

**Submission of the New Zealand Business Council for
Sustainable Development**

August 2005

**Product Stewardship and Water Efficiency Labelling:
New Tools to Reduce Waste – Discussion Document**



New Zealand Business Council
for Sustainable Development

1.0 Introduction & Purpose

- 1.1 The Business Council is a coalition of around 50 leading New Zealand companies¹ united by shared commitment to environmental, social and economic development. Formed in May 1999, the Business Council is a partner to the World Business Council for Sustainable Development. Our Mission is to provide business leadership as a catalyst for change towards sustainable development.
- 1.2 The Business Council members collectively employ around 60,000 people in New Zealand and provide an economic contribution of over \$26 billion in sales per annum.
- 1.3 The Ministry for the Environment has referred in its source materials to the Business Council's report "Creating Economic Incentives for Sustainable Development" which supports the introduction of "user pays" pricing mechanisms such as tradable water allocations, waste levies and congestion charging to encourage consumers and businesses to change their behaviours. The Business Council's Guide to a Sustainable Supply Chain is being used by World Business Council for Sustainable Development members around the world as a source material on how to introduce change in the supply chain. This report specifically addresses the importance of product stewardship which adopts a "cradle to grave" approach. There are numerous examples of voluntary best practice initiated by Business Council members including:-
- Interface NZ has designed floor covering which can be "unzipped" to allow nylon components to be recycled
 - Toyota and Honda have developed hybrid technology which incorporates the practicality of a conventional car with the environmental performance of a sub one litre car.
 - Waste Management Ltd converts landfill gas to energy for the national grid.
 - Telecom have launched a nationwide mobile phone recycling scheme and Vodafone has a phone collection scheme in place.
 - Landcare Research has designed and built a Research and Development building to be the most sustainable in New Zealand.
 - Griffins have redesigned its packaging to incorporate global Life Cycle Analysis results.
 - Living Earth Ltd converts the urban organic waste streams of Auckland and Wellington into high quality compost to enhance the health of productive soils.
- 1.4 In preparing this submission paper and within the short time frame allowed, the Business Council has researched Extended Producer Responsibility (EPR) initiatives (voluntary and legislative) around the world and has sought the input from its members specifically (list of participants in Appendix 1) to provide a comprehensive business view of the issues involved in implementing a product stewardship framework in New Zealand.

¹ Companies who participated are listed in Appendix 1

2.0 Executive Summary

- 2.1 The Business Council welcomes the Government's invitation to discuss identifying the most appropriate product stewardship policy for New Zealand. It agrees wholeheartedly with the Government's view that waste is a key environmental issue for New Zealand. New Zealand's eco footprint, which measures how much natural resource each person uses compared with people in other countries, is the fourth largest in the world. In part this reflects the relative abundance of resources to population in New Zealand. The Business Council believes that there is a compelling case for New Zealand to join most other civilised countries and adopt a "user pays" approach to waste management.
- 2.2 Product Stewardship also known as Extended Producer Responsibility (EPR) is however about more than waste minimisation. The Ministry for the Environment paper describes it as: "Product stewardship involves producers, importers, brand owners, retailers and other parties involved in the life cycle of products accepting responsibility for the environmental effects of the products through their life cycle."² It is however noted that this definition varies through the discussion paper to also include consumers but does not expand on the role of the consumers in the same way as it does for businesses.
- 2.3 The Business Council considers the consumer to be an important party in accepting their own responsibility for responsible purchasing and disposal of the products which they buy. It also recommends that "other parties" specifically refers to local and national government who can signal clear guidance to the market place by introducing public procurement policies which prefer sustainable products and services.

The Business Council therefore recommends the following definition:

"Product Stewardship is a resource and product-centered approach to environmental protection and social consideration, whereby producer, brand owner, consumers, corporations, communities, retailers, recyclers, local and national governmental agencies share in the responsibility for the life-cycle of a product (design, use and disposal)."

- 2.4 The Business Council needs to be assured that the Government's pursuit of EPR legislation does not represent a retreat from, or a substitute for, a National Waste Levy which the Business Council has been promoting since the Waste Strategy in 2002. A nationally consistent levy on all waste to landfill (a measure now in place in many western economies) would discourage all components of the solid waste stream while advancing support for marginal resource recovery and recycling businesses.
- 2.5 Whilst the discussion paper focuses on end of life and waste management, product stewardship can provide most benefit to society by requiring producers, brand owners and retailers to re-design products and services in a way that utilises fewer or more sustainable materials in manufacturing, less resources during usage and which are inherently easier to reuse post use. Conducting a life cycle analysis to assess the overall impact of a product identifies the trade-offs involved in product stewardship. Without a life cycle analysis it is easy to make uninformed decisions about the perceived environmental harm caused by a particular product. This has been highlighted by the UK Environment Agency's Life Cycle Assessment of Disposable and Reusable nappies which concludes: "For the three nappy systems studied {disposable nappies, home laundered flat cloth nappies, commercially laundered prefolded cloth nappies delivered to the home} there was no significant difference between any of the environmental impacts – that is overall no system clearly had a better or worse environmental performance, although the life cycle stages that are the main source for these impacts are different for each group."³ Life cycle analysis is also useful in identifying the lowest cost point of intervention for policy.

