



**PRINTING INDUSTRIES
ASSOCIATION OF AUSTRALIA'S
SUBMISSION**

TO THE SENATE

**SELECT COMMITTEE ON THE SCRUTINY OF NEW TAXES
INQUIRY INTO THE CARBON TAX PRICING MECHANISMS**

August 2011

Background

The Printing Industries Association of Australia (*Printing Industries*) is the advocate and support organisation for businesses operating in the Print, Packaging and Visual Communication industry in Australia. The Association is an independent, member-based organisation, representing large, medium and small businesses.

The history of the Association dates from the 1880's as individual State bodies that later amalgamated to form a national organisation in 1924. A network of offices provides representation to members in all states and territories.

Membership covers all imaging and communication sectors. These include print, prepress and design, publishing, distribution, software and hardware, paper and paper board, print consumables, packaging and flexible packaging, paper converting, binding and finishing, communication and media services.

The industry represented by the Association which is vastly dominated by small size enterprises is undergoing a massive transition as it repositions itself to compete with other communications mediums. The printing industry also faces increased competition from foreign print providers who are taking advantage of the high Australian dollar to encourage local print buyers to source print offshore. These industry pressures have created a situation of low industry margins and a general inability to pass on cost increases arising from government policy measures such as the proposed carbon tax. The Government has recognised the challenges facing the industry by establishing a Working Group to consider ways of supporting the sector.

Printing industry's commitment to environmental sustainability has been manifested by investment in technology over the past two decades which has significantly reduced the industry's environmental footprint by driving major reductions in chemical, energy and water use, and the increasing coverage of sustainable forest plantations is helping to mitigate the effects of climate change by sequestering carbon dioxide. Furthermore, unlike electronic based products which operate by utilising the electricity generated by greenhouse gas producing power plants, timber based products including paper and printed matter play a crucial role as carbon sinks.

Interest in Senate inquiry into new taxes

Being the peak industry body *Printing Industries* monitors and evaluates all proposed policy measures and legislation that is likely to impact on its members and the industry it represents.

Placing a price on carbon initially via an interim measure such as a carbon tax, followed three years later by a market based Emissions Trading Scheme (ETS), represents fundamental economic reform for Australia. The proposed Carbon Pricing Mechanism represents lessening our reliance as an economy on carbon based energy sources such as coal which for decades have provided a distinct competitive advantage to the Australian economy, and moving towards greater reliance on cleaner energy sources most of which are still not mature enough to be used on a large scale or commercial basis. This is why the proposed Carbon Pricing Mechanism also has elements of direct action to help drive investment towards clean energy projects.

Likely impact on printing industry

The proposed changes to Australia's energy generation mix will impact on members of *Printing Industries*. The Association has identified a number of avenues through which a price on carbon will impact members. These include increased energy costs; increased material costs and transportation costs. Trade exposed segments of the printing industry will also be faced with potential "carbon leakage" due to reduced competitiveness levels.

Since the Australian economy is displaying the features of a two-speed economy, it is crucial that the economic viability of non-resource based segments of the economy such as printing is not endangered by the government's proposal to price carbon. While assistance to households comprises the largest component of the compensation package announced by the government, some 40 per cent of the revenue generated by the carbon tax will be used to support industry.

The bulk of industry support is earmarked to compensate the big emitters of greenhouse gasses. Since the printing industry is not a high emitting industry, it will not be receiving direct government support in the form of free permits to help minimise the cost impact of the proposed carbon tax.

Our industry as stated earlier will face carbon induced cost impacts and given that many industry segments are trade exposed, the danger of "carbon leakage" remains real.

In April 2011 a survey conducted by *Printing Industries* found that most members believed that rises of 20% in electricity costs or 10% in raw material and freight costs could have an impact as high as an average, 10-14% decline in industry demand, a 14-27% decline in profitability, and an 11-15% decline in employment in their business.

Members also indicated that a carbon price would have a significant effect on costs, with electricity and gas bills making up typically 5% of overall operating costs.

