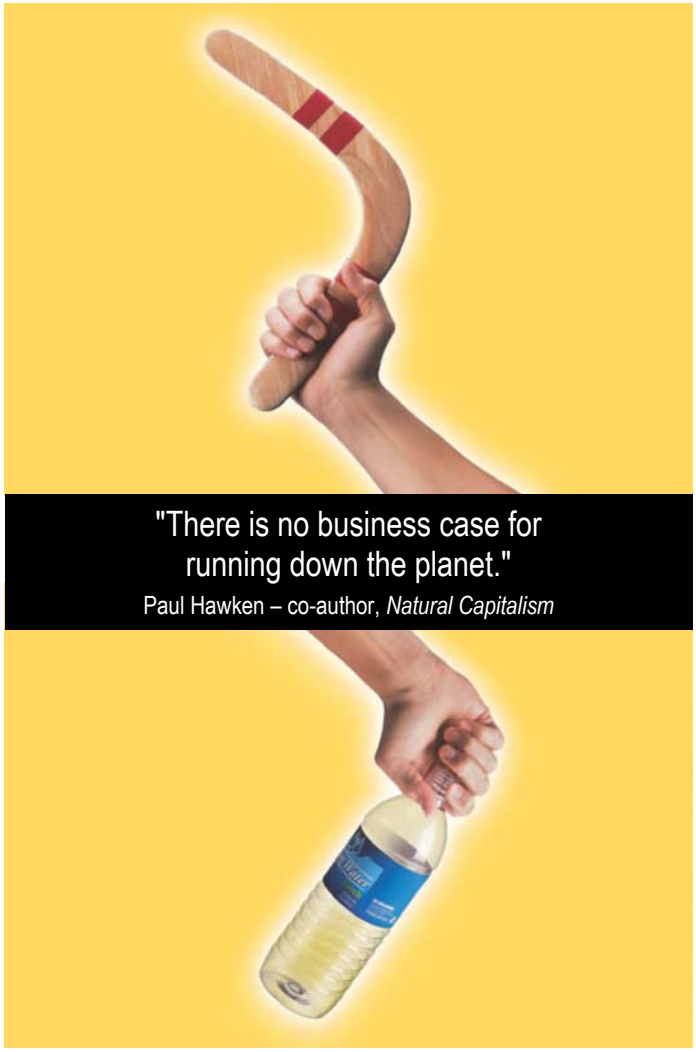
Extended Producer Opportunity

Making EPR & zero waste work for business and society



A discussion paper by Dave West and Murray Hogarth
for the Boomerang Alliance

March 2005

Australian Conservation Foundation · Clean Up Australia · Conservation Council of Western Australia · Friends of the Earth · Total Environment Centre · Queensland Conservation Council · Greenpeace · Tasmanian Conservation Trust

Arid Lands Environment Centre · Environment Victoria · Nature Conservation Council of NSW Inc. · Local Government Association of NSW · Shires Association of NSW

Packaging and Waste facts

- Australia produces over 3.36 million tonnes of packaging per year.
- We recycle only 20.1% of our packaging waste via kerbside recycling.
- 116,830 tonnes of the resources collected by kerbside recycling are lost through contamination.
- 48% of the population is confused about what can be recycled.
- Kerbside recycling costs local government and ratepayers $294 million every year, while product producers and consumers avoid responsibility for their waste.
- Half of all product packaging is consumed away from home. This means it is consumed away from recycling services and is likely to be littered.
- 85% of litter picked up on Clean Up Australia Day 2004 was packaging.
- Victoria alone spends over $50 million per year on collecting and disposing of litter.
- 8,000 Australian children are treated in hospital each year (and more in private practice) for injuries caused by stepping on littered glass.
- Field research shows that up to 60% of platypuses become entangled in litter. Billions of plastic fragments are consumed by sea birds and other marine creatures.

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Executive Summary

Extended Producer Responsibility (EPR) provides the most effective framework for policy to transform the market towards zero waste, shifting from waste management to resource recovery, and internalising relevant costs for producers.

EPR offers real opportunities for business to operate in sustainable and profitable ways in a changing political and consumer landscape; one where waste overload and litter pollution are increasingly unacceptable.

Based on international experience, EPR schemes may take a variety of forms, but can generally be categorised into one of four groupings:

- take back;
- specific economic instruments such as Environmental Deposit/Refund schemes;
- broader economic instruments such as Advanced Disposal Fees (ADF); and
- performance standards such as "recycled content" requirements.

It is no coincidence that around the world, governments that demonstrate best practice environmental achievements typically have strong zero waste strategies driven by EPR schemes and high minimum performance standards for industry. They recognise the importance of this approach to develop recovery infrastructure, and to awaken consumer awareness and drive consumers to the next level of social ecology across the entire resource consumption sector.

The Boomerang Alliance is focusing on post-consumer waste as an area that is ripe for major and immediate action in Australia, using EPR as the framework for policy-making in individual jurisdictions and nationally to create a new world's best practice model.

In particular, packaging waste needs to be addressed by policy-makers so that business and consumers are given clear price signals that will shift investment, performance and behaviour to deliver better environmental outcomes.

The Boomerang Alliance, however, demands more than the current approach – the voluntary National Packaging Covenant (NPC) – which at best is a pale imitation of EPR, lacking sufficient regulatory muscle, business commitment and infrastructure funding to deliver real market change.

Business must lift its game dramatically if it wants to retain flexibility in responding to the waste challenge rather than be tightly regulated, and should accept appropriate regulation including targets as being important for creating a "level playing field".

It is vital to disaggregate the different packaging materials within the waste stream (paper, glass, plastics, aluminium, steel etc). A tonne of glass, a tonne of paper and a tonne of plastics each differs vastly from the others in volume, ease of handling and environmental impact. Each material must have its own mandated target to provide the clearest of signals to relevant businesses and industry sectors to close the loop with better designed products, greater recovery of all materials and more recycling.

How business responds will be watched not only by waste campaigners and government regulators, but also by the market itself, with investors increasingly aware that environmental/sustainability leadership companies out-perform the laggards.

1. Introduction – a market that works?

The market can work to deliver better environmental outcomes, but it isn't perfect and can't deliver outcomes that it hasn't been designed for. One of the key environmental areas where the market has failed is waste – in particular, the areas of packaging and post-consumer or end of life products. This failure is caused by a major design flaw; the market externalises the economic costs of waste management – whether for reuse, recycling or disposal – away from the producer and into the tax system via local government rates.

This imposes the escalating cost burden of waste and litter on local authorities and the public purse, instead of producers and consumers, which is the antithesis of the "polluter pays" principle. In the packaging arena alone, the burden on Australian ratepayers is nearly $300 million a year just for kerbside collection costs, and it's climbing. In contrast, industry's contribution towards the problem is just $3 million per annum via the controversial voluntary National Packaging Covenant (NPC).

The concept of Extended Producer Responsibility or EPR has developed over the past two decades as the most effective framework for policy to remedy this market failing. EPR works to internalise the costs of waste management and pollution reduction associated with a manufacturer's products, including any packaging (estimated to represent in value roughly 30 percent of what consumers pay for packaged goods).

