



Australian Paper

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Australian Paper Supplementary Submission

To

**The Finance and Public Administration
References Committee**

**Inquiry into
Commonwealth Procurement Procedures**

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Senate Finance and Public Administration Committees
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Summary

The Department of Finance *Commonwealth Procurement Rules (CPRs)* allow for non-financial costs and benefits to be factored into value for money assessments. The *National Waste Policy* requires governments to embody and promote sustainable procurement practices. The Department of the Environment *Sustainable Procurement Guide* also states, “Considering the environmental and social impacts from procurement aligns with Australian Government obligations to spend public money efficiently, effectively, economically and ethically.”¹

Australian Paper has invested \$90 million in a major paper recycling initiative which will drive employment opportunities in the Latrobe Valley where it is already the largest private employer. The Australian Government provided a \$9.5 million grant to show its strong support for this important project.

Yet 16 of the top 22 Financial Management and Accountability (FMA) Act agencies are choosing to purchase imported recycled paper over local products, creating a larger carbon footprint based on emissions associated with shipping from Europe. This is at a time when Australian Paper is seeking to grow the market for local recycled paper given that it needs to more than triple its usage of recycled fibre ahead of the plant’s commencement later in 2014.

Australian Paper recommends agencies introduce a higher level of focus on non-financial considerations in line with both the *CPRs* and the *National Waste Policy* to ensure the benefits of initiatives such as local ‘closed loop’ recycling solutions are more accurately assessed and valued within government procurement decision making processes.

Background

- Australian Paper’s Maryvale mill is the largest private employer in Victoria’s Latrobe Valley with around 900 direct regional jobs. Nationally Australian Paper supports more than 5,900 flow-on Full Time Equivalent (FTE) jobs. The Maryvale recycling plant will contribute almost 250 additional flow-on jobs ongoing.
- AP Maryvale is also Australia’s largest integrated pulp and paper mill and the only manufacturer of copy and printing paper in Australia.
- The *Commonwealth Procurement Rules* state, “A comparative analysis of the relevant financial and non-financial costs and benefits of alternative solutions throughout the procurement will inform a value for money assessment. Factors to consider include...environmental sustainability (such as...environmental impact)...”²
- The *National Waste Policy* states, “All governments as significant procurers of goods, services and infrastructure, will embody and promote sustainable procurement principles and practices within their own organisations and delivery of programs and services to facilitate certainty in the market.”³
- The *National Waste Policy* also observes that “enhanced recovery of organic material presents considerable potential to positively contribute to climate change and sustainability

¹ Department of the Environment, *Sustainable Procurement Guide, 2013*, p.6.

² Department of Finance and Deregulation, *Commonwealth Procurement Rules: Achieving value for money, July 2012*, p15.

³ Environment Protection and Heritage Council, *National Waste Policy: Less waste, more resources*, November 2009, p9.

issues, and contribute to jobs and the economy”⁴. Paper is explicitly identified in the policy as one of these organic materials.

- The Australian Government’s *Information and Communication Technology (ICT) Sustainability Plan* applies to all *Financial Management and Accountability (FMA) Act* agencies and requires “general use copy paper to have a minimum post-consumer recycled content of 50 per cent by July 2011.”⁵ This Plan makes the combined Australian Government FMA Act agencies the largest user of recycled paper in Australia.
- Partially in response to the *ICT Sustainability Plan* requirements, and in alignment with the *National Waste Policy*, Australian Paper is investing \$90 million in building Australia’s only wastepaper de-inking and recycling plant. This plant will start-up in the second half of 2014, processing up to 80,000 tonnes of wastepaper per annum collected from NSW, ACT, Vic, SA and Tas. AP is already stockpiling significant amounts of local waste in readiness for the plant.
- The Australian Government provided \$9.5 million funding for this plant plus a \$10 million low interest loan from Low Carbon Australia.
- The Maryvale Recycled plant will more than triple Australian Paper’s usage of local recycled pulp. AP must substantially increase its sales of recycled paper now in preparation for the plant coming on stream.
- The plant is closely aligned with the objectives of *the National Waste Policy* and the direction of the *CPRs* to take environmental sustainability into account in defining value for money in government procurement. The Government’s decision to provide funding for the recycled plant investment and the requirement of the *ICT Sustainability Plan* to purchase recycled paper gave Australian Paper confidence that agencies would take into account the environmental benefits of Australian made recycled paper in their procurement decisions.
- Unfortunately, many Australian Government FMA Act agencies have chosen to support imported recycled copy paper over Australian made. Australian Paper is concerned that such government decisions may not have fully taken into account the environmental sustainability requirements of the *CPRs*, particularly those related to reducing landfill and carbon emissions from transport impacts.

