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Submission by Australian Paper to the Finance and Public Administration References Committee Inquiry into Commonwealth procurement procedures – paper procurement

Australian Paper welcomes the Finance and Public Administration References Committee Inquiry into Commonwealth Procurement Procedures – Paper Procurement.

As a major user of copy paper in Australia, the Australian Government's procurement decisions have a significant impact on social, environmental and economic outcomes.

The *Australian Government ICT Sustainability Plan 2010-2015*, which mandated that Government departments and agencies purchase 100% recycled office copy paper from 1 July 2015, provided certainty for Australian Paper to make a \$90 million investment in building a major new paper recycling plant at the Maryvale Mill, in Victoria's Latrobe Valley.

Australian Paper was deeply concerned by the Australian Government's decision to scrap the *Plan* from July 2015, reversing its commitment to using 100% Recycled paper.

In addition, a December 2015 assessment of the use of imported recycled copy paper in Australian Government departments and agencies, suggests that 60% of the 50 largest agencies are purchasing imported copy paper rather than more sustainable recycled papers made exclusively from Australian waste paper.

Purchasing imported copy paper, rather than recycled paper made from Australian waste paper results in higher CO₂ emissions, threatens local jobs and puts the sustainability of regional communities at risk. It also fails to reflect the procurement connected *National Waste Policy*, which seeks to support the creation of local value added markets to reduce the volume of locally landfilled waste. The Maryvale Waste Paper Recycling Plant is exactly the type of investment in appropriate management of end of life products that the *National Waste Policy* seeks to encourage.

Australian Paper urges the Australian Government to reinstate the requirement for departments and agencies to purchase 100% recycled paper and to fully take into account the significant CO₂ emissions savings associated with choosing locally made recycled paper.

Yours sincerely

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Australian Paper Submission

Finance and Public Administration References Committee

Inquiry into Commonwealth Procurement Procedures – Paper Procurement

March 31, 2016

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Summary and recommendations

Australia is considered one of the leading countries globally for paper recycling, ranking alongside Japan and European countries. Yet an estimated 60% of the largest federal government departments and agencies choose to purchase imported copy paper over local products, creating a significant carbon footprint of emissions associated with shipping paper from overseas, increasing the likelihood that Australian wastepaper will end up in landfill, and putting local jobs at risk.

In 2010, the Australian Government introduced the *ICT Sustainability Plan* which included Mandatory Environmental Standard ES4: “General use office copy paper to have a minimum post-consumer recycled content of 50 per cent by July 2011, with progression to 100 per cent post-consumer recycled content by July 2015.”¹

As a practical response to Australian Government policy, particularly the procurement-connected *ICT Sustainability Plan* and the *National Waste Policy*, Australian Paper invested \$90 million in building Australia’s only wastepaper de-inking and recycling plant at the Maryvale Mill in Victoria’s Latrobe Valley. The Australian Government supported the construction of the Maryvale recycling plant by providing a \$9.5 million grant, plus \$9.9 million in funding through the Clean Energy Finance Corporation. The CEFC website has additional information on this project as part of its case study into the plant which can be accessed here:

<http://www.cleanenergyfinancecorp.com.au/investments/case-studies/plant-cuts-emissions,-creates-jobs.aspx>

This plant has the annual capacity to recycle up to 80,000 tonnes of Australian wastepaper, diverted from local landfill. However, it is currently operating at well below this level.

In July 2015, The Department of the Environment chose to no longer support the *ICT Sustainability Plan*, and end the Australian Government’s commitment to support 100% recycled paper.

Australian Paper recommends and endorses:

- 1. That the Australian Government reinstate its public commitment to the procurement of 100% recycled general use office copy paper.**
- 2. That the Australian Government implements Strategy 2 of its own procurement connected *National Waste Policy* which requires that; “All governments as significant procurers of goods, services and infrastructure, will embody and promote sustainable procurement principles and practices within their own operations and delivery of programs and services to facilitate certainty in the market.”²**
- 3. That the Australian National Audit Office undertakes an assessment of the application and implementation of relevant procurement-connected policies within Australian Government Departments and Agencies, including the National Waste Policy, and requirements 4.5 (e & f) of the Commonwealth Government Procurement Rules. This should include CO₂ emissions associated with the importation of paper as part of Value For Money procurement assessments.**

¹ *ICT Sustainability Plan, 2010 – 2015*, Australian Government 2010

² *National Waste Policy*, Australian Government, 2009

An Australian Government commitment to using 100% recycled general use office copy paper is consistent with past and present procurement connected policies

The *Australian Government ICT Sustainability Plan* was introduced in 2010 and made it mandatory for Australian Government departments and agencies to procure copy paper with 100% post-consumer recycled content by July 2015. The Department of the Environment recently confirmed that it has no arrangements in place to support the *ICT Sustainability Plan* after July 2015.

Strategy 2 of the *Australian Government National Waste Policy: Less Waste, More Resources*, states that governments should use their own procurement to facilitate certainty in the market.³ This includes the requirement that sustainable procurement principles are taken into account as part of Value for Money procurement decisions, that responsibility for goods and materials at end of life are taken into account as far as practicable in decision making, and that governments report periodically on the uptake of sustainable procurement.

The *Commonwealth Procurement Rules* state that “an official **must** consider ... environmental sustainability of the proposed goods and services (such as energy efficiency and environmental impact) and whole of life costs.”⁴

Government commitment to using local 100% recycled paper would result in less CO₂ emissions

There are two primary reasons why a government commitment to using local recycled paper will result in less CO₂ emissions.

