



The Packaging Federation

1 Warwick Row

London

SW1E 5ER

Telephone 020 7808 7217

Mobile 07932 697151

Email dicksearle@packagingfedn.co.uk

www.packagingfedn.co.uk

Robert Rawlings Esq.
Producer Responsibility Unit
Defra
Area 6D Ergon House
Horseferry Road
London
SW1P 3AL

24th May 2010

Dear Robert,

Consultation on Implementing the Packaging Strategy: recovery and recycling targets, funding transparency and technical changes.

In response to this consultation, the following submission is made on behalf of The Packaging Federation, a not-for-profit organisation representing the UK Packaging Manufacturing Industry. As a manufacturing sector we have approximately 85,000 employees with a turnover in excess of £10 Billion. As you know, the industry is divided into a number of sectors covering a variety of packaging materials and each of these is represented by sector Trade Associations who will be responding separately to this consultation. Indeed, a necessary part of the remit for our organisation is that we should not be seen to be taking a position that appears to favour one sector of our industry over another. Accordingly, our responses to Questions raised about specific materials are necessarily general in nature and deal with issues that may or will impact on other sectors of our industry.

Following discussion with Judicaelle Hammond on the format of our response, we have attempted to raise our concerns in the responses to specific questions. However there are a number of issues that we see as fundamental to a complete response and these are summarised below even though they will be reiterated in specific answers.

Packaging only exists where a product exists. It is, along with modern distribution systems, a delivery system for products – consumers don't buy packaging they buy products. As a result, the demand for packaging is set by consumer demand for products and these products have, on average, very much higher environmental impact than the packaging that is used to contain and protect them. It is an absolute requirement that packaging is fit for purpose and this has to override any consideration of packaging being designed for recycling or "end of life". Accordingly, there will always be a proportion of packaging using combinations of materials or which is too contaminated by the product it contained for there to be any realistic recycling options at end of life.

The essence of the target portion of the consultation is the achievement of very high levels of recycling which would place the UK very close to the top of the top quartile in Europe. And yet, we have a collection and recycling infrastructure that is bottom quartile and an absence of any meaningful National Recycling Strategy or National Resource Efficiency Strategy – and no apparent political will for such strategies to be implemented. Given that the overall environmental impact of packaging at end of life is, in reality, very small (<3% of landfill and <1% of resources used), the net benefits of achieving such high targets are very questionable and the attendant cost burden on the supply chain could be highly disproportionate.

The Packaging Supply Chain has made continuing and substantial progress in encouraging and supporting the recycling and recovery of packaging waste and will continue to do so. At a time of substantially increasing raw material and energy costs, packaging waste is a potentially valuable resource that should be recovered and re-used as a raw material for further packaging manufacture. In those circumstances where it does not make environmental or economic sense to do so (particularly for contaminated or mixed waste), packaging waste could and should be used as a valuable material in the production of energy. A sensible mix of improved recycling performance and developed strategies for energy from residual packaging waste should go a long way to achieving the best possible environmental outcome. The assumption that ever increasing rates of recycling are automatically the “right environmental solution” is deeply flawed and does not stand up to rigorous scientific scrutiny. The point at which the true environmental impact of collection and recycling processes outweighs the environmental benefit of reclaiming the material will vary substantially with different materials but when this point is reached the target should not be set higher – least of all to satisfy political, media or consumer aspirations. The environment only recognises impacts which can be measured scientifically and it must be this science based assessment that underpins the identification of “maximum targets” otherwise the net result could easily be a profound environmental disbenefit.

The regime of compliance utilising the market driven PRN system in the UK differs from the “administrative style” schemes most widely used in Europe. The UK system was designed to meet EU Packaging and Packaging Waste Directive targets. It was never designed to maximise recycling and yet it has enabled, along with massive efforts from all involved in the extended supply chain, achievement of recycling rates above the European average. However, utilising the current system to drive rates even higher is an unknown situation. Our industry has a real concern about the potential cost impact upon it. We operate in a highly competitive and adversarial supply chain in which we are, regrettably, the weakest link. If PRN prices are driven high by targets for which the infrastructure is not in place, there is a real danger that a disproportionate share of the costs (and far higher than the “official” 9%) will fall on our industry. This could, at least for some material sectors, have a highly damaging effect on packaging companies.