The OECD defines EPR as "…. an environmental policy approach in which a producer's responsibility, physical and/or financial, for a product is extended to the post-consumer stage of the product's life cycle". While EPR has legitimate application along the whole product and packaging life cycle, and can deliver numerous ancillary benefits, its primary environmental objective should be to reduce the volume of solid waste going to landfill.

To date, there has been much supposition concerning EPR and its role in delivering the waste targets and strategies of Australia's states and territories – jurisdictions that are increasingly making zero waste their clearly stated goal. The influential Australian Food and Grocery Council has said:

> *EPR as a policy still needs to resolve a number of potential ambiguities in its application if it is to be considered a genuinely effective policy and not simply a means to deliver symbolic environmental gestures. These include rules for defining the producer in a wide range of production chains, how it will deal with imposing high costs on some goods in one State only, and how it is to be reconciled with competing non-environmental objectives.*[1]

This paper seeks to explode many of the common myths about the EPR approach, responding to industry doubts and criticisms and outlining a model for implementing a systematic approach to pursuing zero waste, thus closing the loop on waste management in Australia. Crucially, it argues that EPR offers real opportunities for business to operate in sustainable and profitable ways in a changing political and consumer landscape; one where waste overload and litter pollution are increasingly unacceptable.

[1] Australian Food and Grocery Council (April 2003). *Extended Producer Responsibility* – submission to NSW EPA.

In NSW, which has taken national leadership on EPR policy, expert advisory group head Tony Wright says: "EPR policy is based on the idea of shifting responsibility up the value chain to manufacturing and away from the community/local government level, and (importantly) providing a financial incentive for producers to design products with the post-consumer stage in mind. This second point is critical to the effectiveness of EPR. If the outcome of the policy is simply to transfer the cost of disposal from product users to product producers, without a positive environmental impact, then little will have been achieved"[2].

The Boomerang Alliance sees the packaging industry and its products as crucial drivers for widespread understanding of and support for EPR approaches in the community, including with consumers. As discussed later in this paper, amongst acknowledged priority areas for improved waste recovery, packaging is possibly the only category that has the levels of consumer penetration and regularity of disposal to:

- drive development of the important "secondary recovery" infrastructure that will be required for broad-scale implementation of EPR across a wide range of products;
- entrench take back into the Australian consumer's social ecology; and
- promote early business action, and innovation to develop cost-effective solutions to waste challenges.

It is from this perspective that the Boomerang Alliance demands more than the current NPC approach, which at best is a pale imitation of EPR and lacks sufficient regulatory muscle and infrastructure funding to deliver real market change. The Alliance is not fundamentally opposed to the NPC, and believes that recent calls from the Ministers of the Environment Protection and Heritage Council to introduce targets will go a long way towards making it an effective instrument.

However, the Alliance also believes these targets need to be supported by a packaging industry-funded system of recovery that adequately addresses the growing "out-of-home" markets for beverages and food, and adopts a position to make a substantial contribution towards the existing costs of running kerbside recycling across the country. It's also vital that targets are applied for each material – glass, the different plastics, steel, cardboard, aluminium etc – rather than being aggregated as though all packaging waste is the same. Each material brings its own challenges, and not all wastes are equal.

Crucially, the NPC also will establish a watershed for the debate between voluntary and regulatory approaches. NGOs are sceptical of voluntary approaches, but acknowledge their potential to achieve more efficient outcomes – so long as they are focused to achieve similar or superior levels of performance to regulatory approaches. The question is one of efficiency, not a continued avoidance of responsibility. An NPC approach geared to achieve the highest levels of recovery at the lowest cost will set a precedent for groups to embrace voluntary approaches. Continued avoidance will lock in a situation where groups cannot consider voluntary action as an effective option.

The Alliance believes that the National Packaging Covenant Council (NPCC) would be a much more effective body and be better resourced if it became the secretariat and funds administrator for a market-based EPR approach.

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[2] Wright Corporate Strategy: *Shaping the Vision and Strategy for Sustainable Waste Management in New South Wales*.

At a broader policy level, this also would reintroduce the important “polluter pays” principle to the waste management agenda and create a feedback loop between consumer pricing and the cost of waste management. For years, experts across the waste management and resource recovery sectors have been stating that genuine waste reductions cannot be achieved unless a genuine price signal is introduced into the price of goods. A combination of the right price signal and the right regulatory underpinning will change the market, develop strong resource recovery infrastructure and level the playing field – ensuring that leadership companies are rewarded and that laggards are punished. Unfortunately this is something the current NPC model simply cannot deliver without a radical overhaul, starting with a tight focus on exactly who bears “producer responsibility”.

The Alliance is somewhat surprised at the extent to which the extended supply chain of the packaging industry is expected to participate in the NPC approach. Retailers, for example, have already begun to confront their primary packaging responsibility through their national plastic bag programs with Clean Up Australia and Planet Ark. Certainly product brand owners and retailers have a significant role to play, as do consumers themselves and local government, but within our models these latter roles are secondary. Participants in the broader supply chain should not be confused with the “target producers”, in an EPR context, who we identify as the manufacturers of finished packaging products and the brand owners (after all “people buy Coke, not the can it comes in”). It is the packaging industry players and their direct brand-owning customers, not the wider food and grocery supply chain, which are best positioned to close the loop on waste by increasing reuse and recycling “by design”, ensuring maximised recovery, and incorporating more and more recycled content into their products.

The Alliance supports responsible producers and healthy, sustainable waste management and recycling industries that are properly funded to achieve optimum resource recovery and elimination of waste to landfill. This paper seeks to clarify that position and to outline a new EPR-based policy approach that will genuinely deliver on zero waste, starting with a focus on packaging, and create real business opportunities in doing so.

2. Sustainable Business and the Role of EPR

Step Up to Step Change

A lot of the business debate around environmental policy-making in Australia and internationally is conducted as though incremental improvements to the current levels of performance by industry, government and the community are all that's required. Arguments about the cost of any change, therefore, tend to be framed by short-term considerations: What will a particular policy shift mean for next quarter's profit report, or earnings this financial year? This completely underestimates the scale and long-term nature of major sustainability challenges that confront our economies and communities, including climate change, water crises, species loss, waste overload and others from a long and growing list. Business, governments and the community need to step up to the reality that we need step change, not incremental action and band-aid solutions, and we need change now.

The Boomerang Alliance is focusing on waste as an area that is ripe for major and immediate action. In particular, packaging waste needs to be addressed by policy-makers so that business and consumers are given clear price signals that will shift performance and behaviour to deliver better environmental outcomes. This should be done cost-effectively, an objective that business has a key role in delivering on, but nonetheless it must be accepted that some additional cost is legitimate to improve service by achieving better environmental outcomes for a sustainable society. That said, alongside cost analysis we also need to look at business benefits. As an example, Dupont – a global sustainability leadership company that has been pursuing a "goal of zero" for waste, emissions and accidents for more than a decade – asserts that substantial business benefits have arisen from improvements in the eco-efficiency of its processes and products, including major cost savings ($US1.5 billion on energy alone), new processes, new products, new business models and new relationships.

