



**26<sup>th</sup> February 2009**

### **Packaging Product Stewardship Scheme Public Meeting**

On behalf of the Packaging Accord's Governing Board, I am delighted to see so many people from manufacturing, retail and the waste industry, local and central government and community recycling groups. As we look forward to developing the next phase of a product stewardship scheme for packaging I believe it is essential to look back and review the successes and indeed the shortcomings of the two Packaging Accords which have run since 1996.

But I would like to start with a reality check. The Minister admits waste and product stewardship has not been top of his priorities and the Government generally prefers voluntary solutions over legislative ones.

So we have two choices – one is legislation, the other is voluntary. It looks like the Government is not going to be spending a lot of time worrying about legislating industry about packaging product stewardship whilst it has some major decisions to take on economic stewardship.

If we are going to have a sensible relationship between all of the communities represented in this room – the business community, the local government community and the community of citizens – we need work together to develop a voluntary product stewardship scheme to replace and improve the one we currently have.

So let's look back. On the 10<sup>th</sup> August 2004 I signed the current Packaging Accord on behalf of the Brand Owners and Retailers sector along with the then Minister for the Environment Marion Hobbs, the President of Local Government NZ Basil Morrison and representatives from each of the packaging materials sectors and the recycling operators.

It was certainly not an easy sell. Right up to the day of signing, there was opposition from some councils and environmental groups that a voluntary accord had no teeth; the targets were too light and that legislation was required. This is still a familiar argument today.

In fact the Packaging Accord is unique because unlike other product stewardship agreements it is predicated on a partnership between all sectors of industry and local and central government.

Almost immediately the glass sector was faced with a serious challenge to the Accord from changes in the market for glass cullet. The subsequent reduction in the rate

paid to recycling operators for recovered glass put the onus on industry to find a workable solution which would enable kerbside collection to continue. I can assure you that the way in which industry responded was a defining moment for this Accord. But we can be under no illusion that if industry had not agreed to a voluntary levy at this time, the government would have responded with legislation.

Some might argue that we have ended up with legislation anyway with the passing of the Waste Act, but the Act is flexible enough to accommodate accreditation of voluntary schemes which is the path I strongly recommend.

This meeting is an opportunity to give input into the process for developing the successor to the Accord and sharing perspectives. If I were to ask each of you whether recycling is important, I would expect a 100% show of hands however we all come here today with differing views on how to achieve a better performance and on who is responsible for paying for it. So I ask you to listen to other peoples' perspective and perhaps come at the discussion in a different mindset than your usual position.

I understand that there is a degree of skepticism by some including people in this room about the Accord's role in improving recycling rates and reducing waste to landfill.

What I can say is that I have sat on the Governing Board of the 2<sup>nd</sup> Accord alongside representatives from the Ministry for the Environment, Local Government NZ and Recycling Operators.

Believe me there has been ample opportunity to hotly debate the direction and the performance of the Accord. The Accord signatories have had to address glass stockpiles, rising packaging consumption with initial consumer apathy about recycling, limited markets for recovered materials and the resultant economic pressures on recycling operators and changes to collection methodology by councils.

From a business perspective, I would compare these simply to trading conditions which have to be managed.

And today's trading conditions are no easier. Last year packaging recycling reached a new high of 60% recovery across all materials ahead of Europe, USA and Australia. This is 69,000 tonnes more than four years ago and represents a concerted effort by all signatories not just to meet targets but to exceed them.

But we would be naïve not to recognize the considerable role which higher commodity prices for metals and plastic played in this.

One of the principal challenges identified at the start of this 2<sup>nd</sup> Accord was the need to develop markets for recovered materials and we recognised that this would only happen when prices for these materials made recycling commercially viable. Recycling is an industry which has to make money to survive. Recovered materials trade as commodities just as virgin materials such as pulp and oil do and as such will be part of a competitive international market.

And new markets which opened up in New Zealand and internationally for recovered materials have proved vulnerable in a global recession.

So at the start of 2009 we have a recycling industry that is under threat from external pressures with calls by some organisations for the waste levy to be directed towards supporting their operations. Looking at it from industry's perspective the waste levy will be introduced mid year and will fall largely on manufacturers so paying an additional fee to assist recycling is a potential double whammy.

Over time commodity prices will come back up again but there will be new issues to deal with - developing markets will one day be able to meet much of their own demand through increased domestic consumption.

We must also be mindful that doing business with developing markets comes with risks attached. As a packaged goods industry we have a responsibility to ensure that we source packaging materials and subsequently recycle them with both social and environmental considerations in mind. We cannot simply send our own problems offshore. This is not what New Zealanders expect when they put out their packaging for recycling.

In addition to international markets we must also continue to commercialise new recycling businesses here.

But we need critical mass to compete globally. Instead as small players on the world stage we are the recipients of choices which other countries make about packaging. For example packaging imports now make up to 50% of our plastics and paperboard consumption.

And as some of our large manufacturers move production overseas domestic packaging production will reduce further.

We need to manage the environmental quality of the imported product and its packaging and ensure its recyclability in our market. Critics of the Accord point to brand owners who signed the Accord committing to waste minimisation but changing their packaging to a material or composite material which is not recyclable in New Zealand.

As a business leader who has managed brands for several decades, I can understand the drivers for changing packaging to a type which has a lower carbon footprint or uses less energy or water but other people aren't on the same page.