The pursuit of higher targets is already leading to significant issues with the quality of materials available for recycling. The imposition of even higher targets is more likely to exacerbate this problem, particularly in the short to medium term. This will inevitably increase the reliance on exporting materials for certain sectors and may well impact the viability of existing UK based reproducers. This quality problem raises the whole issue of what drives recycling in the UK. Many recycled materials are priced on an international basis and the process is, at least in part, commercially driven. However the push for ever higher rates is creating issues of costs of collection and processing that cannot be covered by normal commercial margins and therefore substantial “subsidies” are required to drive the system. In many European countries, systems have been set up which have, in effect, passed the cost of this on to the consumer but this is not yet the situation in the UK. Local Authorities are already looking to the Packaging Supply Chain to fund the extra costs of meeting higher targets. If resource efficiency and environment “drivers” are to be used to justify maximising recycling then there will be an attendant high financial cost of achieving this once the “tipping point” of commercial viability is passed. Our industry is concerned that this additional “cost of operating” is apportioned fairly between the whole extended supply chain and the consumers whose demand for products drives the demand for packaging.

On the following pages, we have given our detailed responses to the relevant questions posed in the consultation:

ANSWERS TO QUESTIONS IN THE CONSULTATION PAPER

Chapter 1. Recycling and Recovery targets

Q1. In your view, are our projections for waste arisings reasonably accurate?

Are you aware of any other factors which may affect the levels of packaging entering the waste stream? Please provide us with as much evidence as possible to support your answer, so we can adjust our figures as necessary.

PF Response: We do not believe that it is realistic to look beyond 2015 in assessing likely waste arisings and we recommend that they are updated regularly in the light of “actual” figures recorded each year. The projections appear to be in conflict with the Defra/WRAP targets of reducing packaging. At the same time, it is not possible to predict changes in pack format associated with any significant changes in consumption patterns. For example, any significant increase in the consumption of processed food vs. fresh product would entail increases in packaging usage as would demographic changes e.g. further increases in single person households.

Q2. In your view, are the predictions for obligated tonnage reasonably accurate?

Are you aware of any other factors which may affect the levels of obligated tonnage reported? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: The predictions for obligated tonnage can only be as accurate as the predictions for waste arisings and we refer you, therefore, to our answer in Question 1. However, we are extremely concerned about the growing gap and cost between the national target and the target for obligated companies in the steel, glass and plastics sectors where the gap increases to such an extent that it poses an unacceptable cost burden on properly registered businesses. Obligated producers recognise that this gap cannot be totally eliminated, but the current proposals include examples of differentials in excess of 20%. This does not reflect a fair distribution of the cost as registered businesses are expected to pay significantly more to make up for the tonnage which is not registered and such costs distortions could prove a barrier to fair competition between larger obligated businesses and their smaller non-obligated competitors.

The exact reasons for this increasing gap are not known, but we recommend that the Government undertakes a detailed study over the next 2 or 3 years in order to bring forward proposals by 2014 which would limit the gap to less than 10%. We suggest that this study should include both free riders and quantifying areas which are currently excluded from the regulations such as:

- Internal use of packaging to move goods between one site and another within the same company group, which is currently exempt from the reporting requirements
- Direct imports by consumers, i.e. via the internet,
- Overseas company or packaging ownership, and
- The current de-minimis thresholds – particularly small retailers including “corner shops”.

Q3. Do you agree with our proposed targets for paper/board, and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: We refer you to the responses from the CPI, BPIF, BPIF Cartons and ACE(UK) who are the mainstream Trade Associations for paper and board materials in the UK. In addition to these comments, we would draw your attention to the issues of quality of recyclable material arising from the push for ever higher recycling rates in this sector and of the potential impact of higher targets in the plastics sector which could lead to even greater contamination of paper and board materials by plastic film and non-fibre based “alternative materials”. The increasing use of co-mingled collections and subsequent stream separation in MRF’s appears to be causing growing quality issues which are likely to be exacerbated by the push for higher levels of achievement. There is a real danger of improvements in collection rates actually lead to lower real levels of useable recycled materials.

Q4. Do you agree with our proposed targets for glass and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: We refer you to the response from British Glass which is the mainstream Trade Associations for glass products in the UK. In addition we wish to confirm the UK Container Glass Industry’s desire to utilize a significantly higher level of recycled glass in their manufacturing process. We are very concerned that the current trend of mixed colour glass collection and collection of glass in some co-mingled systems should be reversed as soon as possible. Experience in other European countries has clearly demonstrated that high levels of glass recycling are best achieved by colour separation at collection stage.

Q5. Do you agree with our proposed targets for aluminium and our analysis of what they are likely to require? We would also welcome your views on how aluminium in composite applications should be accounted for. Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: We refer you to the responses from the MPMA and Alupro. In addition we refer you to the third paragraph of our introductory summary (repeated below) which highlights the importance of packaging being designed to be “fit for purpose”. In this context, the inclusion of aluminium as a barrier layer in a wide range of composite materials is an integral part of such packs and vital to their functional performance. However such layers cannot be separated by any known technology and should not be accounted for in the aluminium recycling figures.

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Q6. Do you agree with our proposed targets for steel, and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: We refer you to the responses from the MPMA and Corus Steel Recycling. In addition we would draw your attention to the 20+% difference in the target for obligated companies and the National target. We would refer you, therefore, to our answers to Questions 2 & 10.