The Boomerang Alliance believes the big questions for business include: How much regulatory push is required to "command and control" better performance on waste and other environmental issues? Alternatively, how ready, willing and able is business to drive action voluntarily or at least under models that combine voluntary business action with regulatory support? In Australia's waste arena the major experiment with this latter, so-called "co-regulatory" approach has been the National Packaging Covenant (NPC), which commenced in 1999 and is now being reviewed.

As previous Alliance publications[3] make clear, we see the NPC as a weak model that has failed to drive sufficient progress towards eliminating packaging waste. The industry-dominated process that came up with last year's proposal for an NPC MkII was rebuffed by the nation's Environment Ministers in December 2004, with a demand for "hard targets" to be tabled at the April Environment and Heritage Protection Council (EPHC) meeting.

We Need Targets and EPR Instruments

A principal policy failing of the original NPC MkII proposal, along with the absence of any performance targets, was the lack of specific EPR approaches or instruments to drive performance. Such instruments include take back mandates, advance disposal fees, deposit-refunds (the best-known example being container deposits), recycled content standards, and broader tradeable resource recovery certificates.

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[3] In particular, see *National Packaging Covenant: Say No to the Waste Club*, 1 December 2004. Available online at http://www.boomerangalliance.org/000_files/5_Say_No_to_the_Waste_Club.pdf.

The Alliance is clear that Australia needs targets and one or more of such instruments. These could be regulated in full, or implemented via an agreed voluntary approach with business being left a significant degree of flexibility to find the most cost-effective ways to meet the targets. The Zero Waste New Zealand Trust highlights an example from Sweden, the home of EPR thinking, to demonstrate how business can use EPR-style instruments to deliver on a regulated target:

> *In 1984, Sweden became the first European country to set mandatory recycling goals, of 75% for aluminium cans, to be achieved by the following year. The development and implementation of the system was left to private industry. After trying several collection schemes the aluminium industry determined that the only way they could achieve this rate was through a deposit-refund system. The aluminium can recycling rate was 63% when the voluntary system was introduced. By 1987 the recycling rate had increased to 75%, and in 1995 the rate was 92%, 30% higher than the US rate at the time. The voluntary, industry led deposit system in Sweden resulted in a nationwide aluminium recycling rate of 86% in 2000. This system ensured the program was financed by beverage producers and consumers rather than taxpayers.*[4]

In Australia, high recovery rates are being achieved for aluminium cans (estimated recovery of 67%) old newspapers (estimated 74% recovery) and cardboard packaging (estimated 64% recovery). However, plastic and glass packaging has low recovery rates of around 20% and 35% respectively, and can't be allowed to obscure the reality by using aggregated data and targets that cover all packaging wastes.

Those in the glass, plastics and steel industries now have to pick up their own recovery and recycling performances dramatically. We believe a take back scheme is the only approach that will deliver the capital injection required to expand inadequate collection and reprocessing infrastructure in order to enable these industries to perform at a comparable levels to paper and aluminium. It's little wonder that container deposit schemes remain a high priority for EPR approaches. How poor performers respond will be watched not only by waste campaigners and regulators, but also by the market itself.

There's a Shift in Market Sentiment

Financial markets, banks, and insurers are increasingly recognising that poor environmental management comes at a monetary cost to a business. Advances in the concept of environmental risk management have highlighted that managers who handle key environmental issues poorly can financially expose their businesses, the broader economy and the community. BHP Billiton may be resurgent in the market now, but in its financial dark days of the mid-1990s the environmental disaster around its Ok Tedi gold mine in Papua New Guinea contributed to massive destruction of shareholder and societal value.

More broadly, land contaminated by toxic chemicals, uncontrolled leachate from landfills, and fires and spills have had a significant impact on property portfolios. Increasing rates of natural disasters, linked to human activity via the global warming phenomenon, threatens the viability of many market sectors. At the micro-level of environmental safety, even something as simple as glass injuries caused by litter wipes millions of dollars off the public balance sheet in Australia each year.

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[4] *Extended Producer Responsibility: Container Deposit Legislation Report*, September 2002, Zero Waste New Zealand Trust.

On the other side of the equation is a growing confidence from the investment sector that companies which seek to operate in a sustainable manner are more likely to return greater long term profits with lower risk. Underlying this view is evidence that good managers of complex sustainability issues like environment and safety are actually good managers overall. A lot of companies are also producing the figures to show how good social and environmental performance helps the financial bottom line by improving margins, reducing risk, boosting reputation, driving innovation and growth, and increasing capital efficiency.

Major UK supermarket chain **Sainsbury's** is always looking at new ways of packaging foods to provide better, more environmentally friendly alternatives for its customers.

A recent example is its work with technology specialist Stanelco Plc and the development of an edible starch packaging, made solely from natural and biodegradable substances, that is set not only to minimise packaging but also provide Sainsbury's customers with 100% product and no wastage.

This innovation will mean that the potato starch packaging becomes an ingredient along with its contents, be it a dried soup or a three-course meal. In fact, the ability to flavour the starch with herbs or spices is a new means by which to enhance product flavour as well as package it. The applications for easily prepared, convenient food are endless – but fundamentally this is an environmental milestone in an area renowned for its wastefulness.

The search for an alternative to gelatine capsules, following the BSE scare, brought starch into the frame as a viable alternative for an edible packaging that would be safe and easy to absorb. The success of starch in this instance highlighted the larger possibilities for food packaging in general.

Terry Robins, Sainsbury's Packaging Innovation Manager, said: "This offers a great alternative for people who don't want the hassle of preparing a snack or meal, or for those who simply don't have the time. It's also good for those who want a convenient way of taking food to work or, for example, on a camping trip, as it requires little preparation. But its most important feature is that it has none of the problems associated with conventional packaging – no more one-use wrappers that sit in landfills for years before they start to perish."

With edible packaging seeking a shelf presence within the next year, Sainsbury's next challenge is to extend the methodologies used into the diverse areas of household packaging![5]

In a forward to *'Corporate Sustainability — an Investor Perspective: The Mays Report'* the then Federal Minister for Environment and Heritage, the Hon. David Kemp, wrote: "It is now accepted that companies that effectively manage their environmental and social risks and report them to investors can provide more secure and profitable results for their shareholders."

[5] Source: www.portfolion21.com

Accordingly, many companies are shifting towards new eco-efficient operations. To date, the rewards of investing in the most 'socially responsible' companies are impressive:

It pays to be green, environment agency tells business and investors – 9/11/2004

Business and investors should be paying much greater attention to standards of environmental governance if they want the best financial returns, according to the UK Environment Agency.

Publishing new research on the value of corporate environmental governance, the Agency said there is a clear link between sound environmental governance polices, practices and performance and the financial performance of businesses. The research, carried out by Innovest Strategic Value Advisors, provides strong evidence of higher financial returns, business opportunity and competitive advantage, with marked differences in financial performance between environmental leaders and laggards.

Fifteen case studies covering funds, sectors and individual companies are detailed in the report, alongside the findings of a literature review in which 85% of published studies assessed showed a positive correlation between environmental governance and/or events and financial performance. The case studies confirm that changes in financial performance stemming from environmental governance measures can be demonstrated and quantified.

