THE NATIONAL

ENVIRONMENTAL LABELING CONFERENCE

Sponsored by:

U.S. EPA, Region III

Hyatt Regency

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INTRODUCTION

Since 1990, consumers have expressed an increasing demand for products that are less stressful on the environment. Many products now bear information on their labels related to their possible impact ranging from the vague "good for the environment" to the more specific "contains at least 10% post-consumer waste". There soon followed a variety of governmental efforts to protect consumers from false and misleading claims.

To facilitate communication among the many concerned groups, U.S. EPA Region III sponsored the National Environmental Labeling Conference on October 1-2, 1991. The conference brought together more than 170 representatives of state and federal government, business and foreign countries to discuss existing and potential labeling strategies. This conference was preceeded by the Second National Environmental Shopping Conference on September 30, 1991 which was co-sponsored by Pennsylvania Resources Council and U.S. EPA Region III. Both conferences were held at the Hyatt Regency on the Inner Harbor in Baltimore, Maryland. For more information on the Environmental Shopping Conference, please contact the Pennsylvania Resources Council at (215) 565-9131 or submit a written request to P.O. Box 88, Media, PA. 19063.

ACKNOWLEDGEMENTS

U.S. EPA Region III would like to extend special thanks to all the EPA staff who worked on the conference and to the staff and volunteers of the Pennsylvania Resources Council.

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EPA'S EFFORTS ON ENVIRONMENTAL LABELING

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INTRODUCTION

We have all seen the proliferation of claims now being made in the marketplace that tout the environmental attributes of products. Many companies are offering products in highly concentrated forms, enabling their sale in "reduced packaging." Others are advertising their products as "environmentally friendly," "recyclable," "ozone friendly," and the like.

This tells me that consumers must be increasingly sensitive to environmental issues, or manufacturers would not use the precious space on their packages for making environmental claims. This is very good news because it means that environmental goals can perhaps be achieved by proper environmental labeling messages and practices. We at EPA want to seize this opportunity to help advance a number of our initiatives.

We believe that by providing reliable and meaningful information to consumers, we can take advantage of their desire to do the "right thing" by making responsible environmental choices. We believe strongly that well-conceived labeling programs can lead, over time, to:

- reductions in air and water pollution
- significant reductions in municipal solid waste generated in the home
- enhanced markets for recovered materials
- increased supplies of recovered materials
- and, in general, to the promotion of the environmental ethic among all sectors of society.

Unfortunately, there is a potential that we, as a nation, will fail to seize the opportunity at hand. It is likely that consumers are becoming confused over the meaning of terms used to describe various products. By making vague claims like "environmentally friendly," some are trying to take advantage of the "green" market, without taking the very important step of educating the consumer. Conflicting State requirements may also make it difficult, maybe even impossible, to market products nationally.

EPA'S INITIATIVE

Information is the key to a properly functioning market and EPA wants to ensure that consumers are equipped with accurate and meaningful information. We want to ensure that responsible manufacturers are not at a competitive disadvantage because others are improperly claiming environmental attributes. We also are seeking a market in which businesses want to compete and will be able to compete on the basis of their products' environmental characteristics.

Given this back drop, EPA believes that the solution is to issue clear Federal guidance that will allow consumers to make informed choices based on accurate, meaningful information. We need commonly accepted guidelines that will provide national consistency, aid the competitive process, and provide guidance to the States.

National guidelines will serve an important environmental purpose -- accurate information will stimulate consumer demand and encourage market response to products with good environmental attributes.

Virtually everyonc recognizes the need for national guidelines. We first became aware off how widespread the support was for national guidance in May of 1990. At that time, we sponsored a focus meeting involving representatives of Federal, State, and local government; the waste management industry; manufacturers and distributors; and public interest groups. We were trying to define appropriate roles and responsibilities for all involved in generating and managing municipal solid waste.

All of these groups, in their separate break-out sessions, called for the development of national labeling guidelines. In response, we built a modest labeling project into our Fiscal Year 1991 budget to look into the use of the terms "recycled" and "recyclable."

More recently, EPA has been a participant with the Federal Trade Commission and the U.S. Office of Consumer Affairs in the Federal Interagency Task Force on Environmental Labeling. The purpose of the Task Force is to provide a coordinated and cohesive national response to the issues of environmental labeling and "green" marketing. Through a coordinated Federal effort, we hope to reduce consumer confusion and send a unified message to both consumers and businesses.

