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Councillor Clyde Loakes
Local Government Association
Local Government House
Smith Square
London SW1P 3HZ

Dear Councillor Loakes

12TH February 2013

RE: Packaging Levy

Please find following comments on behalf of members of The Packaging Society, Environment and Safety Forum relating to:

Your recent comments following the launch of a “Local Waste Review” during which it has been suggested that the government needs to introduce a “packaging levy and “get a grip on packaging” and further stating that “multinational companies are burdening local authorities with excess costs from excess packaging”.

Recycling is like any other business and in order to succeed it is required to make a profit. Recycling is not new, used materials, metals, glass, paper and plastics have been commercially successfully recycled for many years. What has changed the recycling market is legislation, namely The Producer Responsibility (Packaging Waste) Regulations (PRO) that were introduced into the UK in 1997. These regulations required specific recycling targets to be met relating to obligated packaging waste, which includes domestic, commercial and industrial packaging, in order to comply with recycling targets set by the EU Packaging and Packaging Waste Directive.

The UK legislation introduced specific recycling targets on producers in the packaging chain. Unfortunately no such recycling targets or legislation were introduced to cover the main feedstock source of the obligated material i.e. packaging arising from the domestic waste stream, which in the main is only available from Local Authorities, who under the umbrella of 'localism' have been allowed to decide individually how and what packaging waste is to be collected, sorted and made available to the recycler/reprocessor. This is a major problem and of particular concern to the plastics material sector, where the feedstock required by UK plastics Reprocessors in order to meet the obligated recycling targets is inconsistent and of poor quality. The costs required to turn this low grade material into top quality post consumer recycle (PCR) material to meet current legislation is such that the resulting PCR material does not commercially compete with virgin materials. This results in a lack of "end user" markets for PCR and a loss of this valuable material source to the UK market - it is instead exported in its low grade form in order to meet the EU targets.

The major advantage that the Local Authorities have over the plastics reprocessor is not having to pay for the recycling feedstock, which is supplied free of charge by the public who fund the collection costs via local council taxes. There are also further contributions to costs savings if the collected material does not end up in the landfill by saving on the land fill tax.

A Packaging levy

Whilst it is appreciated that Local Authorities are currently under extreme pressure to reduce costs, imposing an additional 'packaging levy' to the one already in existence under The Producer Responsibility (Packaging Waste) Regulations (PRO) is not the way forward.

The current levy i.e. the PRN system has been a spectacular failure with regard to supporting recycling in the UK, its main contribution being to provide the Government with an excellent means of demonstrating to the EU that the UK has met the required recycling targets required by the EU Packaging and Packaging Waste Directive. The truth being that the UK targets are only achieved by relying on exporting obligated packaging materials – overall 50% and in the case of plastics 70%, to recycling facilities outside the EU. Therefore instead of the financial contribution obtained via the PRN system resulting from the PRO Regulations supporting recycling in the UK, the finance contributed ends up in the pocket of the accredited exporter via the PERN system.

A way forward

What we would suggest is that instead of another packaging levy, Local Authorities could raise more revenue from packaging waste than is currently generated. The most striking example of this is co-mingling collections which include glass. We appreciate that more weights are collected by co-mingling than by bring banks and Local Authorities are targeted to reduce weights going to landfill. However, the inclusion of glass in co-mingled collections results in a high proportion of glass being sent for aggregate, generating a much lower price than colour separated glass, which in most cases cannot be outputted from MRFs as the colour separation/sorting equipment is beyond the budget at the moment. In addition the quality of paper and board sent for recycling to paper mills is also of a lower quality and thus a lower price paid to Local Authorities due to the contamination by glass fragments. We believe that this problem will not be satisfactorily resolved until Local Authorities are targeted to recycle specific amounts of material rather than just divert from landfill.