- ➔ Forest and paper product companies with above average environmental governance standards and performance financially out-performed companies with below average ratings by more than 43% (4,300 basis points) over the four years from March 1999 to March 2003.
- ➔ In the integrated oil and gas sector, the top environmentally rated firms out-performed laggards by 11.8% over three years and 2.6% over one year.
- ➔ Over three years, the stock price of EU electric utilities with above average environmental performance was 39% above that of below average performers. In the US, stock prices of the top and bottom environmental performers demonstrated the same pattern.

Markets for green products are growing. Electrolux now provides detailed financial data on resource efficiency and environmental performance indicators that connect its business strategy with shareholder value. For example, the company reports the proportion of its products that meet its "green range" requirements (by units sold), and reports the proportion of gross profit attributable to these sales. From 1998 to 2003, Electrolux's "green range" products have increased 1.9 percent to account for 12.5 percent of all the units sold for the company. The share of gross profit from these enviro-friendly products has increased from 3.9 percent to 18.4 percent over the same period.[6]

Pressure on corporate reputation from government and civil society groups continues to fuel a push for better outcomes in terms of social and environmental performance. In the waste arena, for example, community expectations require far greater action by industry to reduce pollution, waste volume and litter. Consequently, financial institutions increasingly are looking to shift market dynamics away from the higher-risk areas of traditional "smoke-stack thinking" of avoiding responsibility, and have actively supported the polluter pays principle. Simultaneously, new "rights trading" markets in areas like water, carbon, and resource recovery have been identified as potentially massive new markets for financial institutions and wealth managers alike.

[6] Source: http://www.environment-agency.gov.uk/news

The marketplace is changing, albeit slowly, but surely nonetheless. All but the most recalcitrant industrialists now recognise that accepting responsibility for social and environmental impacts is no longer a philosophical choice, but a requirement for both official sanction and a "social licence" to operate and grow. The high-level choice for industry is clear: seek to enter into constructive partnerships with the broader stakeholder audience and develop market-based approaches, or continue to resist reform and face the inevitable "command and control" response to business inaction and denial.

> "Sure, plenty of today's companies don't get it. Many never will. We'll enjoy watching them decline into the rubbish bin of history and tomorrow's business-school case studies. I don't want to feel holier than them. I just want to see them go broke. Bring on the market and bye-bye losers."
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> *Paul Gilding, former executive director of Greenpeace International, and founding partner of Ecos Corporation*[7].

Token efforts and continued pushes to stall the reform agenda are inadequate. Companies that wish to survive the push into a new eco-efficient economy need to accept their responsibilities and embrace the emergence of new market opportunities. It takes three simple steps:

- accepting the Polluter Pays Principle – the primary parties responsible are the producers, who must organise and meet the costs of disposal and management of wastes, emissions and pollution;
- allowing governments, with reference to the wider society, to identify the appropriate level of performance, to set and enforce targets, and to establish mechanical and other systems for recovery and disposal;
- recognising that the only way to accurately target the consumer for cost recovery is through the supply chain (and not by equating consumers to ratepayers).

Capturing Externalities – a Free Market Approach

To date, suggestions to introduce EPR-style schemes for packaging waste have been opposed by a majority in the broader food and grocery industry, with the exception of a few players who see business opportunities in changing the market in ways that place greater value on reducing, recovering and recycling waste materials. "Let the market fix it" say the opponents of EPR. "Taxes won't work". It's an amusing irony that these very reasons given for opposition are, of course, the rationale for the growth in popularity of EPR-style approaches globally.

The World Business Council for Sustainable Development has been advocating for an overhaul of "badly framed markets" and reversing externalities:

> "Badly framed markets cannot encourage sustainable progress. In its 1992 report to the Earth Summit, the then Business Council for Sustainable Development called for a steady, predictable, negotiated move toward full-cost pricing of goods and services; the dismantling of perverse subsidies; greater use of market instruments and less of command-and control regulations; more tax on things to be discouraged, like waste and pollution and less on things to be encouraged, like jobs (in a fiscally neutral setting); and more reflection of environmental resource use in Standard National Accounts."[8]

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[7] Source: http://www.theaustralian.news.com.au

[8] WBCSD – *The Business Case for Sustainable Development*.

Rather than fund recovery systems through taxes and rates, EPR schemes attach the value of waste management to the products sold. If backed by appropriate regulation, all players in the market have to pay a fair share, avoiding the problem of leaders suffering financial disadvantage while laggards go unpunished and even make money out of inaction. EPR models can adjust the price of goods to reflect their actual societal cost rather than falsely hiding costs through taxes. This can still be done at a level of setting broad performance targets for business, leaving appropriate freedom for business to innovate and compete around the most cost-effective ways to achieve those targets. Informed and responsible business recognises this, and in fact offers strong support for the approach. Market leaders are responding, such as Baxter International:

Baxter International, the medical products and services company, now publishes an annual "Environmental Financial Statement" that documents the costs and benefits of the company's environmental initiatives. Baxter's "Environmental Expenses" include program costs, environmental and energy engineering expenses, remediation and pollution control costs, among others. "Environmental Savings" at the company include income, savings and cost avoidances from current year initiatives as well as cost savings realised in the current year from initiatives begun in the previous six years. In 2003, Baxter's net savings from environmental activities was $47 million, a figure that does not even include major intangible benefits such as improved employee attraction, and improved retention and morale.[9]

Hidden environmental costs to manage waste, pollution, emissions and resource consumption tend to proliferate. “A privatization and individualization of responsibility for environmental problems shifts blame from state elites and powerful producer groups to more amorphous culprits like ‘human nature’ or ‘all of us’,” argues one commentator. “The environment becomes depoliticised so that the major parties can share a common vision without getting into a potentially damaging bidding war over who will better look after the environment.”[10] Locally, our favourite culprit is ‘the consumer’ who is normally confused with ratepayers as the source for funding waste management and recovery. These types of costs are commonly referred to as ‘externalities’.

Externalities are most simply described as real costs to society that are not recognised in the direct price of a product or service. They represent inefficiency, both for industry and the consumer. One major impact on the economy is experienced when business maximises its profitability by externalising the up or downstream costs associated with the production of goods. This can be seen in a wider context where governments build infrastructure such as roads and utilities to support commercial endeavours, removing that cost from business and placing it across a taxpayer platform to reflect the economic ‘advantages’ of increased industrial activity. This can distort economic, social and environmental outcomes, for example by favouring road transport over rail, even though the latter is safer and more efficient in many circumstances. Specifically, one common externality is that goods sold do not carry any contribution towards the costs to manage waste and litter involving packaging.

Sustainability, in a broad sense, deals with risk in the form of externalities and with opportunities in the form of efficiencies. Investment risks may arise where corporate activities adversely impact society or the physical environment. As stakeholders and communities recognise these potential (externality) impacts and advocate for their reallocation back to source; community, regulatory and litigation risks can

[9] Source: www.portfolio21.com

[10] Michael Maniates, ‘Individualization: Plant a Tree, Buy a Bike, Save the World?’ *Confronting Consumption* (MIT Press, Cambridge, 02).

arise. Opportunities for efficiency gains can be achieved via reduced resource consumption and/or a variety of productivity innovations.

