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Senate Finance and Public Administration Committees
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AFPA submission on the 'Senate Committee inquiry into 'Commonwealth procurement procedures – paper procurement'.

The Australian Forest Products Association (AFPA) welcomes the opportunity to provide a submission to the Senate Finance and Public Administration References Committee inquiry into 'Commonwealth procurement procedures – paper procurement' (Inquiry).

AFPA supports competition in the global trade of goods and services where there is a level playing field in terms of the removal of tariff and non-tariff barriers and comparable safety and environmental standards.

Government procurement in Australia operates as an open market, with competition from foreign suppliers. The Australian Government through its various departments and agencies is one of the single largest consumers in Australia of printing and communications papers, tissue, and packaging products. Therefore, Australian Government's procurement decisions has a major impact on local manufacturers, as well as sets precedents for wider Australian consumers.

In late 2015, AFPA was both perplexed and expressed our concern of the Australian Government's scrapping of the *Australian Government ICT Sustainability Plan 2010-2015* (ICT Plan), which required 100% recycled content for all office copy paper purchases by 1 July 2015. As a result, Government procurement policies are no longer underpinned by a recycled content requirement.

Additionally, within the current Australian Government procurement system, there appears to be a significant lack of awareness amongst procurement officials, and poor implementation of the environmental sustainability guidelines, when purchasing paper products.

AFPA understands, as of the end of 2015, a significant proportion of the largest Australian Government agencies are still purchasing imported paper products despite the price competitiveness of the locally made 100% recycled paper, and that all preferred government suppliers are able to supply locally made 100% recycled paper.

Examples of Australian Government agencies that are understood to be purchasing imported paper products include: Australian Bureau of Statistics; Australian Taxation Office; Clean Energy Regulator; Department of Finance; Department of Foreign Affairs and Trade; Department of Industry, Innovation and Science; Department of Infrastructure and Regional Development; Department of the Environment; Regional Development Australia; and many more. This indicates that much more can be done.

AFPA recently surveyed all 226 members of Federal Parliament and we found that just 20 MPs and Senators so far have responded that they proudly use Australian-made copy paper.

Purchasing imported paper, rather than recycled paper made from Australian waste paper results in higher CO₂ emissions, reduces the incentive for industry investment in recycling, and threatens regional employment and the economic sustainability of communities. It does not reflect the existing procurement-connected National Waste Policy, which seeks to minimise waste going to domestic landfills.

In terms of the current Inquiry, AFPA recommends the Australian Government formally reinstates the 'buy 100% recycled rule' and a requirement to minimise waste in a procurement connected policy (e.g. via the National Waste Policy) and continues work to improve the procurement system in Australia, ensuring that procurement officials adequately implement the environmental sustainability requirements for paper products that are contained within the system (i.e. via an assessment by the Australian National Audit Office of the application of the National Waste Policy and requirements of Clause 4.5 of the *Australian Government Commonwealth Procurement Rules* including fully taking into account the significant CO₂ emissions savings associated with choosing locally-made recycled paper).

Given the high level of imported paper products in Australia, it is important that Government procurement compares 'apples with apples', taking into consideration the environmental impacts of both imported and locally made copy paper, when making purchasing decisions.

Yours sincerely

Ross Hampton
Chief Executive Officer



AFPA SUBMISSION ON THE 'SENATE COMMITTEE INQUIRY INTO 'COMMONWEALTH PROCUREMENT PROCEDURES – PAPER PROCUREMENT'.

Australian Pulp and Paper Industry in Australia

The economic and social benefits of the Australian pulp and paper industry are significant, providing many skilled jobs in addition to economic activity and income in regions across Australia and growth to the national economy.

The Australian pulp and paper industry directly employs 15,000 people in both outer metropolitan and regional areas and supports a further 22,000 indirect jobs. The sales turnover for the pulp and paper sector averages around \$9.6 billion per year and the wood and paper products industry collectively represents around 5 per cent of total manufacturing value added in Australia.

Australia is a medium-sized open economy with an annual trade deficit in wood and paper products of around \$2 billion per annum, with a large proportion of imports comprising printing and writing papers. Major exporters of printing and writing papers to Australia include Finland, China, the United States and Germany as well as Canada, New Zealand and Indonesia.

Pulp and paper industries in Australia, include:

- Australian Paper, the largest private employer in Victoria's Latrobe Valley, contributing more than \$750 million annually to Australia's GDP and supporting over 5,900 flow-on full time jobs. The construction of Australia's only de-inked recycled paper plant at the Australian Paper Maryvale mill supported 950 direct and indirect jobs during construction and continues to provide around 250 new jobs in its ongoing operation, as well as contributing \$160 million in value to the economy. This mill produces 50,000 tonnes of recycled pulp each year, diverting up to 85,000 tonnes of wastepaper that would otherwise end up in landfill.
- The Kimberly-Clarke Australia tissue mill in Millicent, South Australia, which directly supports 400 employees and contractors, as well as up to 1,000 direct and indirect jobs in the region.