Australian Paper’s share of Australian Government FMA Act Agencies

- In their submission to the Inquiry into Commonwealth Procurement Procedures the Department of Finance stated that:
“Based on an analysis for FY 13/14 data, the majority (57%) of copy paper purchased by agencies to the end of December 2013 has been sourced from Australia. Four times more copy paper was purchased from Australia than any other single country of manufacture.”
- It is difficult for Australian Paper to directly challenge this claim without access to the base data. However in our analysis of Australian Government agency usage of copy paper, we estimate that the Department of Human Services and the Department of Defence alone purchase approximately 50% of total FMA Act agency copy paper volumes. Both of these accounts are currently purchasing Australian made copy paper.
- Support for Australian made paper is much lower amongst the next 20 largest agencies with 16 (80%) choosing to purchase imported paper from Germany, Austria or Indonesia:

⁴ *National Waste Policy*, p5.

⁵ *Australian Government ICT Sustainability Plan 2010 – 2015*, p10.

AGENCY	EMPLOYEES	SOURCE OF COPY PAPER
1. Australian Taxation Office	21,507	INDONESIA
2. Department of Immigration	8,289	INDONESIA
3. Australian Federal Police	6,909	GERMANY
4. Department of Health	4,705	GERMANY
5. Department of Industry	5,956	AUSTRIA
6. Australian Customs	5,393	<i>AUSTRALIA</i>
7. Department of Foreign Affairs	4,719	GERMANY
8. Department of Agriculture	4,712	GERMANY
9. Department of Veterans' Affairs	1,940	AUSTRIA
10. Department of Education	3,973	GERMANY
11. Department of Employment	NA ⁶	GERMANY
12. Department of Social Services	3,377	<i>AUSTRALIA</i>
13. Department of the Environment	2,286	GERMANY
14. Australian Bureau of Statistics	2,764	AUSTRIA
15. ASIO	NA ⁷	<i>AUSTRALIA</i>
16. ASIC	1,718	<i>AUSTRALIA</i>
17. Department of Infrastructure	1,530	GERMANY
18. Department of Finance	1,506	GERMANY
19. Bureau of Meteorology	1,481	AUSTRIA
20. Department of the Treasury	1,261	GERMANY

- All 3 suppliers who form the Whole of Australian Government Stationery and Office Supplies procurement panel can supply Australian made copy papers which meet the current *ICT Sustainability Plan* guidelines.

Local Recycled Paper will provide lower CO₂ emissions than imported alternatives.