Some members indicated that offshore competition would prevent the pass through of any carbon costs, which could lead to some plant closures.

Fair policy measures to help minimise adverse impact on the printing industry

The economic climate the printing industry is currently operating in is extremely challenging with both official and industry based figures showing the printing industry has not recovered the volumes that were lost during the period of the Global Financial Crisis. Some industry participants are of the view that some of those opportunities are unlikely to be recouped.

Printing Industries believes the following policy measures are necessary to help the printing and related industries adjust to the proposed carbon pricing mechanism.

While the Association is not disputing the science of “climate change” it believes the introduction of such a massive reform package during uncertain economic times could turn out to be counterproductive and endanger the economic fabric of the nation. The Government needs to ensure that its policy orientation and ultimately implementation is not unilateral but an integral component of “global action” on climate change.

- **The Government should consider delaying the introduction of the carbon pricing mechanism until such time as economic conditions strengthen and rebound, and there is an unequivocal trend of global action on greenhouse gas emissions.**

The Association would like to see fair support and treatment of all industries. Accordingly the printing industry should be properly characterized for government support purposes. The printing industry’s import penetration ratio stands at 12 per cent. The Association is of the view that any industry that has an important penetration of 10 per cent or more should be categorised as being trade exposed. The high Australian dollar is also increasing the appeal and attractiveness of sourcing printed matter offshore which is adding another competitive dimension.

- **Recognise printing as a trade exposed industry requiring adequate direct government support**

If the Government is reluctant to give direct support to the printing industry then it should consider introducing measures aimed at creating a level playing field.

- **An alternative approach to compensation for the local printing industry would be to apply a carbon tariff on imported printed matter. The carbon tariff should apply to all imports of printed matter originating from jurisdictions that do not have emissions trading schemes or carbon taxes. This tariff would be set at a rate that reflects the**

carbon related costs incurred by local printing businesses. In the absence of adequate compensation to the printing industry, an import tariff would create a level playing field, helping prevent carbon leakage and job losses.

Creation of “green jobs” to help offset expected job losses in contracting industries should remain a core policy objective. The printing industry has undergone dramatic technological changes since the last quarter of the 20th century. Compared to the situation prevailing in the 1990’s, new prepress and printing technology has significantly reduced the industry’s environmental footprint by driving major reductions in chemical, energy and water use, and the increasing coverage of sustainable forest plantations is helping to mitigate the effects of climate change by sequestering carbon dioxide.

There exist further opportunities in the industry to drive down greenhouse emissions by increasing efficiency, however due to the capital intensive nature of these opportunities, they may not be realised under business as usual conditions. There is therefore a case for special support measures.

- **In order to unlock these opportunities training programmes, research and development, and funding for the uptake of energy efficient technologies by printing businesses are needed. By providing this funding to the printing sector, the Government would create new green jobs in the industry, enabling local printing businesses to remain competitive in a lower-carbon economy.**

The proposed Clean Technology Investment Program, designed to assist manufacturers modernise their equipment and upgrade to less polluting equipment and cleaner technologies, is unlikely to provide much benefit for the printing industry. An inherent disincentive is the requirement that for every dollar contributed by the government, printing businesses need to contribute three dollars. There is also the requirement that the business must have facilities that use more than 300 megawatt hours of electricity or five terajoules of natural gas a year. This latter requirement will effectively restricts the program to certain size printing businesses with *Printing Industries’* initial assessment indicating that at best, only up to 20 per cent of printing industry businesses may be eligible for funding.

- **The government should make the proposed Clean Technology Investment Program more appealing and accessible to the printing industry by changing the funding parameters so that for every dollar contributed by the Government, printing businesses need to also contribute a dollar.**
- **The Government should also consider lowering the electricity consumption and natural gas usage thresholds so that more printing businesses become eligible for government funding.**

The role of timber based products including paper and paper products (printed matter) in reducing greenhouse gasses

A recently conducted research in Australia by Professor Fabiano Ximenes acting on behalf of the New South Wales Forestry Commission has confirmed what previous studies have shown that paper products such as newspapers and magazines, can store carbon for many decades. The team led by Professor Ximenes excavated landfills that were up to 46 years old and found little decomposition of printed paper products.