Q7. Do you agree with our proposed targets for plastic and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: We refer you to the responses from the mainstream Trade Associations for the industry, BPF and PAFA, and that of RECOUP, whose knowledge of the realities of plastics collection, sorting and recycling is the “best in class”. We know that there are strong views from these bodies on what is realistically achievable in these sectors and will leave them to comment in detail. However, we are concerned that whatever targets are finally agreed, they should follow a “curve” that tracks the availability of sorting and reprocessing capacity in the UK and that such systems are not then utilised because the quality of collected material is so poor that it cannot be economically processed in the UK.

We would also refer you to the section of our answer to Question 10 which highlights the need for an appropriate balance (based on environmental and cost parameters) between recycling and recovery for those materials which can also be used for energy generation. Additionally, we would highlight the concerns of the paper and board sector, expressed in their responses to Question 3, that the inclusion of plastic film in the domestic waste stream would have serious negative impacts on the recycling of paper and board products.

Q8. Do you agree with our proposed targets for wood and our analysis of what they are likely to require? Please provide evidence to support your answer, so we are in a position to adjust our figures as necessary.

PF Response: Whilst we do not cover wood products as part of our portfolio of packaging sectors, we recognize that this sector, like plastics, needs target setting that recognizes an appropriate balance between recycling and use as fuel for energy production.

Q.9 Do you support government’s preferred option of increasing targets between 2010 and 2020?

PF Response: Whilst we support the principle of increasing targets, we believe that this should be done in a way which ensures the best environmental and economic outcomes. Accordingly, we refer you to the observations on this contained within our introduction and repeated below for ease of reading:

“The essence of the target portion of the consultation is the achievement of very high levels of recycling which would place the UK very close to the top of the top quartile in Europe. And yet, we have a collection and recycling infrastructure that is bottom quartile and an absence of any meaningful National Recycling Strategy or National Resource Efficiency Strategy – and no apparent political will for such strategies to be implemented. Given that the overall environmental impact of packaging at end of life is, in reality, very small (<3% of landfill and <1% of resources used), the net benefits of achieving such high targets are very questionable and the attendant cost burden on the supply chain could be highly disproportionate.

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We also believe that targets should not be set further ahead than 2015 with aspirational targets to 2020. Such targets should be reviewed at least biennially to ensure that overall “direction” and environmental and economic performance requirements are being achieved. In addition, the progress of targets should not be automatically linear but should reflect, as appropriate, known infrastructure capacity availability. The date of 2015 also has particular relevance as from that date additional compliance responsibilities for collection and recycling of a range of materials (including all packaging materials) are placed specifically on local authorities as a result of the Revised EU Waste Framework Directive. At this stage, we believe that a re-evaluation of legal responsibilities will need to be enacted to ensure that this Revised Directive is taken into account.

It is also surprising that no mention is made of Recovery Targets in the consultation. Such targets are a material part of the measurement of and compliance with the performance requirement of the EU “Packaging Directive”. If the actions arising from this consultation programme are going to take account of the resource efficiency agenda and the need to examine holistically the appropriate balance of end of life streams including recycling, composting and energy from waste, then inclusion of recovery targets alongside recycling targets will be a necessity. Given that current performance against the EU “Packaging Directive”, as published by Defra, include recycling and recovery performance, it seems bizarre that no mention of recovery targets is made in this consultation.

If you are a packaging producer, or a compliance scheme we would much appreciate your views on the cost assumptions that we have used in the Impact Assessment.

PF Response: We have considerable concerns that the nature of the Packaging Supply Chain will lead to disproportionately higher costs being inflicted on the Packaging Manufacturing Industry. This is articulated in our introduction and is repeated below: “The regime of compliance utilising the market driven PRN system in the UK differs from the “administrative style” schemes most widely used in Europe. The UK system was designed to meet EU Packaging and Packaging Waste Directive targets. It was never designed to maximise recycling and yet it has enabled, along with massive efforts from all involved in the extended supply chain, achievement of recycling rates above the European average. However, utilising the current system to drive rates even higher is an unknown situation. Our industry has a real concern about the potential cost impact upon it. We operate in a highly competitive and adversarial supply chain in which we are, regrettably, the weakest link.

If PRN prices are driven high by targets for which the infrastructure is not in place, there is a real danger that a disproportionate share of the costs (and far higher than the “official” 9%) will fall on our industry. This could, at least for some material sectors, have a highly damaging effect on packaging companies.