End User Markets

Whenever the issue of Recycling and Recycling targets is discussed there is never any mention of 'end user' markets for the post consumer recycle (PCR) materials that result from the legislation; this is a common oversight, which HM Government also fails to mention when consulting on recycling targets. Metal, Glass and Paper have traditional end user markets, but with regard to plastics this area is still in the development stage. The PRN system in respect of plastics has failed to support plastics recycling and has had a detrimental effect on the UK home recycling market, as follows

- The UK plastics recycler in order to secure plastics materials for recycling is required to turn to, amongst others, the accredited exporter for material, which because they do not earn a PERN if they sell to a UK reprocessor the value of the PERN is added to the price that the UK reprocessor has to pay for the load.
- When the UK reprocessor gets the PRN, it has simply been spent on securing material. No extra income for infrastructure, no extra income for process equipment and most importantly no extra income to incentivise or develop end user markets.
- The quality of plastics materials is currently poor, as demonstrated by a recent industry survey, which revealed that bales of rigid plastics bottles

material ex LA, consisted of 40% non bottle material, 20% non plastics material and only 40% bottle material.

Future Recycling Targets

Despite being aware of this situation HM Government has increased the plastics recycling target over the next 5 years to levels which will be difficult if not impossible to achieve, resulting in the following potential scenario:

- Currently the UK “recycles” 606,000 tonnes of obligated plastics packaging per year, 170,000 tonnes in the UK, and 430,000 tonnes going for export.
- As the export PERN money does not support the recycling infrastructure in the UK, an increase in existing targets will simply result in yet more material being exported.
- By 2017, using the new targets, the UK will be required to recycle 1,218,000 tonnes of plastics, 170,000 tonnes in the UK and 1,048,000 tonnes to be exported.
- There is also the nightmare scenario should the export market dry up, there are already signs of this with the market in China requiring better quality material and the introduction of internal recycling targets in China of 70% by 2015. If the export market dries up this would result in the UK requiring an end user market for over 1 million tonnes of PCR plastics annually.

Recommendations

Instead of introducing another packaging levy we would make the following recommendations:

1. Continue with the existing recycling targets until 2014. It is anticipated that this is when the EU will announce any changes to the existing targets. This will give the UK a little more time in which to develop end user markets.
2. In order to encourage the use of post consumer recycle (PCR) materials, change the Producer Responsibility (Packaging Waste) Regulations to remove the obligation on the percentage of PCR materials used in the manufacture of ALL new packaging, which will act as an incentive to brand owners and the retail market to take on board using PCR.
3. Change the existing PRN system to 100% for a PRN and 50% for a PERN

4. Support the use of PCR in new packaging by updating the current 'On-Pack Recycling Labelling (OPRL) system to clearly state the amount of PCR used in the manufacture of the packaging item (as originally proposed in the EU Packaging and Packaging Waste Directive). This would enhance the current OPRL system and help promote wider recycling.
5. Increase the potential end user markets for PCR plastics by requiring all Government Agencies and Local Authorities to include in their procurement procedures a minimum of 25%PCR plastics materials in all purchases of such items as Dustbins, Collection boxes, Litter Bins, Wheelie Bins, Composters, Traffic cones, Drain and Man hole covers, Gratings ,Fencing, Benches etc.
6. Design for Recycle, much talked about but hardly ever implemented. More effort required to convince the 'marketing' element of brand owners and retailers that they can play a significant part in making recycling work
7. The technical ability to recycle is not in doubt, but unless the PCR plastics materials are commercially viable against virgin materials, the required end user markets will not exist, cost neutral is not an option, it must be cost advantage. To achieve this Local Authorities will be required to operate a consistent collection strategy supported by well invested sorting facilities from which a stream of commercially viable material of the quality required can be created.

We are currently mismanaging valuable raw material resources by failing to support the UK recycling industry , plus missing the opportunity to create many jobs in the recycling supply chain.

Yours Sincerely



Tony Hancock
Chairman, The Packaging Society, Environment and Safety Forum