“When wood and paper is put into landfill, some degradation may occur in the form of bacteria degrading the carbohydrates in the wood, which eventually releases carbon,” Professor Ximenes explained.

“Traditional wisdom had this carbon release being half of the entire carbon content of the wood and paper.

“But we have shown there is very little decomposition taking place, and after a certain point, none at all.”

The significance of this finding is that the default assumption by almost everyone – including the Intergovernmental Panel on Climate Change (IPCC) – is that paper decays rapidly in landfill and, in doing so, gives off methane; a highly potent greenhouse gas. New research suggests this isn't true. Paper and paper products (printed matter) have now been shown to remain in landfill indefinitely when stored in the right conditions away from other organic waste.

A much earlier US study in 1997 titled *The Decomposition of Forest Products in Landfills* showed that the maximum proportion of carbon in paper that is converted to methane and carbon dioxide in landfills is 26.2 per cent. For newspapers it is even lower at 15.7 per cent; for office paper it was found to be 38.2 per cent; for coated paper it was calculated at 17.5 per cent; and for wood it was only 3 per cent.

Timber based products including paper and paper products (printed matter) have been shown to be effective carbon sinks and as a consequence they should form part of any climate change mitigation plans.

- **The Australian Government should work with timber, paper and printing stakeholders to explore how these industries could be better integrated into the Government's overall climate change mitigation policy framework.**
- **The Australian Government should partner with the printing industry to promote paper and printed products as an extension of timber based products positive contribution to reducing carbon pollution.**

An industry/government partnership

Printing Industries has developed a number of environmental initiatives as part of its commitment to establishing a more sustainable industry. The ISO 14001 based environmental certification scheme Sustainable Green Print (SGP); the Energy Efficiency Programs developed in partnership with the NSW Government and plans to roll out the program across the country; exploring bulk electricity purchasing are all designed to make the printing industry a more sustainable industry.

The Association would like to work with the Australian Government to provide greater industry access to these programs and initiatives. The Association would also like to be part of the energy efficiency information campaign. With 85 per cent of the printing industry establishments employing less than 20 people, *Printing Industries* as an association fulfils the criteria of having established relationships with small business.

- ***Printing Industries* sees great opportunities in partnering with the Australian Government to promote and encourage the uptake of sustainable practices.**
- **The Association is also ideally placed to deliver the energy efficiency information campaign on behalf of the Australian Government.**

Conclusion

The Australian Printing Industry is undergoing significant economic challenges. *Printing Industries* strongly believes that the introduction of the proposed carbon pricing mechanism without adequate support will generate additional negative impacts on the Australian printing industry. The costs incurred by the printing industry will decrease profitability, causing job losses and business closures, and leading to carbon leakage through higher volumes of imported printed matter. This conclusion is supported by responses from a *Printing Industries* conducted survey.

In order to counteract the effects of a carbon price, the Australian Government must create a level playing field for local businesses by providing financial assistance in line with other trade-exposed industries. Funding should also be provided to the industry in order to realise the significant opportunities to reduce emissions through energy efficiency projects.

The Government should provide funding for training programmes, research and development, and uptake of energy efficient technologies by printing businesses in order to reduce overall emissions and transition the sector to remain competitive in a lower-carbon economy.

In the absence of adequate financial assistance for the printing industry, a carbon tariff should be imposed on imported printed matter originating from jurisdictions that have no carbon taxes or emissions trading schemes, reflecting the carbon costs incurred by local printers.

The Association would also like to draw to the attention of the Government the potential role that timber based products including paper and paper products (printed matter) can play in Australia's climate change mitigation policy. *Printing Industries* would only be pleased to explore this opportunity and environmental solution further with the Government.

Finally, the Association would like to work with the Australian Government in a partnership arrangement to improve the access of the printing industry to existing and proposed environmental initiatives. As a major representative of small business *Printing Industries* would also like to form part of the Government's energy efficiency information campaign.