



NEW ZEALAND
PAPERBOARD
PACKAGING
ASSOCIATION (INC.)

Submission

to the

Ministry for the Environment

on

**Product Stewardship and
Water Efficiency Labelling**

Discussion Document

NZ Paperboard Packaging Association

September 2005

Background

The New Zealand Paperboard Packaging Association (NZPPA) is the industry association that covers manufactures of fibre-based packaging. The 20 members of the NZPPA produce approximately 95% of the total production in this industry sector.

The New Zealand Paperboard Packaging Industry is dominated by three large, multi-national packaging manufacturing companies. While all these companies are heavily involved in the paper-based packaging manufacturing sector, all of them are affiliated to other industries with a diverse range of activities such as purpose grown plantation forest management, aerosol can and PET bottle manufacturing. In addition, a sizeable number of SME's also exist servicing various niche roles within the market.

The industry has annual income of \$2.9b and employs approximately 3500 people.

While the bulk of the manufacturing outputs are related to cardboard or folded-carton activities, some businesses have concentrated on specific market segments such as spiral-wound tubes and moulded-fibre manufacturing.

The market can be described as mature, stable and highly competitive.

Printing Industries New Zealand (PrintNZ) is the host association of the NZPPA. PrintNZ as a member of the Affiliated Industries Group, has had input to and supports the Business New Zealand submissions on the Product Stewardship and Water Efficiency Labeling Discussion Document.

General Comment

NZPPA supports a voluntary approach to product stewardship in line with current arrangements under the Packaging Accord. NZPPA have evidence that such an approach works within the sector with the sector also able to show that it acts cooperatively to meet the broader Accord targets.

NZPPA is the only sector to have reached the recovery target set by the Accord in 2004. This was achieved within the first year of a 5 year programme and could therefore be interpreted as lenient. We would defend the target as appropriate recognising:

- The obligations on other, competitor sectors,
- The cyclical nature of the paper sector and its dependence on the strength of the economy as a whole. (e.g. recent declines in the strength for agricultural exports due to the value of the NZ dollar will reduce the demand of packaging and therefore the recycled paper used to make it.
- The target being 70%, recognising that the cost and volatility per unit of recovered and recycled material increases exponentially.
- The consistency of the New Zealand target with those for paper in other countries.

NZPPA members support an approach from government that recognises the ability of businesses to make decisions that balance business and broader goals within a regulatory framework that supports and does not hinder innovation and growth.

The discussion document does not clearly address the policy problem it is attempting to solve. While there is reference to the general goals of the NZ Waste Management Strategy it does not identify specific market failures that can be addressed through the advocated increase in government involvement in product stewardship.

Questions at the end of the document lead respondents to consider just the implications of the recommended approach. It would seem more appropriate to first debate the approaches and to then look at the detailed matters in the questions in Section 6.

This submission does not address the Water Efficiency Labelling issue in the discussion document.

Option 1: Status Quo

NZPPA supports the current voluntary approach of Option 1. The current approach has resulted in the successful implementation of product stewardship schemes in key areas such as packaging, tyres and used paint. In addition to these publicised arrangements various other cross-sectoral approaches are developing as environmental sustainability issues gain publicity and individual business make changes to their business practice appropriate for the conditions they operate in.

The discussion document states *that “government cannot regulate for the establishment of schemes and cannot set enforceable targets.”* There is also criticism that the status quo will not clarify priorities nor deal with free-riders.

These perceived problems may or may not be relevant to the Accord and more specifically to the Paper Sectors part of the Accord. For example the Appendix identifies deficiencies with the Accord. In particular a comment on the implementation costs seems peculiar given the first report has not yet been completed. Secondly, the concerns of consumers about plastic bags and drink containers are very specific. It would seem premature to generalise concerns about the Accord on the basis of these two examples. In addition, if the MfE is concerned with the implementation of the Accord then communication directly with the sectors would seem more appropriate than making comments in a public discussion document.

Free Riders: While NZPPA supports the concept that free-riders should, wherever possible, be brought into product stewardship arrangements the definitions within the document is limited to free-riders within sectors and do not include consideration of cross-sectoral competition. There is also little consideration of the costs vs benefits of regulating free-riders.

Imports: Another concern in the NZ packaging context is the large amount of imported product that will be made in an economy with less regulation than the current or preferred option. How does the MfE envisage being able to bring these off-shore free-riders within the framework?

Option 4: The Preferred Approach

The preferred approach on the surface appears to be an “all things to all people” approach encouraging voluntary agreements while at the same time putting in place mechanisms for regulation.

The discussion document does not explain the possible relationship between voluntary and regulated approaches. Has consideration been given to the possible perception that development of a voluntary programme could make it easier for regulation to be introduced?

It is difficult to see how such an approach will sit alongside existing legislation such as the Resource Management Act, Hazardous Substances and New Organisms Act, Local Government Act and the Litter Act. These pieces of legislation already place a regulatory framework in the areas addressed again by this option.

The discussion document does not propose formalised constraints on Local Councils regulatory powers in this area. There is a risk that those committing to voluntary measures such as the Accord could also find themselves regulated, either to achieve voluntarily adopted 'stretch targets', or additional actions desired by the Council.

The document is unclear on a number of key aspects of this option. It does not state who will determine whether there is a problem of such significance that a regulatory approach would be enforced. It is also silent on who would bear the costs should such an approach be adopted through government.

NZPPA does not support this option.

Design and Implementation Issues

Section 5 identifies design and implementation considerations of the preferred option.

Administration and governance: The document advocates the establishment of Product Stewardship Organisations. Details of the costs associated with these bodies, their statutory responsibilities and governance arrangements are mostly silent although there is a hint that they would need to be separate from existing industry organisations. This requirement would again place additional costs with no consideration of how these costs could be recovered. While this approach may seem attractive and follow similar practice elsewhere the existence of these organisations in other countries is more realistic given the size of their economies.

Implications for existing schemes: While the document states that adoption of a new approach will not disturb current arrangements with the Accord this seems very

unlikely given the nature of packaging. Packaging is not a product in its own right but rather an integral part of other products. Almost any product stewardship agreement will have implications for packaging. Requirements for additional product stewardship arrangements of specific product groups will require changes to the Accord.

Role of Government: The recommended approach allows Government to cut across voluntary arrangements where the priorities of Government differ from that of an industry sector. The criteria for deciding whether to regulate are very general and without specifics, making it difficult to comment on.

Conclusion

NZPPA appreciate the opportunity to comment on the discussion document.

NZPPA are committed to the Packaging Accord and to meeting the targets set.

NZPPA has concerns that a more regulated approach could lead to inflexibility and has the potential to stifle innovative practices.

NZPPA wishes to see a coordinated national approach to any regulation in this area where relationships between existing legislation and local council regulation are monitored to ensure they do not interfere with effective voluntary approaches.