Members of the Task Force are now active in a number of areas. First, EPA has been considering a number of approaches for the use of the terms "recycled" and "recyclable" and the "chasing arrows" symbol on products and packaging. Our intention since May of 1990 has been to issue voluntary national guidance on the use of these and other labeling terms.

Soon, probably this week, EPA will publish a notice in Federal Register requesting comments on an array of options for the terms "recycled" and "recyclable" and the chasing arrows symbol. We are recommending that the use of the term "recycled" be accompanied

by a clear statement of the weight percentage of recycled materials in the product or packaging.

We are also recommending that the term "recyclable" be qualified by the type of material involved, the need to inquire about the availability of local recycling programs, and disclosure of the national recycling rate for the commodity claimed to be recyclable. An example of our preferred claim would be: "This bottle is recycled in communities where collection facilities for colored glass bottles exist. For more information, contact your local recycling coordinator. Glass bottles are recycled at a 20% rate nationally."

With regard to the chasing-arrows symbol, we are recommending that the symbol be used only for "recycled content" or "recyclable" claims, and not for claims unrelated to recycling. We are also recommending that marketers clearly label the emblem as pertaining to "Recycled Content" or "Recyclable" claims.

Lastly, we are recommending that marketers clearly differentiate between "recycled content" and "recyclability" claims made about the product versus its packaging. We believe this is necessary to reduce consumer confusion.

We will be conducting a public hearing on our notice. It is scheduled for November 13 and 14 at the Rosslyn - West Park Hotel in Arlington, VA. Details are provided in our Federal Register notice. [We have brought about two hundred copies with us for conference attendees.] We are also providing a 90 day period for submittal of written comments on the notice.

RELATED ACTIVITY

Additionally, in February of 1991, industry groups led by the National Food Processors Association petitioned the Federal Trade Commission to develop industry guides for the use of environmental terms. The FTC held hearings on July 17 and 18 to help them determine whether the Commission should develop guides, as requested in the industry petitions. They also requested information on how consumers respond to various marketing claims.

Hank Habicht, our Deputy Administrator, testified at the FTC Hearing. In his remarks, he stated:

1. Clear Federal guidance is needed to help clarify the information provided to consumers and to increase consumer confidence in the validity of environmental claims.

2. Environmental claims should be as specific as possible, should be substantive, and should be supported by reliable evidence.

3. Manufacturers should avoid the unqualified use of general claims such as "environmentally friendly" and "safe in a landfill." Our position is that they are overly simplistic, vague, or irrelevant, and do not provide a meaningful basis for comparing products.

4. Recycled content claims should include, at a minimum, the percentage of recycled materials used; and

5. Environmental claims should distinguish between products and packaging.

Mr. Habicht stated his belief that accurate and meaningful information will stimulate competition, provide a level playing field for manufacturers, benefit consumers, and, most important of all, lead to benefits to the environment.

CLOSING

The ultimate fate of EPA's efforts will necessarily be affected by the Federal Trade Commission's decision on whether to issue industry guides. We, of course, will share with FTC the information that we receive in response to our Federal Register notice on "recycled" and "recyclable." We intend to continue the close working relationship that we have developed with FTC and the U.S. Office of Consumer Affairs through the Interagency Task Force. We have offered our technical assistance to FTC should it choose to issue industry guides on environmental labeling. Additionally, in the event that FTC decides not to issue industry guides, EPA intends to proceed with its own guidance. However, it is not our intention to have two sets of guidance -- it is our intention that the Federal government speak with one voice through a single set of guidance on environmental terms.

Thank you.

SPEECH BY RIC ERDHEIM October 1, 1991
EPA CONFERENCE ON ENVIRONMENTAL LABELING
ENVIRONMENTAL MARKETING CLAIMS ACT

My boss, Senator Frank Lautenberg, comes to the issue of environmental claims on products and packages with a particular interest. About 40 years ago, he co-founded a company you may know, Automated Data Processing. He started out as ADP's chief salesman, so he has a keen interest in marketing and sales. He knows firsthand that the way in which you market a product makes a difference in whether or not the product sells.

Senator Lautenberg also has seen the power of information. Five years ago the Congress passed the Right-to-Know law which Sen. Lautenberg wrote. Now facilities must report on their emissions of toxic pollutants.