² Executive Summary, Product Stewardship and Water Efficiency Labelling

³ Life Cycle Assessment of Disposable and Reusable Nappies in the UK www.environment-agency.gov.uk

2.6 The discussion paper identifies specific product groups as causing particular management or disposal problems. These are:-

- Cars and their components including tyres and used oil
- Electronic Wastes
- Packaging.

It appears from the list above that the Government has chosen to focus on products that have high public awareness. Although the preferred approach can be effective as a short term solution it is more important to establish the significance of the problem and focus more on the life of products that have the greatest environmental impact.

2.7 The Business Council considers however that the discussion paper does not define criteria for selecting products which might require product stewardship. The priorities relating to waste are considered in 5.2 however it is not clear how these have been applied to the product groupings. Appropriate terms of reference might include environmental harm, cost or scarcity of resources used or safety impacts. This would help define the problem and provide a reference point for why action is required.

2.8 The product stewardship policy needs an encompassing framework whereby objectives and tools are set in place to ensure that the most appropriate and workable approach is taken. By securing clear objectives at the front end this will ensure that integrated and effective systems are established across all selected sectors.

2.9 The Packaging Accord 2004 provides a framework to manage packaging waste and given that this Accord is only one year into its 5 year programme, the Business Council response will focus particularly on end of life vehicles and electronic wastes.

2.10 The recommendations of the Business Council are based on the experience of its Members in New Zealand and in global markets. In general, voluntary schemes to address product stewardship of all product types are supported, particularly in the mobile phone industry. However where products with major adverse impacts have been identified per 2.6 above, the Business Council believes that legislation may be the appropriate method to ensure a level playing field for all players. At present early adopters of product stewardship and voluntary take back schemes place themselves at a competitive disadvantage to non participants. Implementation of a voluntary scheme often requires the same financial and human resource contribution from signatories as if it were a legislative requirement. This has been tested by The Warehouse, see 5.10.

2.11 The Business Council also notes that whilst the discussion paper refers to applicable legislation covering waste in New Zealand being the Resource Management Act 1991 (RMA); Hazardous Substances and New Organisms Act 1996 (HSNO); Local Government Act 2002 and Litter Act 1979, there is no reference to the overarching Government framework for sustainability namely The New Zealand Sustainable Development Plan of Action.

2.12 The Business Council agrees that the Ministry for Environment should not be an enforcement agency. This should be through a central agency like an expanded ERMA,⁴ and/or other appropriate government agency, and where appropriate by regional councils.

2.13 The discussion paper also considers a water efficiency labelling scheme for New Zealand consistent with that used in Australia. The Business Council is unclear as to why water has

⁴ The **Environmental Risk Management Authority (ERMA New Zealand)** is a quasi-judicial, decision-making body that makes decisions on applications to introduce hazardous substances (HS) or new organisms (NO) including genetically modified organisms (GMOs). <http://www.ermanz.govt.nz>

been specifically targeted within the discussion paper whereas energy efficiency has not and considers that the applicable legislation to cover water would be more likely the Building Act.

- 2.14 Notwithstanding the inclusion of this topic within the discussion paper, the Business Council however does support the principle of water efficiency. This submission will include a short section to discuss water efficiency but considers the Water Industry and Whiteware manufacturers groups more appropriate to comment.

3.0 Issues in the paper associated with EPR and Product Stewardship

- 3.1 The Business Council feels strongly that any approach by the Government must consider the wider sustainability agenda and not just address environmental sustainability. Product stewardship has implications wider than just the environment so, for example, any associated programmes must be rooted to the principles of economics whilst considering whether it will achieve real environmental progress at the least cost to society.

3.2 International Case Study Highlighting the Social Benefits of EPR

Dixon's in the UK initiated a programme for taking back end of life brown goods and white goods. Unemployed people were trained to refurbish the appliances and these were then sold at low price to low income households. It was a condition of the scheme that the employees were given training in personal finance management as many struggled with managing debt.

- 3.3 The document refers to the 2002 New Zealand Waste Strategy but misses the opportunity to align with the New Zealand Sustainable Development Plan of Action and the Growth and Innovation Strategy. Ten years after the Earth Summit in Rio, Sustainable Development (SD) remains an important topic in the context of governmental and corporative strategies and this is true on a worldwide scale. It would also be useful to relate government obligations under the 2002 Johannesburg Plan of Action that addresses sustainable production and consumption.⁵
- 3.4 The document deals only with a small fraction of the solid waste stream (less than 20%) and does not address the wide-ranging issues associated with Product Stewardship. In particular, it very much focuses on troublesome wastes and does not reflect the thrust of resource efficiency and wise use of raw materials and natural resources. It is important to consistently clarify that the concept of product stewardship is not just about waste.
- 3.5 The Business Council generally agrees with the Government's preferred option however there is a need to strengthen a legislative "stick" part of the "carrot and stick" and also to tie it to other regulatory local government statutory procedures that are available.
- 3.6 It is the view of the Business Council that the document has chosen to focus on products that have high public awareness such as cars, packaging and electronic waste. Although the preferred approach can be effective as a short term solution it is more important to establish the significance of the problem and focus more on the life of products that have the greatest environmental impact. For example efficient technologies and "design for environment" (DfE)⁶ play an increasingly important role on the products appearing on the market place, and their risk to the environment will continuously change. The document therefore should state how it will monitor and evaluate the risks each product poses on the environment and focus more on the wise use of natural resources and the life of products.
- 3.7 In places, the document is inconsistent as it refers to both environmental effects and impacts interchangeably. Different lists are given for the chain of players involved in product stewardship and also for the existing New Zealand examples for product stewardship. For example, mobile phones and their batteries are mentioned but other batteries are not. Unlike mobile phones, these other batteries are not adequately dealt with in New Zealand, although the country has signed up to the Basel Convention, (framework to control the