- The Norske Skog paper mill in Boyer, Tasmania, supporting over 300 direct and 900 indirect jobs, as part of its \$84 million investment in diversification to enable production of coated paper grades, suitable for magazines and catalogues. The mill replaces 140,000 tonnes of currently imported paper, improving our net trade position.
- The Visy Pulp and Paper mill in Tumut NSW which is designed to world-class standards and has adopted sustainability objectives in all parts of its operations, producing high-quality kraft paper for both domestic and international markets. Set on 1100ha, the Tumut mill was built in two stages. Stage 1 was completed in 2001 with an initial investment of \$450 million. The development of Stage 2 in 2009 doubled the mill's production capacity. In total, investment in the mill has been almost \$1 billion.

The paper products industry in Australia, as a capital intensive industry, has invested heavily over time in pulp and paper manufacturing and related activities such as bioenergy and cogeneration, including over \$1 billion in recent capital expenditure as noted above.

AFPA recognises that the Australian Government through its various departments and agencies is one of the single largest consumers in Australia of printing and communications papers, tissue, and packaging products. The Australian Government purchases annually:

- approximately 6,500 tonnes of copy paper;
- an estimated 50,000 to 60,000 tonnes of paper used for external printing, such as publications, pamphlets, forms, brochures and envelopes;
- around \$100 million of tissue paper; and
- a significant amount of packaging papers.

The Australian Government's procurement decisions therefore has a major impact on local manufacturers, as well as sets precedents for wider Australian consumers. AFPA recommends that Government departments take into account socio-economic considerations in addition to their 'value for money' considerations, in their procurement decisions.

Environmental sustainability guidelines for paper and printing products

When purchasing copy paper and printing products Government Departments are guided by the *Australian Government Commonwealth Procurement Rules (CPR)* and connected policies - the key principle of which is 'value for money'.

When considering suppliers, each Department is required to take into account a range of factors including, price and cost of the product or service, and other non-price factors, such as meeting the required specifications - "fit for purpose", quality, service and support, insurance and risk, delivery, contractual compliance - as well as energy,

sustainability (including environmental sustainability) and work health and safety aspects.

Key sustainability requirements within the procurement system include: Clause 4.5 of the CPR dealing with non-financial costs and benefits including environmental sustainability (i.e. energy efficiency and environmental impact); and Clause 4.7 of the CPR dealing with procurement-connected policies, which includes the *Australian Government ICT Sustainability Plan 2010-2015* and *National Waste Policy*.

The now-lapsed *Australian Government ICT Sustainability Plan 2010-2015* (ICT Plan) introduced a number of positive strategies and actions aimed at assisting agencies to better manage the environmental performance and impacts of the information and communications technology (ICT) they procure and use, including Mandatory Environmental Standards Guideline 4: Environmental Standard 4 (ES4) - Recycled content and office copy paper and Fact Sheet 3: Evaluation measures and weightings for procurement.

Key requirements for paper products purchased for use by the Australian Government under the previous ICT plan included:

- general use office copy paper to have a minimum post-consumer recycled content of 50% by July 2011, progressing to 100% recycled content by July 2015 (ES4 mandatory requirement);
- remaining virgin fibre content to originate from certified sustainable chain-of-custody sources, such as the Program for the Endorsement of Forest Certification (PEFC) – Australian Forestry Standard (AFS) schemes, Forest Stewardship Council (FSC) certified sources/forests, or from sustainably managed forests (ES4 mandatory requirement);
- similar paper content standards for external printing and design contracts, where possible (ES4 mandatory requirement); and
- recommended percentage allocation of at least 20-40% for environmental weightings for copy paper contracts (ICT Sustainability Plan fact sheet 3).

The National Waste Policy details a coherent, efficient and environmentally responsible approach to waste management in Australia. The aims of the National Waste Policy are to: avoid the generation of waste, reduce the amount of waste (including hazardous waste) for disposal; manage waste as a resource; ensure that waste treatment, disposal, recovery and re-use is undertaken in a safe, scientific and environmentally sound manner, and contribute to the reduction in greenhouse gas emissions, energy conservation and production, water efficiency and the productivity of the land.

The National Waste Policy includes:

- Strategy 2 to: embody and promote sustainable procurement practices by governments and the delivery of programs and services to facilitate certainty in the market; and the sharing of guidance materials with relevant bodies such as the Australian Procurement and Construction Council (APCC);

- the 2013 Sustainable Procurement Guide released as part of the National Waste Policy; and
- the 2011 Sustainable Procurement Guide for Office Paper prepared by the APCC.

Key requirements for paper purchased for use by the Australian Government under the National Waste Policy included:

- avoiding the generation of waste (National Waste Policy) and reduced landfill, through greater use of recycling; and
- transport impacts of fibre sourcing be taken into account as part of fully informed decisions on material sourcing (APCC Sustainable Procurement Guide for Office Paper).