The pursuit of higher targets is already leading to significant issues with the quality of materials available for recycling. The imposition of even higher targets is more likely to exacerbate this problem, particularly in the short to medium term. This will inevitably increase the reliance on exporting materials for certain sectors and may well impact the viability of existing UK based reprocessors. This quality problem raises the whole issue of what drives recycling in the UK. Many recycled materials are priced on an international basis and the process is, at least in part, commercially driven. However the push for ever higher rates is creating issues of costs of collection and processing that cannot be covered by normal commercial margins and therefore substantial “subsidies” are required to drive the system. In many European countries, systems have been set up which have, in effect, passed the cost of this on to the consumer but this is not yet the situation in the UK. Local Authorities are already looking to the Packaging Supply Chain to fund the extra costs of meeting higher targets. If resource efficiency and environment “drivers” are to be used to justify maximising recycling then there will be an attendant high financial cost of achieving this once the “tipping point” of commercial viability is passed. Our industry is concerned that this additional “cost of operating” is apportioned fairly between the whole extended supply chain and the consumers whose demand for products drives the demand for packaging.”

The Impact Assessment, quite understandably, makes no mention of these concerns. However, the experience of our industry is that these concerns are real and valid and we ask that this is taken into consideration in any further Assessment. We also note that the whole assessment is based on average material values at a point in time in 2010. We believe that substantial increases in recycling rates will diminish input material quality and substantially raise costs and we question these material value assumptions.

The overall “justification” for their being a financial benefit (which only occurs anyway in the better case scenarios) rests on an assumed “carbon benefit” without which the proposal would show a substantial financial deficit. We believe also that this assumed value should be reviewed before any substantive decisions are taken on target levels.

Q.10 What do you think are the reasons for the “obligated tonnage gap” in glass and plastics? What can be done to reduce that gap (and who should do it)?

PF Response: Such a gap also exists in steel. We have addressed this question in Question 2 and have repeated our answer below:

“ We are extremely concerned about the growing gap and cost between the national target and the target for obligated companies in the steel, glass and plastics sectors where the gap increases to such an extent that it poses an unacceptable cost burden on properly registered businesses. Obligated producers recognise that this gap cannot be totally eliminated, but the current proposals include examples of differentials in excess of 20%. This does not reflect a fair distribution of the cost as registered businesses are expected to pay significantly more to make up for the tonnage which is not registered and such costs distortions could prove a barrier to fair competition between larger obligated businesses and their smaller non-obligated competitors.

The exact reasons for this increasing gap are not known, but we recommend that the Government undertakes a detailed study over the next 2 or 3 years in order to bring forward proposals by 2014 which would limit the gap to less than 10%. We suggest that this study should include both free riders and quantifying areas which are currently excluded from the regulations such as:

- Internal use of packaging to move goods between one site and another within the same company group, which is currently exempt from the reporting requirements
- Direct imports by consumers, i.e. via the internet,
- Overseas company or packaging ownership, and
- The current de-minimis thresholds – particularly small retailers including “corner shops”.

Q.11 Do you support government’s proposal to split the glass target in line with end-use and reduce the allowable recycling through aggregates over time?

PF Response: We refer you to the detailed responses from British Glass and the glass container manufacturers. We support this but note that its success is dependent on a move away from co-mingled collections and back to source separation of colours.

Q.12 Do you support government’s proposal in principle to split the plastics target?

PF Response: We refer you to the responses from the mainstream Trade Associations for the industry, BPF and PAFA, and that of RECOUP, whose knowledge of the realities of plastics collection, sorting and recycling is the “best in class”. In principle we support a split of targets which reinforces the recycling of plastics streams which are successfully handled in other countries whose infrastructure and experience are ahead of that in the UK. We do not support the inclusion of plastics streams where there is no credible evidence that their collection and recycling can be carried out in an economically and environmentally beneficial manner.

Chapter 2: Improving Transparency

Q.13 Do you agree with these proposals? If not, please set out an alternative which you think would work better but achieve the same results.

PF Response: In principal, we are in favour of far greater transparency. However, we mirror the concern of the CPI that the costs of this may discourage smaller reprocessors and exporters from becoming registered.

We very strongly believe that transparency should extend beyond the PRN/PERN system. A very considerable proportion of the value and costs of recycled packaging materials are associated with the the Waste Management Companies whose activities have replaced those of Local Authorities on a widespread basis. The members of The Packaging Federation are united in their belief that transparency of the PRN system alone will not reveal more than a small portion of the total picture. Transparency of all parts of the “Extended Packaging Waste Supply Chain” is the only way to identify the relevant material and financial flows.

Chapter 3: Technical Changes & Clarifications

Q.18 Do you agree with the technical changes to converter and packer/filler obligations?

CPI Response: Since this area has caused admitted confusion in the past, we recommend that the proposed changes are “tested” on a small number of real life situations before the regulations are changed.

Robert, that completes our comments on the consultation. If you need any clarification, please don't hesitate to call me on either of the numbers listed.

Best wishes,

Yours sincerely,

Dick Searle

Dick Searle CCM
Chief Executive
The Packaging Federation