When the first emissions were published in 1989, the results were startling. The public was outraged that industry was emitting 23 billion pounds of toxics into the environment. And they demanded action.

But even more startling was the response of American industry. I can't tell you how many corporate officials told the Senator that they had no idea about the level of their company's emissions. And when they found out they announced plans to cut their toxic emissions. Voluntarily.

Accountability. It has revolutionized industry's approach to environmental issues. Just by disclosing information we have demontrated the power of information. The Right-to-Know law

conclusively demonstrates the ability of citizens to assert their will when armed with accurate data to support their arguements.

Finally, Senator Lautenberg believes that we need to focus our efforts on preventing pollution from being generated. For the last twenty years we've dealt with pollution by installing end-of-the-pipe controls. Until recently, virtually all of our regulatory efforts have been directed towards managing pollution after it is produced.

But too often, end-of-the-pipe controls shift pollution from one environmental medium to another. The safest way to protect the American people and our environment from these pollutants is to eliminate or reduce them before they are generated. Last year the Congress enacted the Pollution Prevention Act which he wrote to start a pollution prevention program.

That is why Sen. Lautenberg is so interested in this issue and why he introduced S. 615, the Environmental Marketing Claims Act. By making available accurate information about the environmental attributes of consumer products and packages, we can revolutionize the way manufacturers make their products and package them. We can duplicate the success we've enjoyed with the Right-to-Know program. And we can reduce the level of pollution we generate.

I'm sure you realize the effect that environmental labeling can have on consumers. Polls show that consumers would pay more for "environmentally safe" products and packages. Manufacturers are

responding. According to Marketing Intelligence Service, a company that gathers and analyzes new product information, "environmentally friendly" products constituted 4.5% of all new product introductions in 1989 and 9.2% in the first half of 1990. Back in 1985, green product made up only .5% of all new products.

Today consumers are bombarded with products claiming to be environmentally safe. Instead of environmental consumerism we are getting environmental confusion. There are no standards by which a consumer can judge these claims. And this puts manufacturers who are making significant product or package improvements at a disadvantage with those who aren't making these improvements. We need to establish a standard by which consumers can measure these claims.

Many manufacturers want to respond to consumer demand for environmentally preferable products. These companies are showing great responsibility to their consumers and to their communities. They want to play by a common set of rules. The American people want to see firms invest in equipment and processes to manufacture environmentally safe products and packaging.

It is a basic role of government to establish common standards, measures and definitions that provide common denominators by which competition can take place fairly in the free market. A free market relies on it and also depends on free and accurate information.

So we need to create a framework to protect consumers, to protect industry and to protect the environment. We need to provide incentives to manufacturers to make environmentally preferable products and packages. We need to create a level-playing field for manufacturers. We need to prevent claims by those who fail to upgrade their products and packaging. And we need to establish standards by which consumers can measure these claims.

That's what the Environmental Claims Marketing Act is intended to do. It requires the EPA to establish detailed and enforceable standards for environmental marketing claims for both products and packages. It would establish an advisory committee including members of industry and environmental and consumer groups to advise EPA on the standards to be set. And it would establish a petition process through which industry could ask EPA to establish a standard for any unregulated claims a company may want to make.

The bill is consistent with the recommendations of the Task Force of State Attorneys General in its Green Report, and it has the endorsement of that Task Force. The Task Force wants standards which require that claims be specific, substantive and supportable.

I want to answer a number of questions which are frequently asked.

Why have we chosen EPA and not the FTC? EPA has the technical expertise to establish standards. EPA is the agency responsible

for the nation's environmental policy. The claims are designed to encourage consumers to buy certain products--these products and the packages they're in have environmental impacts. The claims need to be consistent with the environmental policy EPA is implementing. And the FTC's expertise is limited to truthful advertising. Advertising can be truthful but not particularly relevant to environmental attributes the nation wants to promote.

Let me make clear that I am not opposed to FTC actions against deceptive advertising. The FTC currently has 22 environmental marketing investigations under way. The Commission is investigating a variety of products including plastic disposable diapers, trash bags, aerosol sprays and paper products. Claims being reviewed include assertions that products are degradable, CFC free and ozone friendly, environmentally safe and environmentally friendly, recycled and recyclable. The Environmental Marketing Claims Act does not negate the FTC's existing authority. So the FTC has an important role but a role which is going to rely on EPA expertise and policy direction. Senator Lautenberg wants to work with the FTC in defining the Commission's role in the bill.