Environmental benefits of using locally made recycled paper products and issues in sourcing unsustainable paper products

There are estimated to be significantly lower greenhouse gas (GHG) emissions associated with using locally made recycled paper products compared to using imported recycled paper. Key reasons include:

- lower GHG emissions resulting from a reduction in sea freight due to less imports of recycled paper;
- lower GHG emissions resulting from a reduction in sea freight due to less exports of locally made recycled paper displaced by local consumption of imported recycled paper; and
- lower landfill GHG emissions due to less non-recovered paper going to domestic landfill as it is recycled in Australia. Using [Australia's National Greenhouse Accounts Factors](#) (August 2015 page 71) for every tonne of recovered waste paper products used, rather than sent to landfill, equals ~2.9 tonnes of CO₂ emissions avoided.

The inherent environmental strengths of paper include the fact that it can be made from renewable and recyclable sources with carbon sequestration and land management benefits. However, if not conducted on a sustainable basis, there exist a number of significant issues related to forestry practices and the sourcing of environmental sustainable paper products. From a global trading perspective, these issues can include:

- land use conversion for fibre supply (i.e. deforestation or conversion of natural forests to plantations);
- environmental and social impacts of poor forestry practices (i.e. issues such as product yield, forest health, biodiversity and lack of community consultation);
- manufacturing practices (e.g. use of chemical, water and energy inputs);
- illegal logging and trade in wood and paper products;
- the carbon emissions footprint of products, including transport impacts; and
- the waste implications of additional landfill from using non-domestic recycled content paper sources.

Current status of environmental sustainability guidelines for paper and printing products

Despite being supported by industry, the *Australian Government ICT Sustainability Plan 2010-2015* (which included the requirement of 100% recycled content for all office copy paper purchases by 1 July 2015) was scrapped by the Government in 2015. As a result, Government procurement policies are no longer underpinned by a recycled content requirement.

The Government has subsequently taken an initial first step to rectify this issue via a letter from the Environment Minister Greg Hunt to other Ministers. The letter asks that, wherever possible, Ministers and their Departments commit to purchasing 100% recycled paper and adopt sustainable practices consistent with the National Waste Policy.

The logical next step is a formal reinstatement of this 'buy 100% recycled rule' in a procurement connected policy. This would have positive implications beyond the Australian Government, which is often seen as a leader for State and local governments, and the private sector in the area of sustainable procurement.

AFPA recommends that:

- *the Australian Government formally reinstates the 'buy 100% recycled rule' and a requirement to minimise waste in a procurement connected policy (e.g. via the National Waste Policy); and*
- *there is stronger action on implementing the Australian Government's sustainability requirements for paper products.*

Recent Recycling Investment in Australia

Australian Paper recently invested \$90 million in a recycling plant at its Maryvale site which will divert up to 80,000 tonnes of wastepaper from local landfill every year. This project received a \$9.5 million grant from the Australian Government and \$9.9 million in finance from the Clean Energy Finance Corporation (CEFC). A link to the significant environmental and recycling benefits from the project can be found on the CEFC website: <http://www.cleanenergyfinancecorp.com.au/our-investments/case-studies/plant-cuts-emissions,-creates-jobs.aspx>

In a previous submission to the Australian Parliamentary Finance and Public Administration Committee Inquiry into Commonwealth Procurement Procedures in 2014, Australian Paper revealed in their analysis of Departmental paper usage that 16 (or almost three quarters) of the 22 largest Departments were choosing to purchase imported paper rather than locally made paper. It is understood at the end of 2015, a significant proportion of the largest Australian government agencies are still purchasing imported paper products despite the price competitiveness of the locally made 100% recycled paper and that all preferred government suppliers are able to supply locally made 100% recycled paper. This indicates that much more can be done.

AFPA considers it essential that the sustainability guidelines for paper and printing products be fully implemented within the Australian Government procurement system, so as to provide a level playing field when it comes to assessing the environmental performance of imported and domestic paper products.

According to the Australian Government's own assessment of performance against the sustainability procurement guidelines: *'there is currently no formal whole-of-government mechanism or requirement for entities to report on the uptake of sustainable procurement'*. (Sustainable Procurement in the Australian Government Report 2013).

This lack of transparency and formal requirement to report back on sustainable procurement practices on a whole-of-government basis is of significant concern to AFPA, as there exist a range of sustainability issues with respect to the sourcing of internationally traded goods such as paper products. Furthermore, the lack of a consistent and measurable approach across Australian Government departments and agencies makes it difficult to ensure that the guidelines are actually being applied and met. An initial assessment should be undertaken by the Australian National Audit Office of the application of the National Waste Policy and requirements of Clause 4.5 of the *Australian Government Commonwealth Procurement Rules* within Government Departments and agencies.

AFPA recommends that the Australian Government continues work to improve the procurement system in Australia, ensuring that procurement officials adequately implement the environmental sustainability requirements for paper products (i.e. via an assessment by the Australian National Audit Office of the application of the National Waste Policy and requirements of Clause 4.5 of the Australian Government Commonwealth Procurement Rules). Given the high level of imported paper products in Australia, it is important that Government procurement compares 'apples with apples', taking into consideration the environmental impacts of both imported and locally made copy paper, when making purchasing decisions.