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18 September 2018

Contact Officer: Hannah Ransom
Australian Competition and Consumer Commission
23 Marcus Clarke Street
CANBERRA ACT 2601

By email only: adjudication@acc.gov.au

Dear Ms Ransom,

Regarding AA1000429 – AgStewardship - submission

Animal Medicines Australia (AMA) is the peak body representing the leading animal health companies in Australia. AMA member companies are the innovators, manufacturers, formulators and registrants of a broad range of veterinary medicine products that prevent, control and cure disease across the companion animal, livestock and equine sectors.

Membership of AMA requires companies to participate in the drumMUSTER and ChemClear programs. Participation in these key industry stewardship activities demonstrates our commitment to extended producer responsibility across the lifespan of our products and shows our customers that we take our responsibility to Australian agriculture seriously.

AMA strongly supports the proposed levy increase of 2c per litre/kilogram. We further support a period of 5 years for the new levy, and that it should take effect from 1 July 2019.

We support the proposed levy increase for the reasons outlined in this letter.

1. *the current levy amount of \$0.04 per litre/kg is insufficient to support operation of the existing program*

The drumMUSTER levy has not increased in over 20 years of successful program operation. The quantum of levies each year has been relatively static, but operational costs have continued to rise. For example, the cost of collection and processing of eligible containers is now estimated at \$1.41-\$1.50 per 20kg container, which substantially outweighs the levy collected on that container (\$0.80 for a 20kg container). The cost of collection and processing of ChemClear products has also increased significantly since it began to more than \$9 per litre/kg (compared to the \$0.04 per litre/kg levy).

Recent shortfalls in operational costs have been offset by the drawdown of reserves, but this is not sustainable. In addition, there have been no levy increases to account for inflation and CPI over 20 years, such that the real value of the 4c per litre/kg levy has been significantly degraded over time.

The planned expansion of the program to recycle more containers and collect more unwanted chemicals will further impose significant operational cost pressures that cannot be supported by the current levy.

2. *the drumMUSTER and ChemClear programs are an Important component of industry stewardship and represent our corporate responsibilities for the life cycle of our products.*

These programs make a significant contribution to environmental protection, and public health and safety, by addressing the negative consequences associated with the improper disposal of packaging materials and unwanted chemicals. These programs also emphasise to the end user that they too have stewardship responsibilities, from the point of purchase to waste management and disposal.

The drumMUSTER and ChemClear programs also drive positive behavioural change across the life cycle of Agvet chemicals, and at multiple points in the supply chain. Most significantly, these programs reduce the environmental damage and public health risks associated with the uncontrolled dumping, burning and burying of hazardous waste on public and private property, as well as reducing pressure on landfill sites.

3. *the public benefits provided by the programmes are substantial, valuable and accrue over time.*

The appropriate disposal of Agvet containers and chemicals provides significant environmental protection, public health and safety benefits that support agricultural sustainability and its social license to operate. drumMUSTER and ChemClear have been internationally recognised as successful agricultural stewardship programs. Responsible stewardship of Agvet chemicals across the life cycle to include waste management and disposal also makes an important contribution to protecting and enhancing the good reputation of Australia's vital agricultural industries.

4. *the new levy amount will facilitate the expansion of the drumMUSTER and ChemClear programs.*

An increased levy will support improvements to infrastructure to fill identified gaps in the network of collection sites, especially in remote regions, as well as improve collection site safety (especially for

ChemClear collection points) and allow the segregation of collected products by type to facilitate processing. It is hoped that in the future, drumMUSTER will be able to collect a wider range of plastic containers, which will encourage manufacturers to invest in new packaging technologies that improve re-use and recycling. More frequent ChemClear collections will encourage the prompt disposal of hazardous chemicals, thereby reducing on-farm stock-piling and other unsafe storage practices.

A levy increase will also support campaigns to raise awareness of these important programs with end users, who may not be aware that the collection of eligible containers and chemicals is available at no additional cost to them. This should lead to higher collection rates for eligible containers and chemicals, and thus provide greater environmental protection, and public health and safety benefits.

- 5. participation in the program is voluntary and the high rate of industry participation in the program indicates its value to the industry.*

Participants in the drumMUSTER program voluntarily agree to fund activities of mutual interest and benefit. The value of the program to industry is evident in the extremely high participation rates by Agvet chemical manufacturers, with over 90% of the total volume of eligible containers now covered by the drumMUSTER program. Therefore, AMA does not believe that the proposed levy increase will have any adverse effects on existing or potential competition in the local Agvet chemical market.

- 6. there are significant adverse consequences if the levy increase is not authorised.*

As indicated previously, the current levy is insufficient to support the ongoing operation of the drumMUSTER and ChemClear programs. In addition, there are no alternative recycling or disposal schemes for Agvet chemicals in Australia that are available to end users at minimal cost.

Without drumMUSTER and ChemClear, the disposal costs for an individual user would quickly escalate and would likely be deemed uneconomic to pursue. This will encourage the resumption of previous poor behaviours, such as stock-piling, burning, burying or dumping hazardous containers and chemicals. drumMUSTER and ChemClear provide a vital pathway for the cost-effective and safe disposal of Agvet chemicals and containers, and the loss of these programs would pose major risks to the Australian environment and public health.

- 7. there are significant cost efficiencies associated with maintaining these well-established, self-regulated, voluntary stewardship programs.*

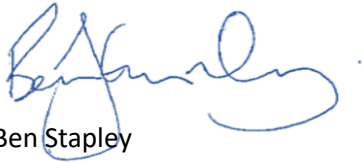
drumMUSTER represents a voluntary partnership of manufacturers, distributors, primary producers and local governments to address important issues that the market currently cannot. The provision of a new program by either government or industry would likely impose a much greater cost on end users than the current levy arrangement.

In summary, AMA fully supports this application for re-authorisation by AgStewardship Australia Limited. AMA strongly believes that the benefits conferred by the drumMUSTER and ChemClear programs will continue to far outweigh the negligible increase in cost to end users associated with the proposed levy increase. These programs provide a key pathway for end users to responsibly dispose of chemical containers and unused or unwanted chemicals, thereby protecting our unique

environments, the health and safety of our communities, and the reputation and sustainability of Australian agriculture.

Should you have any questions regarding the content of this submission, please contact AMA's Science and Technical Manager, Dr Charmian Bennett.

Yours sincerely,



Ben Stapley

Executive Director