⁵ http://www.johannesburgsummit.org/html/documents/summit_docs/131302_wssd_report_reissued.pdf

⁶ The Design for Environment approach is grounded in comparing performance, costs, and the risks associated with alternatives. It uses cleaner technologies, substitute assessments (CTSAs) and life cycle tools to evaluate the performance, costs, and environmental and human health impacts of competing technologies.

movement of hazardous wastes across international frontiers).⁷ If the rationale for targeting products is based on potential environmental harm, then batteries for all electrical and electronic goods are important and any scheme should include items such as electrical toys, portable radios, etc.

3.8 Three questions should be considered when developing a cost-effective Product Stewardship scheme:⁸

1. Does the policy or programme provide the proper incentives to all market participants, consumers, producers, recyclers, retailers, and waste handlers?
2. Is the policy or programme flexible enough that participants can respond in different ways, or does it mandate identical behaviour?
3. How difficult and costly is the system to enforce?

3.9 Further analysis should be carried out when considering product stewardship such as whether the programmes can achieve DfE objectives— that is, whether they can encourage producers to redesign products so that they have less waste, contain fewer toxic materials, and are more recyclable—and whether voluntary programmes can be successful. DfE should be a part of any cost-effective waste reduction strategy, and advancing DfE objectives has been a major justification for getting producers involved in managing post consumer waste in the US.

3.10 Given the approach in NZ to date has been focused on voluntary programmes it is important that continued assessment of the motivations for organisation's' participation in voluntary initiatives and the potential for these programmes to yield real environmental gains is monitored.

⁷ <http://www.basel.int/pub/basics.html>

⁸ The Product Stewardship Movement –Understanding Costs, Effectiveness, and The Role for Policy, Karen Palmer and Margaret Walls November 2002

4.0 Recommendation for establishing Product Stewardship categories

- 4.1 The Business Council recommends that the Ministry provides a more robust and transparent rationale for the products it has chosen to target under its proposed policy. The discussion document has referred to the NZ Waste Strategy and used these four criteria for selecting the products:
- Volume and Harm
 - Achievability
 - Public Concern
 - Cost-Effectiveness
 - (and in addition “the need for national action”)
- 4.2 It is not evident from the discussion document that all of these criteria have been fully addressed. Any review needs to consider the appropriateness of the criteria and whether they cover all the necessary considerations adequately.
- 4.3 The Ministry (& industries) must review what schemes currently exist and conduct a robust SWOT analysis of those schemes, bearing in mind the ultimate objective of the scheme and the Government’s objectives. The SWOT analysis should also include the use of physical resources and current barriers to recycling of electronic equipment, together with an analysis of overseas trends. (See s.32 of the RMA)

4.4 Toyota Case Study

Toyota supported an MBA study into ‘during life’ vehicle (DLV) wastes which outlined practices for dealing with waste streams as part of vehicle servicing and repair. This study indicated the wide range of parties that are involved in the removal and disposal of DLV waste streams including dealers, panel beaters, scrap metal merchants and numerous waste management and recycling companies.

Whilst Toyota requires its dealers to adopt best practice waste management, be compliant with regulations and to use licensed waste management companies, it has no control or knowledge of what happens to wastes once they leave dealer premises and we consider that there is room for improvement within the wider motor industry. This study shows that correct disposal of DLV wastes could be improved with the following:

- a. More understandable and consistent local authority compliance process for DLV waste disposal with the inclusion of a self-assessment scheme for relevant parties.
- b. The creation of a comprehensive national database of licensed waste management and recycling companies specifically for all motor vehicle waste streams. Easy access to good local information would dramatically improve the ability of all parties involved in handling DLV wastes to recycle or ensure their correct disposal. (Currently correct waste disposal and recycling practice is hampered by the disparate availability of such information).
- c. Regular (annual?) auditing of premises of those parties handling wastes, and enforcement of standards. The MBA study indicated regular failures in safe waste disposal and regulation compliance as reported in the media. The LTSA and MfE do not collect information of environmental impacts and do not offer incentives to increase the amount of correctly disposed hazardous waste.

Manufacturers and/or distributors in NZ cannot be responsible for second hand products imported by third parties.

Toyota NZ import only 8% of used Toyota cars, so it follows that there are numerous independent importers of used Toyotas which the company has no control over. (This applies to all second hand imported goods as this is a unique feature of the open NZ economy and is probably inadequately covered in other countries legislation which has been a reference point for MfE).