The first is that it is estimated that importing recycled paper generates 870 kg more greenhouse gas emissions per tonne than using locally manufactured recycled paper made with Australian recycled waste paper.⁵

A second reason is that the recycling plant at Maryvale uses recovered paper that would otherwise be directed to landfill or exported, both of which create CO₂ emissions.

Based on Australia's National Greenhouse Accounts Factors,⁶ every tonne of recovered waste paper that is utilised, rather than sent to landfill, avoids the creation of 2.5 tonnes of CO₂ emissions. Australian Paper's Maryvale recycling plant therefore has the potential to avoid the creation of up to 200,000 tonnes of CO₂ emissions.

³ *National Waste Policy*, Australian Government, 2009

⁴ *Commonwealth Procurement Rules*, Australian Government, 2014

⁵ *Recycled paper: A comparison of greenhouse gas emissions associated with locally made and imported paper products*, Indufor Asia Pacific Pty Ltd, 2016

⁶ *Australian National Greenhouse Accounts*, Commonwealth of Australia, 2013

Australian Government purchase of 100% recycled general use office copy paper made with Australian recycled waste paper will bring social, economic and environmental benefits to Australia



Regional and national social benefits are generated by Australian Paper

Australian Paper's Maryvale Mill in Victoria's Latrobe Valley is Australia's largest integrated pulp and paper mill and the only manufacturer of copy and printing paper in the country.

The current capital replacement value of Australian Paper's main manufacturing facility is over \$3 billion, with all equipment located in regional Victoria.

Australian Paper's owner, Nippon Paper Industries, has invested over \$1 billion of capital in regional manufacturing of paper since 2009, including providing the majority of the funding for the \$90 million paper recycling plant.

Maryvale is one of the largest private employers 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 recycling plant will contribute almost 250 additional flow-on jobs, ongoing.⁷

⁷ *Economic Impact Report Australian Paper*, Western Research Institute, 2012

These jobs help to sustain communities, particularly in regional areas where many of these jobs are located.

It is estimated that Australian governments receive \$1.81 in revenue from every ream of A4 paper manufactured by Australian Paper.⁸ This revenue is used by governments to provide community infrastructure and services.

Yet Australian Government departments and agencies are choosing imported recycled paper over locally-made recycled paper

The Australian Government's 2009 *National Waste Policy* "sets a clear direction for Australia over the next 10 years, toward producing less waste for disposal and managing waste as a resource to deliver economic, environmental and social benefits."⁹

The *Policy* places responsibility on all governments to "embody and promote sustainable procurement principles and practices within their own operations."¹⁰

As of December 2015, Australian Paper believes 60% of the largest Australian Government departments and agencies were purchasing copy paper imported from overseas (see next page), despite the fact that Australian made paper is price competitive against any other 100% recycled imported alternative.

Importing recycled paper addresses landfill issues in Europe but only adds to landfill in Australia.

There is an opportunity for the Australian Government to show leadership by supporting the purchase of 100% recycled general use office copy paper made with Australian recycled waste paper

Australian Paper acknowledges the Australian Government's response to the previous Committee Report on Commonwealth Procurement Procedures released on July 17, 2014. While it is disappointing that little support was given by the Australian Government to the recommendations, Australian Paper welcomes the Auditor General's support for a review of the revised *Commonwealth Procurement Rules*, particularly the need for improvement relating to the assessment of financial and non-financial costs and benefits, and the full implementation of relevant sustainability related, procurement-connected policies.

As a key financial supporter of the Maryvale recycling plant, and in accordance with its own existing mandatory procurement-connected *National Waste Policy* and *Commonwealth Procurement Rules*, the Australian Government should formally recognise the lower carbon emissions footprint of local recycled paper in comparison to imported alternatives and confirm its commitment to purchasing 100% recycled paper made from Australian waste paper.

⁸ *Due Diligence Analysis*, Western Research Institute Ltd, 2013

⁹ *National Waste Policy*, Australian Government, 2009

¹⁰ *National Waste Policy*, Australian Government, 2009

Government Department & Agency: office paper use (December 2015)

| Using Imported paper | Using Australian Made Paper |
|---|--|
| ABC - Australian Broadcasting Commission | Administrative Appeals Tribunal |
| Australian Bureau of Statistics | Attorney-General's Department |
| Australian Communications and Media Authority (ACMA) | Austrade |
| Australian Competition and Consumer Commission | Australian Electoral Commission |
| Australian Crime Commission | Australian Federal Police |
| Australian Financial Security Authority | Australian Prudential Regulation Authority |
| Australian National Audit Office (ANAO) | Australian Securities and Investments Commission |
| Australian Radiation Protection and Nuclear Safety Agency | Department of Agriculture |
| Australian Taxation Office | Department of Defence |
| Australian Transaction Reports and Analysis Centre | Department of Health |
| Bureau of Meteorology | Department of Human Services |
| Clean Energy Regulator | Department of Parliamentary Services |
| Commonwealth Director of Public Prosecutions | Department of Social Services |
| Department of Communications and the Arts | Department of the House of Representatives |
| Department of Education and Training | Department of the Senate |
| Department of Employment | Family Court |
| Department of Finance | Federal Court of Australia |
| Department of Foreign Affairs and Trade | IP Australia |
| Department of Immigration and Border Protection | National Archives of Australia |
| Department of Industry, Innovation and Science | National Health and Medical Research Council |
| Department of Infrastructure and Regional Development | |
| Department of the Environment | |
| Department of the Prime Minister and Cabinet | |
| Department of Veterans' Affairs | |
| Geoscience Australia | |
| Great Barrier Reef Marine Park Authority | |
| Office of the Fair Work Ombudsman | |
| Productivity Commission | |
| Regional Development Australia | |
| Treasury | |

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