Externalities have a significant impact in limiting the opportunity for new eco-efficient industries to emerge. For example, renewable energy is seen as too expensive by many, but this is only the case while fossil fuel-generated electricity avoids responsibility for its carbon costs. Environment Business Australia has outlined this issue in a number of papers: "A lack of data on the real cost of externalities prejudices against new era technologies and this means that the price of some traditional goods and services continues to be artificially deflated where there is an unrecognised negative externality. In effect, we are rewarding degradation rather than real wealth creation and protection of our basic capital.

"Yet, logically it is less expensive to avoid damage now than to repair compounded damage in the future! In other words, we pay higher prices to clean up as taxpayers than we would for the goods and services we buy as consumers. We need to be able to use our buying and investment power to make sure that the current market is able to value the things that we value."[11]

This apparent triumph of short-term value grabbing over long-term sustainable value creation is of course another major failing of the market, along with failings in government interventions via perverse subsidies for environmental degradation. But does it have to be so?

Consider the recycling of bottles, cans, and cardboard boxes. All consume significant natural resources, and all have significant opportunities to source a high proportion of materials through recycling. Materials that are recovered have to generate adequate funds to cover all reprocessing and recovery costs, which is a reasonable free market approach. Yet virgin materials avoid funding for the disposal of waste packaging, by 'free riding' on the back of ratepayer-funded recovery which allows virgin materials to remain 'cheap' alternatives to recovered materials. Of course when (as it periodically does) the market for raw materials collapses, so does the recycling industry and infrastructure is reduced.

The continued externalising of financial impacts for either industry or the individual results in an immediate 'domain of interest' (only care about 'me' here and now, rather than others, elsewhere or later). Accordingly, pollution from packaging entering the environment has a wider domain of impact on others (people, animals and ecosystems). This would be fixed by closing the feedback loop by expanding the domain of interest through the use of economic instruments designed to introduce an immediate cost for polluting – which is in essence the entire point of the polluter pays principle. It is no coincidence that around the world, the governments that demonstrate best practice environmental performance all have strong zero waste strategies driven by EPR schemes and high minimum performance standards for industry. They recognise the importance of this approach to awaken consumer awareness and to drive consumers to the next level of social ecology across the entire resource consumption sector.

The finance sector also is putting externalities under the microscope when looking at the true value of a company – recognising that whether subject to current regulatory intervention or not, these hidden costs will ultimately represent a real liability.

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[11] Environment Business Australia – *Externalities: harming environment, health, and economy.*

The underlying rule is that making big profits at a cost to society inevitably invites action against the business, be it from government regulation, consumer boycott or another source. This is a reality that already has been faced by many major companies and sectors – a recent example being McDonalds with its food products and the obesity issue, and an older one being the global chemicals industry post-Bhopal with toxic pollution.

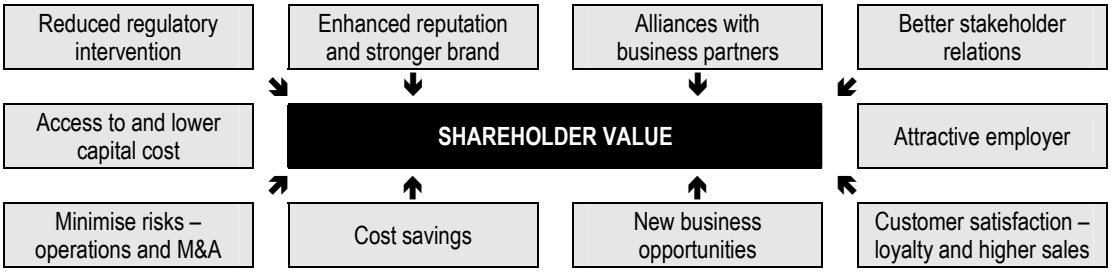
The diagram below outlines how one fund manager, AMP Henderson Global Investors, factors externalities into the sustainability assessment:

ASSESSING COMPANY SUSTAINABILITY				
More sustainable		**Sustainability issue**		**Less sustainable**
Low inherent risks	←	Environmental workplace and/or social risks	→	High inherent risks
Positive or no externalities	←	Externalities	→	Negative externalities
Inter- and intra-generational equity	←	Distribution of costs and benefits	→	Inequity of costs and benefits
Indirect or non-core involvement in high risk area	←	Materiality	→	Direct or core involvement in high risk areas
Focus on prevention Lower life cycle impacts	←	Precautionary principle	→	Focus on remediation Higher life cycle impacts

Source: AMP Henderson Global Investors

Within Socially Responsible Investment (SRI) approaches, sustainability assessment involves an examination of companies across the so-called triple bottom line: social, environmental and economic. Traditional corporate governance approaches need little explanation, but a broader triple bottom line approach to overall corporate governance has been brought into focus as a result of some of the spectacular corporate collapses of the last five years, including Enron in the US and HIH in Australia. Leading institutions including ANZ, AMP Henderson, Insurance Australia Group, Sustainable Asset Management, and Westpac increasingly recognise the insights that good social and environmental governance can provide, particularly to investors seeking long-term performance.

Within the growing 'balanced scorecard' approach to sustainability, models of shareholder value increasingly are being are seen from a wider stakeholder perspective. One model of issues impacting shareholder value follows:



Source: Adapted from ABN Amro Morgans

Using this model, failure to eliminate externalities has a substantial long-term impact in many ways.

Value at Stake for Big Packaging Players

To highlight some of these issues, we have looked at Australia's dominant packaging manufacturers – Amcor and Visy Industries – to highlight how continued corporate resistance to reforming externalities in the effective resource recovery and end of life disposal of common household packaging might impact on shareholder value:

- **Regulatory Intervention** – a waste levy on used packaging or a landfill ban on used packaging would expose both companies to significant cost increases and a material threat to their viability. Conversely, an EPR-style approach would embed these costs within the supply chain, and allow for a structured, planned elimination of packaging waste to landfill.
- **Brand and Reputation** – this is a somewhat secondary issue to the packaging industry, though it should be noted that Visy's reputation as Australia's most environmentally responsible company – based on the "we make it, we take it" approach – is a cornerstone of its commercial success. Rather than be widely applauded for a closed loop approach, it is likely that Visy will face increased scrutiny of its policy positions and its performance from the environment movement.
- **Alliances with Business Partners** – relationships are threatened. While the packager would be the "liable party" in most regulatory interventions or economic instruments, it is brand owners and retailers that face community backlash. Companies like Coca-Cola Amatil, Fosters, Nestlé, and Coles Myer face ongoing pressure to reform packaging, though arguably primary responsibility to "close the loop" lies with packaging producers.
- **Better Stakeholder Relations** – once strong, relationships with environment, consumer, and local government groups are becoming increasingly strained.
- **Access to and Lower Cost of Capital** – as bankers continue to embrace programs such as the UNEP Finance Initiative's Equator Principles and growing SRI and sustainability approaches to funds management, the cost of negative externalities may reduce total borrowing ability through increased risk assessment.

Conversely, removing negative externalities through EPR schemes or implementation of market-based instruments presents significant opportunities to grow shareholder value. For example:

- **Cost Savings** – both Visy's and Amcor's businesses would have access to a cheap, reliable source of recovered feedstocks for raw materials. This is evidenced by the success of the Publishers' National Environment Bureau old newsprint recovery program which supplies up to 75% of all paper for newsprint from recovered resources.
- **New Business Opportunities** – both Visy and Amcor operate recycling businesses that would be presented with significant new business opportunities both by developing refilling operations and expanded recycling operations.