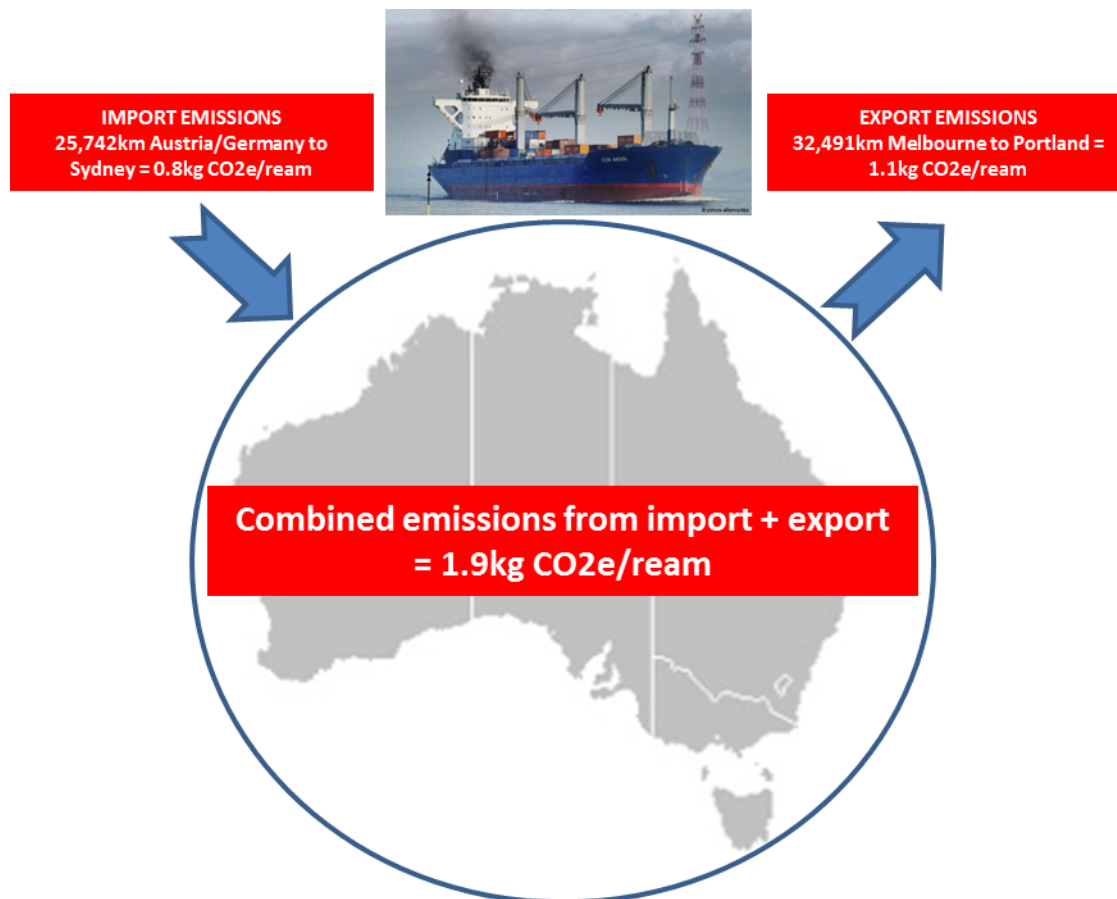
- Like most global paper manufacturers, Australian Paper is committed to manufacturing a set amount of paper volume per annum to competitively match its capacity and economies of scale. Reductions in manufacturing volume can only be achieved by reducing capacity which would mean closing down paper machines or pulp mills; resulting in heavy job losses.
- Since every tonne of copy paper imported into Australia is a direct replacement for Australian made product, Australian Paper must export a tonne of paper to an overseas market for every tonne of paper that is imported.

⁶ Staff numbers not available at time of submission.

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- As Diagram 1 shows below, this has a profound impact on sea freight transport emissions. Presently copy paper is being imported from Europe or Indonesia to meet Australian Government orders. Australian Paper then exports a corresponding volume to Portland in the United States (Australian Paper's main export market) because it has lost the opportunity to sell this paper domestically to the Australian Government. This will have a combined CO₂ emissions footprint of up to 1.9 kg for every ream of copy paper used by an Australian Government agency that is choosing to procure imported recycled paper over local product.

Diagram 1



Calculations based on 12.6g CO₂-e/tonne-km: Department of Climate Change, *AGO National Greenhouse Gas Inventory Analysis of Recent Trends and Greenhouse Indicators 1990–2005*, p32

- With the start-up of Australian Paper's de-inking facility in the second half of 2014, the sea freight CO₂ emissions will be zero for every tonne of copy paper manufactured and consumed within Australia.
- This represents a CO₂ emissions saving of up to 1.9kg for every ream of recycled paper purchased by the Australian Government that was previously imported into this country.
- This concept of taking responsibility for locally generated waste to reduce larger environmental impacts is an example of actions taken to implement the *National Waste Policy Strategy 1*: "Shared responsibility for reducing the environmental, health and safety footprint of manufactured goods and materials across the manufacture-supply-consumption chain and at end of life."⁸

⁸ *National Waste Policy*, p9.

Recommendations

1. That the Australian Government recognises deficiencies in the implementation of the *Commonwealth Procurement Rules* for paper products related to environmental sustainability and links to the *Australian Government ICT Sustainability Plan*, *Sustainable Procurement Guide* and *National Waste Policy*. These deficiencies include a lack of compliance, monitoring and reporting as well a lack of guidance tools for evaluating environmental sustainability, including reducing landfill, and carbon emissions in relation to transport impacts.
2. That the Australian Government put in place stronger measures to ensure the adequate consideration and implementation of the *CPRs* related to environmental sustainability and the procurement of paper products including copy paper, envelopes and external printing contracts. These measures need to include more explicit guidance on methods for assessing environmental impacts and their relative weightings as part of value for money considerations.
3. That the Australian Government recognises its co-investment in Australian Paper's recycled paper plant at Maryvale and this project's links to the recycling and environmental objectives of the *National Waste Policy*, the *Australian Government ICT Sustainability Plan* and the *Commonwealth Procurement Rules*.

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