- 4.5 Improvements in the recycling and correct disposal of DLV wastes do not require a change in policy, but would benefit enormously from more active leadership from the MfE, expanded ERMA and local councils to undertake a, b and c above, in partnership with the motor, dismantling, waste management and recycling industries.
- 4.6 A research study into the issues and problems surrounding the disposal of 'end-of-life' vehicles (ELVs) assessed the environmental and other costs on society of abandoned vehicles. It highlighted that current practices and maintaining the status quo (MfE discussion document option 1, page 9) do not adequately address the impact of ELVs.⁹ The ELV study explored the current process in depth and concluded that government intervention was required to effectively address ELVs. The report recommends setting up a standardised disposal process for the acceptance and handling of ELVs with appropriate incentives/disincentives to encourage correct disposal and a 'depollution' fee to be levied on the first NZ owner when a vehicle is first registered in NZ to cover the cost of vehicle and end disposal. Refer to 5.6 in the submission, as an example of where both a 'carrot and stick' are required to make better progress.
- 4.7 The list of criteria mentioned above in 4.1 clearly lacks a life-cycle approach, where all aspects of the product's effects – "from cradle to grave" are considered. Life cycle analysis is very important when considering products under a product stewardship scheme. Total life cycle thinking is still very new to New Zealand however it is well advanced in Europe. The OECD commenced its work in this area in 1994 and has published a Government Guide on EPR.¹⁰ The Business Council encourages deeper thinking by the Government about product life cycle analysis and the need to identify where the true risks and impacts are. The Business Council further recommends that a clear selection process is needed to be set in place to ensure this is not just a short-term measure, but rather an ongoing process, so that once circumstances change and new product issues arise, these can be included and prioritised accordingly.
- 4.8 A robust sustainability assessment of the life-cycle of a product, must consider all stakeholders, the long-term implications and the "triple bottom line" aspects. If a recycle/reuse system is an option, the stability of the market/s for the next use needs to be assessed. Regulation can then come into play if the sector is not adequately assessing or addressing the resource use issues throughout the product's life-cycle.

4.9 International Case Study 3M

Companies like 3M ask their product development teams to use a Life-Cycle Management matrix to systematically address the environmental, health and safety opportunities and issues. 3M's vision is to contribute to society's move to sustainable development.

Life Cycle Management is becoming a formal part of 3M's new product development process worldwide. Cross-functional, new product development teams use a Life Cycle Management matrix to systematically and holistically address the environmental, health and safety opportunities and issues from each stage of their product's life.

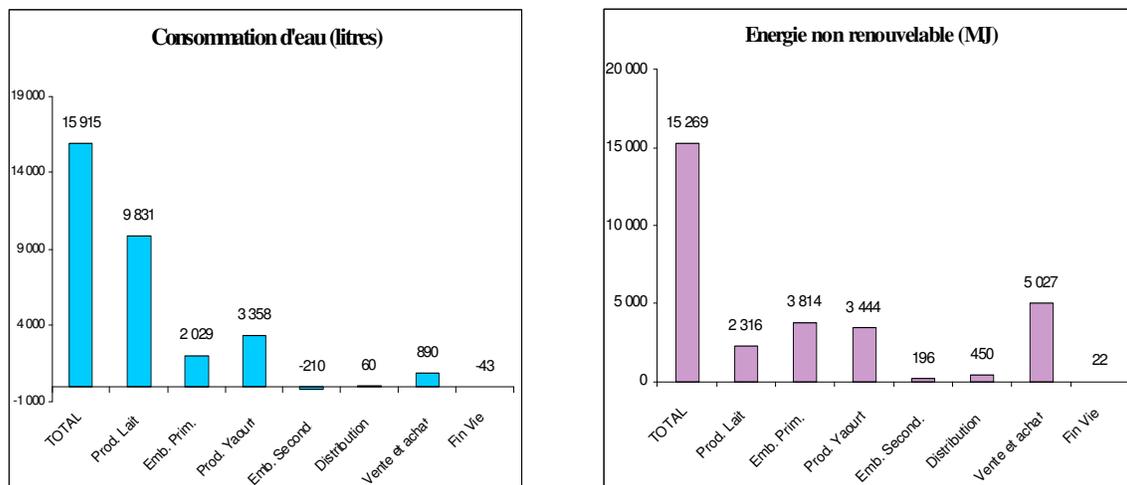
To 3M, sustainable development means meeting the needs of customers today, while respecting the ability of future generations to meet their needs. 3M's process for moving toward sustainability is called eco-efficiency - first defined by the World Business Council for Sustainable Development. This means producing more products and services with fewer resources and less environmental, health and safety impact.