As new frameworks to measure environmental and social risk and assess shareholder value continue to grow in popularity, increasingly, businesses are accepting that to operate sustainably they must embrace responsibility for the costs of disposing of their product at its end of life, or ensuring that it lives again through reuse/recycling.

Last year, Total Environment Centre's Green Capital program asked 350 leaders in business, government and civil society whether they would support increased government involvement in enacting corporate responsibility principles in Australia. Of those surveyed, 78% supported putting a price on externalities through market based instruments. Areas identified for intervention include emissions, waste and water trading schemes. Industry represented 61% of the total surveyed.

The key question is how this shift should take place. Governments will look to find cooperative solutions to problems, and while they will continue to experiment with voluntary approaches, all recognise that they must seek out mandated minimum performance standards. At the policy level they have only three choices of action that will guarantee results:

1. introduce levies or taxes directly across the entire waste sector (such as waste levies); OR
2. mandate "command and control" regulations such as landfill bans or materials phase-outs on prolific and/or problematic materials; OR
3. introduce specific EPR schemes for industry sectors that will drive an agreed outcome.

EPR at the policy level is seen as a tool that determines an outcome and shifts hidden externalities into the open without a strict command and control approach. It shifts the financial burden away from a tax base (in Australia, the cost of municipal waste management is funded via local government rates at an estimated cost of nearly $300 million a year) and more directly into the supply chain, ensuring that polluters do pay for recovery and/or end of life management.

3. Envisioning an Optimal System

Sustainability: Nature as Model

Industrial processes have traditionally been based on one-way resource flows from extraction to manufacture, use and disposal as waste. There are many problems associated with the linear flow of packaging, including the depletion of non-renewable resources, increased energy and water use, and reliance on landfill as a "waste sink".

In nature there is no such thing as waste, rather all "packaging" is an integrated part of the cycle, forming an energy or nutrient source for some other organism or system.

Applying the "nature as a model" approach to manufacturing involves making a transition to cyclical flows of material, with the end point of zero waste as a goal – the so-called closed loop approach. This will involve greater levels of recycling and of purchasing recycled materials in an effort to recover embodied energy and save virgin materials – the end point being a position where producers use only materials made from recycled content.

Optimal systems are required, involving a commitment to ongoing continuous improvement measured in real terms such as an overall reduction of materials sent to landfill rather than supposed increased rates of recycling. This is important – often increases in the rate of recycling are overshadowed by increased economic growth and consumption (on the current trends it requires a 5% increase in recycling rates to keep pace with a 1% increase in consumption in terms of total nett waste to landfill).

Accordingly, the first critical step is to take immediate action to guarantee that the minimum standard of recovery **MUST** ensure that the annual total loss of materials is reduced.

With nature as our model of sustainability, the closed loop cycling of resources is an essential and desirable feature. This begs the question as to why this isn't the way the system currently functions, and more importantly, why is closed loop recycling not the stated goal of any public policy such as the National Packaging Covenant?

The Polluter Pays Principle was defined in the 1972 OECD Guiding Principles on the International Economic Aspects of Environmental Policies, as:

> "The principle to be used for allocating costs of pollution prevention and control measures to encourage rational use of scarce environmental resources and to avoid distortions in international trade and investment is the 'polluter pays principle'. This principle means that the polluter should bear the expenses of carrying out the abovementioned measures decided by public authorities to ensure that the environment is in an acceptable state. In other words, the costs of these measures should be reflected in the cost of goods and services which cause pollution in production and/or consumption. Such measures should not be accompanied by subsidies that would create significant distortions in international trade and investment.
>
> "The polluter pays principle requires the full costs associated with the environmental impacts, arising both from producing packaging and also its end of life management, to be incorporated into the price of the goods."

Application of the polluter pays principle for the packaging industry finds its expression in Extended Producer Responsibility. EPR as a broad policy framework, and various combinations of specific EPR instruments tailored to meet many different situations, offer the best potential to close the loop on waste efficiently and cost-effectively in ways that provide greater flexibility for business to participate voluntarily and to profit by doing so.

The Benefits of Extended Producer Responsibility

EPR schemes may take a variety of forms but can generally categorised into one of four groupings:

- take back;
- specific economic instruments such as Environmental Deposit/Refund schemes;
- broader economic instruments such as Advanced Disposal Fees (ADF); and
- performance Standards including "recycled content" requirements.

Product stewardship is often described as an EPR approach and this is often the case, but only when the level of responsibility is clearly defined and accompanying policy ensures rather than merely aims to achieve a desired outcome.

The Publishers' National Environment Bureau (PNEB) is the association of Australia's leading newspaper and magazine publishers, working to promote the sustainable recovery of old newspapers and magazines. The Bureau has lifted Australia's newspaper recycling rate from 28% in 1990 to 73.5% in 2003.

Working with government, the newspaper industry signed up for a Waste Reduction Agreement for newsprint which provided a framework for structured development of newspaper recycling in Australia. The partners agreed on a plan that had several important components:

- Australian Newsprint Mills (now Norske Skog Australasia) agreed to install a de-inking and recycling plant at its Albury Mill. This was done in two stages at a total cost of $135 million.
- To ensure the long-term viability of kerbside paper recycling, Kerbside Papers offered Councils the security of firm contracts with a guaranteed price for collected paper. Paper not used is exported, even if this happens at a loss.
- Publishers agreed to long-term supply contracts with the newsprint producers, which enabled the Australian recycling plant to operate efficiently, even though cheaper paper was often available from overseas suppliers.

This PNEB example is a world-class performance, particularly when taking into account the widespread population of the country and the enormous distances that old newspapers must often be transported. Overall, this amounts to a serious commitment to proper product stewardship from the main participants in the Australian publishing industry and guarantees news publishers a reliable, inexpensive source of raw materials to use as a hedge against price rises in virgin materials.

EPR also creates significant benefits by rewarding best practice behaviour and reversing externalities. Some of the benefits of EPR approaches include:

Guaranteed Feed Stocks of Materials

The reliable supply of raw materials is a critical driver for industry success. It can have a major impact on the cost of goods, and is vital to ensure customer satisfaction. EPR guarantees supply of a clean and reliable source of materials that often are inexpensive, and are fully costed in terms of contributing towards their "share" of post-consumer waste management and resource recovery.

In the absence of an EPR scheme, reliable supply and also quality cannot be taken for granted. Cheap labour in the developing nations of South East Asia is driving an increasing waste trade where a recycling-driven industry is emerging. Australia's Visy Industries has reported that this presents a substantial threat to its domestic operations, while deteriorating market opportunities have seen ACI Glass recently close its recycling operations in Western Australia. The ability of an EPR approach to both secure raw materials stocks and redirect a pricing bias back towards recovered resources would protect this important multi-million dollar industry.

Development of the Alternative Waste and Resource Recovery Industries

New methods of resource recovery and waste diversion are emerging every day. Global Renewables, Sita, and Collex have all made significant investments in facilities to maximise resource recovery. Yet all report that there is little current incentive to "mine" waste and boost recovery. While all approaches have their critics and supporters, the waste management industry overall agrees that these new approaches are critical and vital first steps to a real opportunity to achieve zero waste.