Why products as well as packages? Because claims are being made about the attributes of the product itself--ozone friendly, biodegradable, nontoxic, chlorine free--these are just a few of the claims you see about products in supermarkets today.

Why specific standards? So that we establish a level-playing field for industry. So that there is no confusion about what is allowed. So that a consumer can rely on a claim that is made.

Does the bill require that claims be preapproved by EPA before they can be used? Absolutely not. The bill provides that companies which are making environmental claims must submit a certification to EPA that the claims are consistent with the Act. This provision is intended to aid in enforcement. But is does not require any EPA action before a company can make the claim.

Finally, does the bill preempt state laws? The bill does not. This is probably the toughest issue we have to face. Senator Lautenberg understands the importance of preemption to industry. Consumer products move in interstate commerce. At the same time, states need to establish tougher standards to address local problems. And the states often are innovators and take actions which serve as forerunners to Federal action. So we'll be looking closely at this issue.

During this Congress, we will be considering the Environmental Marketing Claims Act during the Environment Committee's deliberations on RCRA. A hearing was held on the bill on July 31. Markup on RCRA legislation could begin this fall.

I look forward to continuing to hear from all interested parties in this important issue.

REMARKS BY

ASSEMBLYMEMBER BYRON D. SHER

TO THE

U.S. ENVIRONMENTAL PROTECTION AGENCY CONFERENCE ON ENVIRONMENTAL LABELING

October 1, 1991
Hyatt Regency On The Inner Harbor
Baltimore, MD

I WANT TO BEGIN BY THANKING ELIZABETH RICH AND THE ORGANIZERS OF THIS IMPORTANT CONFERENCE FOR INVITING ME TO SPEAK TO YOU TODAY.

I WOULD LIKE TO USE MY TIME TODAY TO PROVIDE YOU WITH SOME BACKGROUND ON CALIFORNIA'S "TRUTH IN ENVIRONMENTAL ADVERTISING" LAW, TO DESCRIBE THE LAW'S PROVISIONS, AND TO PROVIDE YOU WITH A REVIEW OF KEY ISSUES AND CONTROVERSIES WHICH HAVE ARISEN SINCE THE LAW'S ENACTMENT. I WILL ALSO TAKE TIME IN THE COURSE OF MY REMARKS TO COMMENT ON POTENTIAL FEDERAL PREEMPTION OF STATE LAWS SUCH AS CALIFORNIA'S STATUTE AND ON EFFECTIVE ENFORCEMENT OF STATE LAWS IN THIS AREA.

ODDLY ENOUGH, GIVEN THE ENORMOUS NUMBER OF CONSUMER PRODUCTS WHICH CLAIM TO BE BENEFICIAL TO THE ENVIRONMENT, AND THE IMPORTANCE OF CALIFORNIA AS A MARKETPLACE FOR SUCH PRODUCTS, THE DEBATE OVER CALIFORNIA'S TRUTH IN ENVIRONMENTAL ADVERTISING LAW BEGAN RATHER INAUSPICIOUSLY.

IN THE WINTER OF 1990, SEVERAL ENVIRONMENTAL ORGANIZATIONS (SIERRA

CLUB, CALIFORNIANS AGAINST WASTE, CALIFORNIA PLANNING AND CONSERVATION LEAGUE) SET UP A MEETING WITH ME TO DISCUSS THEIR CONCERNS ABOUT THE EXPLOSION OF ENVIRONMENTAL CLAIMS BEING MADE BY MANUFACTURERS OF CONSUMER PRODUCTS SOLD IN CALIFORNIA. THESE SAME GROUPS HAD RECENTLY CONCLUDED A THREE-YEAR EFFORT WORKING WITH MY OFFICE TO PASS THE MOST COMPREHENSIVE INTEGRATED WASTE MANAGEMENT LAW EVER ENACTED IN CALIFORNIA WHICH MANDATED THAT ONE-HALF OF THE SOLID WASTE DISPOSED OF IN THE STATE BE REDUCED, RECYCLED OR COMPOSTED BY THE TURN OF THE CENTURY.