4.10 Local Case Study Griffin's Foods

Local biscuit and snack food manufacturer Griffin's Foods, a subsidiary of France's Danone Groupe, follows widely practised group policy by implementing Danone's 8-point Packaging Ecodesign Wheel in all packaging design. This design process is based upon the concept of total lifecycle analysis, and methodically evaluates product design against the following parameters:

1. Packaging / Product optimisation – reduce ratio of package weight to product weight
2. Quantitative reduction of materials – eliminating, simplifying and reducing
3. Environmental quality of materials – recyclable, renewable and energy efficient
4. Packaging production – less energy, less waste, cleaner technologies
5. Package filling – reuse of secondary and tertiary packaging, energy efficiency
6. Logistics – optimisation of palletisation, truck filling, scheduling, and distance
7. Customer information – resin identification codes, waste sorting instructions
8. Collection and recovery of packaging waste – minimising mixed materials, demingling of packaging components, elimination of non-recyclable components

Excellent examples in practice have been Danone's reduction of PET usage for Evian 1 Litre bottles, from 139,000 Tonnes in 1994 to 129,000 Tonnes in 2000 (-7%) despite an increase in sales volume of +16% over the same period, and the following example of lifecycle analysis concerning the use of non-renewable energy and water consumption at each step of the product lifecycle for a pot of yoghurt.



4.11 The Business Council recommends that the selection of the target products be based on a sustainable development approach, which addresses the social, economic and environmental aspects completely. A sustainability matrix assessment process that identifies the key sectors (and the current problems in those sectors) should be investigated as the possible basis for the product stewardship system and the discussion document.¹¹

4.12 Extending the framework to overall resource efficiency and using a much more systematic, analytical tool to assess sustainability, the identification of products and the implementation of programmes will be much more difficult than simply picking off the "low-hanging fruit" first. Notwithstanding this, the approach should be to get the framework and system right, enabling the picking of that "low-hanging fruit" first.

¹¹ Similar to the approach by the West Michigan Sustainable Business forum <http://www.sustainable-busforum.org/images/desguide.pdf>

- 4.13 Appropriateness of tools mentioned in (reference page of discussion paper) such as a deposit-refund scheme should be assessed on a case by case basis according to the unique circumstances in each sector, but this should be undertaken in accordance with the overall guiding principles of user-pays/polluter pays/resource-user pays.

4.14 International Case - Deposit Refund Schemes

Container Deposit Legislation (CDL) refers to the mandatory deposit on containers to encourage their return by consumers. Depending on the deposit system, containers can be returned to the manufacturers via the retailer, designated collection depot, reverse vending machines or recovered as part of existing waste or recycling collection system.

Any person returning the container receives a standard refund. CDL requires that manufacturers take responsibility for the returned containers either to refill, recycle or to dispose of them. CDL is currently in place in South Australia, in 10 states in the USA and in several European and Asian countries.

Denmark has legislated against the use of non-refillable beverage containers and implemented mandatory deposit schemes on refillable ones. It is illegal to sell beer, soft drinks and other beverages in cans. A deposit of 1-3 krone (17-51 US cents) per bottle has ensured 97% of beer and soft drink packaging is reused or recycled.

However countries that have adopted CDL have found it to be costly to implement and that it may impact adversely on kerbside recycling systems. Most of those operating the system have in fact been doing so for decades e.g. South Australia and Germany. Others looking at introducing the system more recently believe that other systems and technologies are more cost effective.

5.0 Voluntary versus legislative debate

- 5.1 The Business Council believes at this stage the only sectors where a product stewardship scheme should be mandatory is where there is a significant environmental or consumer risk associated with the unsustainable depletion of valuable physical resources and the current treatment of products post use.
- 5.2 There is no indication that the costs of some of the suggested options have been considered, yet this should be one of the factors for assessing options in the life cycle analysis. The suggestions for dealing with “free riders” appear to be surrogate regulations as the threat to regulate in the absence of voluntary participation is the same as regulation.
- 5.3 The discussion document has identified the currently favoured waste problems and has forwarded a preferred approach that is based upon a “try it and see” philosophy where the combination of voluntary participation, legislation and control will be assessed on a case-by-case basis. In order for this approach to be successful, the discussion document needs to solidify the framework at the outset, and provide tools by which these voluntary schemes can be developed, and by which the “unwilling” can be converted both by some “stick” and some “carrot”. The Netherlands has adopted a similar approach where the “stick” of mandatory schemes is introduced if the sector does not organise a voluntary programme. It is however agreed that it does make sense to allow some flexibility, as some sectors will require legislation where as for others a voluntary approach may be sufficient, but the framework against which these systems are assessed must be robust in order for the schemes to be both fair and effective.
- 5.4 Nine of the Business Council Members have signed up to the Packaging Accord and are committed to the targets. Experience of this Accord has proved that any product stewardship policy must set realistic targets. Voluntary approaches do work but without certain regulation there is the issue of “free riders” that concerns those who are involved in programmes already. It is important to note that the Packaging Accord has four years left to run and to date only three Retailers have joined. There still needs to be a considerable amount of time spent educating such stakeholders to inform them of the potential risks associated. The experience of the Packaging Accord particularly in respect of glass demonstrates that the threat of a “stick” encourages all parties to find a voluntary solution. This has led to a voluntary short term glass levy being agreed by the industry to fund ongoing recovery of clear glass cullet which has less commercial value.
- 5.5 The need for stewardship tools, such as levies will depend on the nature of the programme and the associated costs. In some cases the products recovered will be valued for reuse and therefore the costs of recovery may be offset by funds achieved by on sale. In these situations, apart from assistance with the scheme establishment costs, the programme could be self-funding. Where this is not the case, some form of stewardship tool/s is likely to be needed to offset the costs. In the early stages of product stewardship schemes there is likely to be some consumer resistance to stewardship tools as they will likely add to the cost of the product. The experience of the Packaging Accord with regard to assessing the true cost of recovery versus recycling revenues in the glass sector will provide a starting point for a cost benefit analysis.
- 5.6 If insufficient progress is made or if the industry is unwilling or unable to work towards the objectives, then regulations using the legislation and other statutory tools open to local government (e.g. bylaws, codes of compliance, resource consents, resource allocation plans, and other RMA planning instruments) to put a process in place. The process should be put in place through legislation so it can be used if and when it is required, and as a fall-back option when the “mandatory” approach needs to be taken rather than an “enabling” approach. Refer to 4.6 above.