The critical barrier that all AWT facilities have in common is the low value of recovered materials, driven by the existing externalities that ensure the true cost of virgin materials remains hidden. EPR directly counters this material threat to the viability of such enterprises.

New Local Re-Manufacturing and Re-Use Markets

Introduction of EPR schemes can also stimulate development of re-use markets, particularly for large industrial containers, and are commonly used for products such as trade paint, industrial chemicals, and pesticides. Distribution packaging systems similar to the CHEP pallet approach and emergent recovery industries such as DrumMuster would also benefit from strong EPR schemes.

CHEP Reusable Plastic Containers and Pallets Pooling

CHEP is a major corporate global business serving over 300,000 customers in over 40 countries and employing over 7,000 staff. Rather than manufacture and sell distribution packaging, CHEP rents out containers and pallets, transferring the rental as goods are delivered throughout the supply chain. This requires a stock control system capable of managing over 265 million pallets around the world. This closed loop approach provides CHEP with a major competitive advantage over other forms of distribution packaging and saves manufacturers hundreds of millions of dollars in transport and distribution costs. It also reduces the ecological footprint of CHEP and its customers dramatically.

Compared with disposable pallets, the CHEP pallet pooling system of re-using and recycling significantly reduces customers' use of resources and waste by an estimated seven million tonnes of landfill a year in the USA alone. Worldwide, it has been estimated that CHEP pallet pools reduce hardwood use by around 16 million trees per annum.

In addition to its pool of more than 200 million pallets, CHEP also operates a pool of some 40 million plastic containers. The pool provides reusable or returnable plastic containers as a substitute for cardboard packaging used to transport fresh fruit and vegetables, thereby reducing waste by avoiding the need for many thousands of tonnes of cardboard boxes. In just one small example, CHEP's reusable plastic container pooling system has eliminated more than 10,000 tonnes of corrugated cardboard waste annually for a large retail chain in Spain by replacing the traditional single-use fruit and vegetable corrugated boxes with CHEP reusable plastic containers – reducing the number of corrugated boxes used from 13 million to less than two million.[12]

Many crucial emergent secondary markets for current industries are also stifled by a lack of ability to secure materials. This approach would also present a new multi-million dollar market for automotive manufacturers to remanufacture key components. In Canada, the Auto-workers Union actively supports this approach, believing it could play a critical role in maintaining the Canadian car manufacturing industry. Similar parallels can be identified in Australia. The Australian automotive insurance industry has been keen to introduce a reused parts market for years, seeing opportunities to reduce the value of claims by well over $100 million per annum. Critical barriers to implementing this opportunity are a lack of infrastructure to manage inventories of available parts, and a guaranteed and timely stock of parts. Senior figures within the industry have identified the development of an EPR scheme for end of life vehicles as a crucial step to overcome these barriers and develop this vital new market.

Similar local remanufacturing markets are apparent in areas such as whitegoods, computers, mobile phones, and automotive parts. Given the strong import orientation of each of these industries, the shift of just 1 percent of total market share would have a significant impact on Australia's trade deficit, and have a major impact on improving the access to goods and services of lower income families.

Similarly, expansion of second hand goods markets into mainstream retail operations also creates significant economic opportunity. Godfrey's are Australia's leading retailer of vacuum cleaners with over 110 stores around Australia. A cornerstone of the Godfrey's business philosophy is "Don't trash it, trade it", which has developed a substantial second hands goods market and a lucrative repair and maintenance operation. The opportunity for this approach to expand creates hundreds of new jobs and significant small business growth opportunities, particularly in regional and rural communities where boutique retail and repair operations could flourish.

EPR provides a direct financial incentive for re-use, remanufacture, and repair industries by supplying regular stocks of inexpensive goods and parts. It also rectifies the existing externalities that result in underpriced new goods and that have driven many reuse and repair businesses to close up shop in the past.

[12] Source: www.chep.com

Broader Societal Rewards

EPR schemes place a value on items that have commonly been defined as waste. In turn this plays a substantial role in providing broader societal and economic benefits that are too numerous to deal with exhaustively. EPR on packaging alone would provide some substantial rewards:

1. Reduced Litter

Local Governments spend hundreds of millions of dollars in street and beach sweeping and litter abatement. With EPR, used packaging products have a value and littering is likely to be reduced:

- Organisations like See Australia have identified that litter in our national parks and open spaces can have a negative impact on the enjoyment of domestic and overseas tourism – one of Australia's most vital industries.
- Litter can decimate sensitive marine and estuarine creatures such as sea turtles and platypus.
- Disease is spread more easily in a littered environment by encouraging pests including rats, mice and pigeons (Ecorecycle 2004).

2. Decreased Social Impacts

- Glass bottles thrown from cars into bushland also cause fires, igniting combustible material due to the sun magnified through the glass (Kelly, 2000), posing an on-going danger to human health and property.
- Broken glass on roads and cycleways is a problem for cyclists, where glass causes frequent punctures. While no specific data is available, reports indicate that each year around 8,000 children are treated in hospital (with many more treated in private practice) for glass injuries to the feet and legs. Conversations with staff at Westmead Children's Hospital indicate that the overwhelming majority of glass injuries are caused by children stepping on broken glass lying in public places (litter).

3. Fundraising for Community Service Organisations

- The Boy Scouts in South Australia operate an enterprise to capture cans and bottles and claim deposits through the South Australian CDL scheme. Reports estimate that this provides up to $5 million per annum in additional income to support the Scouts' fine work.

4. Charting the Best Course for Zero Waste

Why Make Packaging A Priority Area of Action?

Packaging waste and waste issues more broadly are a must-fix and a can-fix for our society. There may be grander environmental challenges, with climate change being a classic example, but this in no way should distract us from fixing those environmental challenges that we have the capacity to address here and now. We actually already know, as an industrialised society with considerable wealth and resources, much of what we need in policy and program terms to drive towards zero waste in packaging. We have many good technologies and more are being developed every year. Internationally we already have economies, in Europe if nowhere else, where recovery rates on certain packaging items – including beverage containers – are well above 90%.

The trends towards sustainability and EPR are shifting us in the direction of a new market. In this market the externalities will be eliminated and, just as in nature, there will always be someone or something responsible for reusing or recycling waste in some way. We'll probably never fully mimic nature's perfect closed loop, but we can go much closer to it than we currently do. Moving our economies to such a model, where all of our waste is a resource for someone else, requires significant restructuring and much new infrastructure for recovery and recycling. Acting now on the constant and relentless stream of packaging waste is a vehicle to begin the restructuring and to start creating the new infrastructure.

As EPR becomes a normal part of our lives, covering most if not all of the consumer items that fill our existence, we'll need to be smart and efficient with the recovery and recycling infrastructure. We'll need business skills and rigour to avoid duplication where collection systems can be made to work for numerous products. Packaging waste is and will continue be a constant element in the great waste equation, and can be seen as the foundation stone on which recovery of many other items can be built.

