

# Competition in Producer Responsibility: Case Study of German Packaging Compliance Schemes

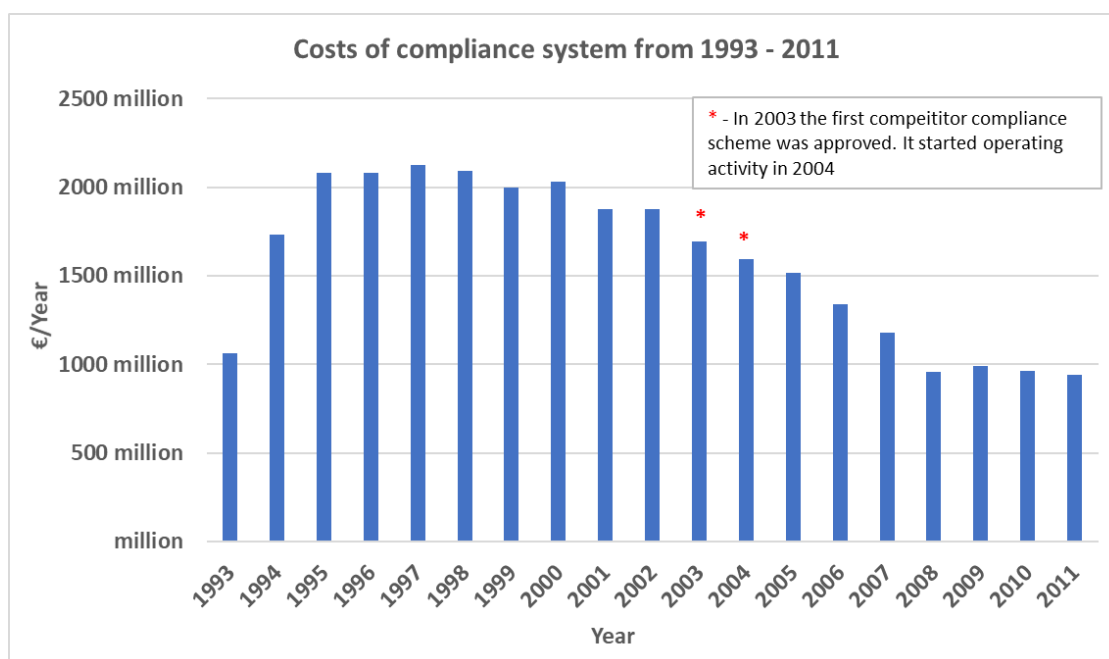
## Introduction

In 1990 the company and compliance scheme operator Duales System Deutschland (DSD) was formed to ensure the household packaging waste takeback obligations of German packaging producers were carried out. The packaging takeback system (the “dual system”) was formed under the German packaging waste legislation, “Verordnung über die Vermeidung und Verwertung von Verpackungs-abfällen”, or “VerpackV”. For several years DSD operated as a not-for-profit, monopoly packaging system.

The German household packaging system was opened to competition gradually; several amendments and decisions were made both at a national and EU level which allowed competitor operating schemes to join the packaging waste system. The first of the competitor compliance schemes began in 2003, with a number of other schemes then entering the market over subsequent years.

## Effects of competition on the German Packaging System

In December 2012 the German Higher Federal Competition Authority, Bundeskartellamt, published a Sector Inquiry regarding compliance schemes entitled “Interim Assessment of the Opening to Competition of Compliance Schemes” (English translation). One of the significant effects found of the opening of the packaging waste system to competition was the reduction in the costs for household packaging waste collection, treatment and disposal. In fact, according to figures from the Bundeskartellamt report, the revenues of the compliance schemes fell from approximately €2billion/year in 1998-2000 to less than €1 billion in 2008-2011, as shown in the graph below.



Source: December 2012 German Higher Federal Competition Authority, Bundeskartellamt, Sector Inquiry regarding compliance schemes entitled “Interim Assessment of the Opening to Competition of Compliance Schemes” (English translation). Pg. 98, Table 9 “Revenue of the compliance schemes under licence agreements 1993-2011”

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NB: It should be noted that there were other changes in the packaging system in Germany, for example a deposit return system (DRS) was introduced in 2003 and extended to cover more beverage packaging from 2006.

The study concludes that recycling quantities were not negatively affected by the opening of the system to competitors, and in fact that recycling rates for household lightweight packaging actually increased when comparing 2002 (62%) to 2011 (73%). The study also states that the opening of the system to competition has led to an increase in recycling technology and innovation, further driving cost reductions.

## Competition in the UK context

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The UK has historically favoured competition for producer responsibility systems, including packaging, waste electrical and waste battery regimes. In fact, our experience in the WEEE system has shown competition and an increased commercial focus has significantly reduced costs for the collections and treatment. When looking at other European countries there is also a trend for monopoly systems, particularly in packaging producer responsibility systems, to be opened to competition. There are no known examples of packaging systems moving from a competitive market to a monopoly-based system.