- 5.7 The Business Council believes a mechanism for MfE to deal with free-riders is appropriate as a backstop though should only be evoked with the consultation of those managing existing schemes at the time as they may prefer to address the problem with their own measures.
- 5.8 Research suggests that mandatory take-back programmes that exist in Europe and elsewhere are not feasible in other countries such as the United States and are likely to be very costly because they lack flexibility. Voluntary stewardship programmes are very flexible, but, on the other hand, they are likely to fall short of achieving substantial environmental improvements for at least two reasons. First, firms bear the costs, but they don't reap the benefits of any environmental improvements associated with their efforts, be they design changes or establishing new collection systems. Second, consumers don't have incentives to return products for recycling.⁷
- 5.9 The discussion paper rightly considers the effects of trade and competition of Product Stewardship and this must be factored into the evaluation process.

5.10 Case Study - The Warehouse Investigates the WEEE Directive

In February 2003, the European Union adopted the Directive on Waste Electrical and Electronic Equipment (WEEE). The **WEEE Directive** is designed to make manufacturers and consumers of electronic equipment more responsible for its disposal. The WEEE agreement is seen as a trade barrier internationally and The Warehouse conducted their own research into the potential price increases which were cited by their buyers of up to 30% in some UK examples. Their research concluded the costs would be the same as for a voluntary scheme – so effectively the same costs would be incurred if it were regulated or voluntary.

The Warehouse would prefer a regulatory approach to e-waste as there is a free-rider issue - any policy would need clarity and certainty but welcomes broader consultation with MfE and all parties involved in the importation and marketing of electrical and electronic goods in the New Zealand marketplace.

There is a question over whether New Zealand could become a dumping ground for less efficient technology if it doesn't tighten up on this type of legislation. The Warehouse would like to see a level playing field for e-waste to avoid the "free-riders" to take advantage.

6.0 Role of Government

- 6.1 This document mentions that the role and function of the Ministry for the Environment (MfE) could be as a regulator; however it is felt that MfE would be best suited as a facilitation body and should act as an overseer of industry's adherence to the policy. A suggestion could be to expand the ERMA³ to act as the regulator to essentially "police" those who pose a risk to the environment, similar to that of the Environment Agency in the UK.¹²
- 6.2 MfE needs to play a key role at the front end, by establishing the policy leading to any legislation, including the tools and objectives. Once legislation is in place, they would have a facilitating, promotion and monitoring role.
- 6.3 One example of MfE's facilitation role could be to assist the first product stewardship scheme in a sector by providing financial assistance and expertise/industry contacts. This ability to provide some startup partial funding for schemes in new sectors will provide some incentive for the first scheme to be started in each sector. There may be potential for multiple schemes within a sector though in most cases this could result in massive duplication of effort and a waste of resources rather than companies banding together for maximum efficiency.
- 6.4 MfE's role should be to actively educate the public about product stewardship, costs of recovery etc to ensure that companies applying stewardship tools are not seen as profiteering from the funds collected. MfE could also provide some funding for educating consumers (advertisements) about their responsibilities to avail themselves of product stewardship schemes and might consider the possibility of tax breaks for recycled equipment. MfE should have a role in engaging local authorities in the process, given that this is another form of waste management/waste collection.
- 6.5 If the Government wants to promote Product Stewardship to others it should first address its own responsibility as a major purchaser of goods and services and introduce social and environmental criteria into its buying policy. Whilst Govt³ sets the framework for this across national government departments, real change will only occur if the Government follows the lead of countries leading in EPR and introduces a public procurement policy.
- 6.6 The document is very light on the potential roles of local government, both district and city councils, in their regulatory position (e.g. building act, waste/trade waste bylaws etc), and in particular regional councils in their policy and regulatory role. It would seem that some of the regulatory function talked about in this document could well be undertaken at a regional level to deal with the particular features of the region with respect to resource efficiency and resource management.

7.0 Role of Consumer

- 7.1 All products are designed with a consumer in mind. Ultimately, it is the consumer who makes the choice between competing products and who must use and dispose of products responsibly. Without consumer engagement in product stewardship, there is no closing of the loop.
- 7.2 Although usually involved at the end of a product's life cycle, consumers also have responsibilities such as the obligation to become informed about the environmental and social impacts of a product in order to make educated buying decisions, for example, more energy-efficient appliances and less packaging.

¹² <http://www.environment-agency.gov.uk>

7.2 Consumers also have a responsibility to participate in waste management and at the same time have an obligation to make those individuals who manage their waste accountable to be cost-effective and efficient while striving to minimise the environmental impact of their operations.