The special value in addressing packaging first is that it goes to the heart of the consumer experience. Few in our society have failed to feel frustration at the sheer volume of packaging items that come with almost every product we buy, from a cold drink to a TV set, and from lunch to luxury goods. Packaging waste has become ingrained into our social ecology, and the learned behavioural response that still dominates is to "send it to the dump". Reversing this practice will develop the habits and behaviour necessary to succeed in recovering other problem wastes such as electronics, computers, mobile phones, batteries, used paint containers, tyres and numerous other items.

The path to zero waste and a sustainable society demands a dramatic shift in consumer behaviour, just as getting real progress on reducing greenhouse gas emissions ultimately requires sweeping changes at the level of consumers in their daily lives. This is different than saying consumers bear the responsibility to make the shift happen. In fact, they can't really do that unless the products, processes and infrastructure that allow change are put in place, which in turn requires the right government policy-making and the appropriate responses from industry. As we've argued earlier, packaging waste is an issue that we can address right now in our communities with evolving EPR-style instruments such as container deposits. By doing so, we will build the consumer awareness and experience that can help with other big environmental and social challenges as well. Smart businesses will see more opportunities than threats in driving this change, while those that fail to act will be bypassed and left behind.

A Market Based Approach to Waste Elimination and Resource Recovery

As with most sustainability challenges, there is no single solution for minimising or eliminating packaging waste, nor any other major consumer item in the waste stream. Indeed the bigger and broader the challenges, the more likely that a number of policy remedies will be required. The Boomerang Alliance champions a range of EPR instruments for consideration as part of a multi-faceted and integrated approach to eliminating packaging and other items from the waste stream.

On the same basis – that there are no "silver bullet" or "one-size-fits-all" solutions – we also support an ongoing role for appropriate kerbside collections and volunteer clean-ups. Australia has a great opportunity to learn from nearly four decades of overseas and domestic experience with everything from early container deposit schemes to cutting edge EPR, and to create a great new model for the 21st Century. Business should be at the forefront of making this happen, not obstructing it.

Development of a specific EPR model for packaging will require extensive review of what works and what doesn't by independent experts, properly resourced to study and evaluate examples from Australia and around the world. It also will require broad engagement with relevant stakeholders across the government, industry and community sectors to seek common ground on the best "mutual value proposition" for business and society.

A series of EPR options needs to be generated from this inquiry process and these should be modelled to test cost- and eco-effectiveness against various pricing and recovery levels. Any new NPC should include specific provision for this inquiry process to be undertaken as matter of priority, and for its outputs to be implemented as national policy.

For its part, the Alliance believes that important elements of a comprehensive EPR model[13] for recovering packaging waste may include:

- Clear and strong goals such as a mandated requirement to recover a minimum of 80 percent of containers across each type of material (glass, plastics, aluminium, steel, cardboard, paper etc).
- Specific recognition that each type of packaging or material has different characteristics and may require some variation in the solution or suite of solutions applied (e.g. take back driven by a deposit/refund system for beverage containers, advanced disposal fees for bulkier packaging, landfill bans for materials with no recycling path, and recycling incentive payments for "sub-commercial" materials).
- A financial incentive for consumers, such as a redeemable deposit, to encourage them to return items like beverage and food containers, possibly scaled to provide extra encouragement for refillable containers. A deposit-driven system also might include:
    - a centralised fund for collection in deposit/refund systems to remove the need for sorting by brand, which drives up system costs;
    - use of any unredeemed deposits to pay for system administration costs and for funding more waste gains;

[13] BEAR - http://www.grrn.org/beverage/deposits/essential_elements.html

- use of efficient technology solutions such as reverse vending machines and automated sorting systems; and
- no retail collection requirement – unless goods come from an importer without EPR certification – although some retailers are likely to see value in hosting recovery facilities to draw customer traffic.

- Consumer choice for returning packaging waste items including kerbside collection, neighbourhood collection centres and depots; such infrastructure should be developed with broader EPR collections in mind to maximise cost-effective reduction of solid waste to landfill by intercepting many different products.
- Brand owners, including packaging brand owners, having ultimate responsibility for ensuring compliance with recovery, reuse and recycling targets in accordance with EPR principles.
- Pro-active development of markets for the recycling of all materials collected, including financial incentives for recycled content, and progressive banning of materials or packaging styles that lack a recycling option.

5. Conclusion

Good Policy Objectives are Supported by an EPR Approach

It is difficult to fathom why regulators have been so slow to act on EPR schemes. Maybe they are afraid of big business and its claims, even in the midst of a 14-year period of economic expansion, that industry competitiveness and many jobs are at stake if better environmental performance is required? Or maybe they want to avoid the administrative responsibility of overseeing better systems? Often cost is raised as an issue, although much of the industry and consultancy rhetoric that attacks the EPR approach could equally be adopted to prove anything wrong.

At the heart of the matter, the equation for business should be made simple: Do the right thing and dispose of product and packaging waste properly and the cost will be negligible; or do the wrong thing and pay significantly more for someone else to collect and deal with your rubbish.

Certainly the evidence for improved environmental and social outcomes is clear, as is the strong fit with many of the waste objectives endorsed by state and territory jurisdictions:

- developing an organised collection of the discarded products – this is guaranteed within an EPR approach, but impossible within the NPC approach;
- increasing recycling and reuse of the discarded products – EPR produces the world's best levels of resource recovery, while the NPC approach (without high targets of 70-80%) only delivers incremental improvement; and
- providing incentives for design changes of products or product systems that lead to overall improvements of their environmental qualities – only EPR or broader resource recovery style market-based instruments (MBIs) can deliver the incentives.

The list of sound policy objectives supported by a new resource recovery-led approach to producer responsibility is a lengthy one, while continuing the failed NPC model without dramatic improvements will lock jurisdictions into conflict with their own broader waste policies until the next decade at least.

A more stringent co-regulated approach to the NPC can be a success, but only with high targets and only with strong infrastructure commitments from the packaging industry. Targets will mean little unless they are underpinned by genuine industry commitment to achieve them and credible penalties for ignoring or breaching them. The community also needs to see investment in the development of away from home recovery infrastructure and in changing consumer behaviour towards a "zero waste mindset".

Australia has an opportunity to take the best aspects of models from around the world to create the best model of all. Seizing the opportunity requires bold action now by business, government and the community working together.

Introducing the Boomerang Alliance

The groups that form the Boomerang Alliance adopt very different public profiles and work on a diverse range of issues. We celebrate our diversity and welcome the appeal of environmental protection by the wide audience we represent.

Alliance members include the Australian Conservation Foundation, Arid Lands Environment Centre, Clean Up Australia, Environment Victoria, Friends of the Earth, Greenpeace Australia Pacific, NSW Local Government and Shires Association, NSW Nature Conservation Council, Queensland Conservation Council, Total Environment Centre, Conservation Council of Western Australia, Tasmanian Conservation Trust and Zero Waste Action Group.

Together, the Boomerang Alliance represents over 283 environment groups across the nation with millions of members, supporters, donors and volunteers who are overwhelmingly sick of packaging rubbish.

We unite in our strong and unwavering commitment to reform in the areas of energy, resource recovery, waste management and water conservation.

The Alliance believes it is important to recognise that packaging, newspapers and plastic bags are the core fuel for a resource recovery-led shift towards zero waste, both in the community's willingness to embrace issues of social ecology and as a driver of reform from waste management towards resource recovery.

www.boomerangalliance.org