So when we look at the next packaging product stewardship scheme – we need to be clear what we are expecting it to do. Is it simply about waste minimisation or are we also looking to it to cover the bigger picture of resource efficiency and carbon emissions? Whilst recovery targets were paramount in 2004, today we are also being asked how the Packaging Accord is dealing with its member's carbon footprint and ethical behaviour. The answers to all of these questions are complex.

Whilst this trend towards off shoring manufacturing to lower wage economies continues, O-I New Zealand is building a 3<sup>rd</sup> glass making furnace in Auckland. This presents another challenge. Whilst a new furnace will significantly increase the market for glass cullet O-I will require a supply of high quality cullet which may not be readily available if there is a wholesale shift across New Zealand to commingled collections.

The picture I am painting is a challenging landscape but let's look at some of the finer detail.

Since the start of the 1<sup>st</sup> Accord in 1996 consumption per capita has increased by 30% but is slowing whilst packaging recovery has increased by 165% in the same period and is continuing to outstrip consumption.

Under a voluntary mechanism New Zealand has achieved a recycling rate which is comparable with countries that have adopted mandatory targets.

However The Accord is about more than recycling targets.

- The Accord provides an excellent reason for all parties to work together. We have over 130 people here today. One thing the Accord does not suffer from is lack of interest!
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- There has been continuous innovation in packaging design, development of new end use markets and investment in recovery facilities.
- We have implemented major education and awareness campaigns including the roll out of Government's **LoveNZ** public place recycling; the Glass Forum's education campaign featuring Che Fu; the steel sector's Hanable the CAN-able school's competition and the supermarkets' plastic bag reduction initiative Make a Difference which has now been picked up by other retailers and which is on target to deliver its 20% reduction.
- Households are recycling more with a wider range of materials collected at kerbside which are being processed through more technologically advanced facilities.

But we need to face facts. There **is** public concern about over packaging and packaging waste as was indicated in surveys by the Business Council for Sustainable Development. Their ShapeNZ nationwide poll showed 74% public support for a waste levy. It also found that New Zealanders see agrichemicals, batteries, oil, tyres and computers as the biggest waste problems and want ways to clean up their act. The next priority wastes are "dead" vehicles, TVs, paint, **packaging**, mobile phones, disposable nappies and then other electrical products.

They are also very concerned about everyday products and packaging made from petroleum based plastics. The same survey found that New Zealanders were now increasingly saying they would buy a product in a stewardship programme over one which wasn't - however the jury is out as to whether this will continue in a more uncertain economy.

What we have found however is that there does not appear to be any differentiation in consumers' minds between product stewardship schemes which are voluntary such as the Packaging Accord or the Glass levy and proposed mandatory schemes –as long as they are working and all inclusive.

So the new Waste Minimisation Act coupled with the completion of the existing Packaging Accord sets the framework for a new direction. There will be change.

The Ministry for the Environment has been an important part of the existing Accord represented on the Governing Board and providing part funding for the secretariat function. Under the Act, the Ministry will be playing a different role involved as a regulator.

Local Government NZ is the overarching organization for local councils but it cannot speak for individual councils and regions. There are 85 councils each with different views on what can be recycled and how; who should pay and how costs are allocated.

The packaged goods industry must collaborate and work even closer than it has over the past four years. Under this current Accord, those who make packaging, select it for their products or buy it to sell in their stores have recognized that they have a responsibility for choice of packaging.

When brand owners change packaging from a recyclable container to a composite which can no longer be recycled in this country – for what may be excellent economic reasons and which may make great sense in terms of reducing overall energy consumption and green house gas emissions – the recycling industry along with local and central government feel that we have failed to deliver on our part of the Packaging Accord deal. The packaged goods industry signed up to make more packaging recyclable so making changes to packaging which render it less recyclable challenges our integrity.

We must not be afraid to challenge companies that are not playing the game.

Whilst 85% brand owners are part of the Packaging Accord, we still only have three retailers as direct signatories although through the New Zealand Retailers Association's participation other retailers have become involved particularly in the reduction to plastic bag campaign. But we must find a solution to addressing free-riders.

Recovery rates and compliance will be an important part of a new product stewardship agreement but they are not the only measure.

Government will be looking towards other country's recovery rates in the world, but should also recognize that many countries have embraced 'energy from waste'. We should not be so reticent in New Zealand.

We should expect greater challenges on packaging which is not recyclable in New Zealand – either to create recycling markets or to change the packaging.

Finally we should expect increasing scrutiny of recycling statistics.

But all of this has to be within the framework of value for money and best cost.

It is not yet clear what products are on the Waste Advisory Board's priority product listing however industry's preference is for a voluntary packaging product stewardship scheme to continue and we are encouraged by this Government's preference for self regulation and private / public partnerships.

Ultimately the packaged goods sector now has to identify a product stewardship scheme for packaging or for packaging types which is approved by the Minister.

Product stewardship can only work if all of us in this room, our organizations and others who aren't here today but should be, work together to find a pragmatic, timely and cost effective solution. There is no point sitting in our factions throwing rocks at each other, the Government is making it clear that waste is not their number one priority at the moment so if we care enough about it, we need to do it ourselves.

At a time of unprecedented economic crisis, when industry and government are cutting budgets, we cannot afford to spend months and even years trying to reach an agreement which is what happened last time.

Today is an excellent starting point. Please use today's opportunity in the spirit that it is intended. Not to try to stop the process, but help us to develop the process for arriving at the third voluntary packaging product stewardship scheme.