7.3 The role of the consumer as a stakeholder in product stewardship is considered important in the international arena:

"Consumers are increasingly interested in the world behind the product they buy. Life cycle thinking implies that everyone in the whole chain of a product's life cycle, from cradle to grave, has a responsibility and a role to play, taking into account all the relevant external effects. The impacts of all life cycle stages need to be considered comprehensively when taking informed decisions on production and consumption patterns, policies and management strategies."

Klaus Toepfer, Executive Director, UNEP

7.4 An example which could help raise consumer awareness is the use of advance disposal fees. The consumer will get a refund if takes back the waste from the product in a specified way. Austria and Sweden uses such fees for refrigerators and as an incentive if the consumer returns the used product to a specified location the refund will be higher.

8.0 Role of Business

8.1 The issue of shared responsibility is central to product stewardship. In many cases, manufacturers have the greatest ability, and therefore the greatest responsibility to reduce the environmental impact of their products.¹³ However, at the front end of a product's life cycle are the extractors and refiners. Among material producer responsibilities is the need to strive to improve the environmental performance of products.

8.2 It is important that everyone involved in designing, producing, importing and selling the products works with each other to develop improved practices to minimise the environmental impact of managing discarded products. For processors or converters, responsibilities could include the need to incorporate recycled materials in products where it is economically and environmentally sustainable. Distributors or importers should also ensure that products have been made in an environmentally sound way. Brand owners need to ensure that products, such as packaging, are designed in a way that conserves resources and renders them suitable for waste management.

8.3 Given the large proportion of imported goods into the New Zealand market, the solution whether voluntary or mandatory, must include importers' responsibilities and set the burden of any levy on the appropriate body. For example the interim solution to the glass recovery problem has set the voluntary levy on glass imports only because the domestic manufacturer ACI already recovers the majority of its own production and recycles it.

8.4 As the sector with the closest ties to consumers, retailers are very important and share some of the responsibilities in product stewardship. Among them is the need to take a leading role in working with brand owners to provide consumers with information regarding the economic, environmental and health and safety bases for product and packaging selection.

8.5 NZ is a unique open market moving towards an 'importer/distributor' model (vs. manufacturing), with a multitude of importers. All importers would need to share EPR as product manufacturers and/or distributors can not be held responsible for second hand products imported by third parties.

8.6 International Case Studies – The Approach by Some Businesses in the US

Firm-level initiatives include Nike's Reuse-a-Shoe programme, several programmes to recycle computers (IBM, Hewlett Packard and Compaq, Gateway, and Dell all have programmes), and broader electronics recycling initiatives run by Sony, Panasonic, and Sharp. Retailers also have participated; for example, Best Buy, a national chain of retail stores specialising in electronic products, has operated a series of collection and recycling events.

In some US industries, firms have joined together to coordinate their product stewardship efforts. In 1994, the manufacturers of rechargeable batteries and products that use those batteries established an industry-wide recycling programme. In August 2002, Panasonic, Sharp, and Sony announced a temporary joint programme, in collaboration with electronics recycler Nxtcycle, to begin recycling their companies' products in several locations. And in Canada, the oil industry in the western provinces of Alberta, Saskatchewan, and Manitoba runs a programme to encourage the recycling of used motor oil, oil containers, and oil filters.

Multistakeholder initiatives have been undertaken by industry with government and nongovernmental organisations. The carpet industry, for example, has signed an agreement with state representatives, EPA, nongovernmental organizations, carpet retailers, and materials suppliers to meet reuse and recycling goals. A similar multistakeholder effort is underway for electronic products.

9.0 Water Efficiency

- 9.1 The Business Council notes that the introduction of water efficiency labelling in New Zealand will allow consumers to make an informed choice when purchasing a water use product, and will contribute to achieving overall reductions in domestic water use. This initiative will produce long term financial and environmental benefits to the nation.
- 9.2 The population of New Zealand is set to grow (by 2050 the population of the Auckland region will almost double). The ability to find adequate new sources of water will be a challenge in itself, and the cost to develop infrastructure to collect, treat and distribute water throughout regions will be significant. The answer to this problem is simply to start now to reduce water use at an individual household level. The financial benefit to the region of deferring the need for a new supply scheme is evident, particularly when the cost of introducing more efficient water use products is minimal, as is the case for many household products such as toilet suites, shower heads, and taps. The reduction of water use at an individual household level also reduces the infrastructure and operating costs associated with the community's wastewater system.
- 9.3 The Business Council supports the overall alignment of the scheme in New Zealand with that in Australia, particularly in terms of types of products, registration and labelling requirements.
- 9.4 The introduction of minimum water efficiency standards in the Building Code is strongly supported. However any legislation should allow for individual water suppliers to set increased minimum standards (i.e. more water efficient) to provide for specific local issues and drivers where lack of future water sources or high capital investment is imminent.
- 9.5 The use of an Australian-based administration body is recommended as this should be the least cost option. If the cost allocation for this option was too high, then incorporating the role into EECA would seem the next logical option.
- 9.6 The Business Council considers this water efficiency section is out of place in this document and suggests that it should be a separate stand-alone document to be sent to the water industry and whiteware manufacturing groups for separate comment along with some of the Business Council Members who have a particular interest in this.
- 9.7 This document should reference the Government's Programme of Action for Sustainable Development, as it examines the scope for economic incentives to improve the sustainability of outcomes from water management. Also it would be worth referencing too, the Parliamentary Commission for the Environment's Report to Government "Beyond Aging Pipes" Urban Water systems for the 21st Century, April 2001.

Members of the New Zealand Business Council for Sustainable Development

Griffin's Food Limited

Toyota New Zealand Limited

Landcare Research

MWH New Zealand Limited

Sanford Limited

The Warehouse Group Limited

Vodafone New Zealand Limited

Metrowater

URS

Living Earth

Westpac

Non-Members

Resene

Appendix 2 Product Stewardship for Paints

Resene PaintWise Scheme, New Zealand, www.resene.co.nz

Resene progressed down the track of starting up its own product stewardship scheme. The ability to trial the scheme and then readjust and launch using a different setup has been immensely beneficial to the company as it meant there were not locked into the original idea.

The trial that was undertaken was valuable in clarifying what the key customer requirements, bottlenecks, costs etc. were likely to be and have enabled the company to provide a much improved offering for the ongoing service and ensure that the format used is sustainable in the long-term. If this was tried from the start it would have likely failed due to inexperience and lack of knowledge as to how much material was expected to be received back.

Resene has taken over 5 years to progress to its current point, the first 3 ½ years were slow with the appearance of negligible results. However they did lay the foundations of the current service including ensuring Resene staff were comfortable with, and supportive of, the programme. Contact with the councils in the trial area was an important factor in driving through progress, as was the successful completion of the trial. Following the trial, contact with, and support of, the councils in the target area and assistance from MFE, have helped progress to a full scale launch.

The Resene PaintWise service will be managed by a charitable trust The Resene Foundation. This Foundation will be funded by Resene, customer levies on purchases of Resene products and some fees paid by those returning non-Resene products. The fees on the non-Resene product are designed to deal with the free-rider problem so that those returning non Resene goods are contributing to the cost of recovery. Using this system the service is part funded by Resene and part funded by the consumer. It would have been impossible to shift all of the cost onto the consumer as this would have forced the company to impose a much higher levy that would likely be met with resistance. Longer term the ability to deal with free-riders may become of increasing concern to Resene as we deal with both retail and trade volumes.

The Resene PaintWise service operates a truck visiting multiple sites. If all paint companies offered this service it would not make sense for each company to operate a fleet of trucks, each covering the same area thereby duplicating petrol costs etc. The proposal from Resene to use a single truck to circulate a smaller area and call on a range of variously branded stores thus minimising fuel use etc and consolidating best volumes for recycling.

Increasing volumes through a single programme will also likely make the cost of the scheme per recovered item lower as the fixed costs are spread over a wider base of recovered materials. A lower recovered cost will mean that consumers are paying only the recovery cost they need rather than a cost inflated due to the need to cover the higher fixed costs of multiple schemes. The other alternative is for an industry to jointly develop a scheme - this is most likely to work where there is existing positive dialogue between competing companies.

Hewlett-Packard Company, Washington, USA www.hp.com

A product stewardship solution for the recycling of household IT products will leverage the expertise and innovation of the private sector to achieve environmentally sound management of discarded IT products at the lowest possible cost, while minimizing the role and burden on government.

The goals of a product stewardship approach include the following:

- Create an efficient recycling framework that involves all stakeholders;
- Leverage the expertise and innovation of the private sector to achieve environmental goals at the lowest possible cost;
- Provide opportunities for environmental and cost improvements over time;
- Avoid new government or quasi-government bureaucracies and new taxes or fees;
- Apply fairly at the state or national level;
- Provide the flexibility needed to accommodate different business models.

Under this approach, manufacturers would have the responsibility to provide consumers with convenient, environmentally sound opportunities for recycling their products. By giving product manufacturers the responsibility to manage used products – and by providing them with the flexibility to implement this responsibility – companies can achieve environmental goals in the most cost effective manner. Manufacturers could implement programmes individually or in partnership with retailers, charities, the waste collection and recycling industries, local governments, or others of their choosing. This flexibility will enable private sector expertise and competition to be incorporated into the system. Other countries around the world have adopted variations of this approach.

The role of government under this approach is minimal. Upon enactment of implementing legislation, government's role would largely be to enforce the law to assure a level playing field. Governments could avoid the need to create new, complex, and inefficient bureaucracies, and no new taxes or fees would need to be imposed on consumers.

This system is superior to alternative proposals based on a point-of-sale fee. Fee-based recycling programmes implemented by government or quasi-government entities may, at first glance, appear attractive, but have several shortcomings:

- New taxes on consumers that unnecessarily raise products prices;
- Creation of new government programmes with high administrative costs;
- Little or no incentives or controls for reducing costs over time;
- Unfairness due to the inability of fees at the state level to reach remote sales – a major and growing portion of the IT market;
- Potential for recycling fees to be diverted for other government functions.
- Little or no opportunity for companies seeking to achieve superior performance to gain the benefits of their investments in this area;