THE STATE'S NEWLY-MINTED RECYCLING LAW, COUPLED WITH RESURGENT CONSUMER INTEREST IN PROTECTING THE ENVIRONMENT, CAUSED THESE GROUPS TO BECOME CONCERNED THAT MANUFACTURERS WERE SENDING HALF-TRUE OR FLATLY FALSE ADVERTISING SIGNALS TO CONSUMERS ABOUT THE ENVIRONMENTAL CHARACTERISTICS OF THEIR PRODUCTS. FOR EXAMPLE, IF A CONSUMER PURCHASES A PRODUCT WHICH CLAIMS TO BE "RECYCLABLE" BUT LEARNS AFTERWARDS THAT THERE IS NO RECYCLING LOCATION NEARBY WHERE THE PRODUCT CAN BE RETURNED FOR RECYCLING, HE OR SHE MAY BECOME IMPATIENT AND DISILLUSIONED WITH RECYCLING. ENVIRONMENTAL GROUPS WERE ALARMED THAT, CONTRARY TO THE STATED OBJECTIVES OF CONSUMER PRODUCT MANUFACTURERS TO EDUCATE AND INFORM CONSUMERS, THE SIGNALS BEING SENT BY MANUFACTURERS TO CONSUMERS MIGHT ACTUALLY SERVE TO <u>FRUSTRATE AND DISCOURAGE</u> CONSUMER INTEREST IN BUYING ENVIRONMENTALLY FRIENDLY PRODUCTS AND IN PARTICIPATING IN PROGRAMS TO REDUCE ENVIRONMENTAL DEGRADATION.

IN THE MEETING THAT WINTER, THE SIERRA CLUB, CAW AND PCL PROPOSED THAT I INTRODUCE LEGISLATION IN THE 1990 LEGISATIVE SESSION TO ESTABLISH A STATE OPERATED ENVIRONMENTAL LABELING PROGRAM WHICH WOULD MAKE AVAILABLE TO MANUFACTURERS A GOVERNMENT-SANCTIONED "ENVIRONMENTAL CHOICE" LABEL TO BE PLACED ON THEIR PRODUCTS PROVIDED THE MANUFACTURERS HAD COMPLIED WITH SPECIFIED REQUIREMENTS. THIS PROGRAM WOULD BE ROUGHLY MODELED ON PROGRAMS ALREADY IN EXISTENCE IN CANADA, WEST GERMANY AND SEVERAL OTHER EUROPEAN COUNTRIES.

AS AN INTERESTING SIDELIGHT, A BILL MEETING THIS DESCRIPTION WAS INTRODUCED IN THE CALIFORNIA LEGISLATURE IN EARLY 1990. UNFORTUNATELY, IT WAS NOT THE BILL I INTRODUCED AND IT HAS YET TO BE ACTED UPON BY THE STATE LEGISLATURE. BUT THAT IS ANOTHER STORY.

IN THE MEETING THAT WINTER IN MY OFFICE, I EXPLAINED TO THE ENVIRONMENTAL GROUPS THAT I WAS NOT INCLINED TO CARRY LEGISLATION WHICH ESTABLISHED A NEW GOVERNMENT PROGRAM AT A TIME WHEN BUDGETS WERE EXTREMELY TIGHT AND WHERE THE PROGRAM MIGHT NOT ADDRESS THE HEART OF THE CONCERNS I HAD OVER POTENTIAL ABUSES IN ENVIRONMENTAL ADVERTISING. I SUGGESTED AS AN ALTERNATIVE THAT I WOULD BE PREPARED TO CARRY LEGISLATION WHICH ESTABLISHED NEW SECTIONS TO CALIFORNIA'S DECEPTIVE ADVERTISING STATUTES. THESE NEW SECTIONS WOULD PROHIBIT MANUFACTURERS FROM MAKING REPRESENTATIONS ABOUT THE SPECIFIC ENVIRONMENTAL CHARACTERISTICS OF THEIR PRODUCTS (E.G., OZONE FRIENDLY, BIODEGRADABLE, PHOTODEGRADABLE, RECYCLABLE AND

RECYCLED) UNLESS THEY COMPLIED WITH STATUTORY STANDARDS FOR THE USE OF THESE TERMS SET FORTH IN THE LAW. RECOGNIZING THAT SOME CONSUMER PRODUCT ENVIRONMENTAL CLAIMS WERE NOT SPECIFIC IN NATURE (E.G., ENVIRONMENTALLY FRIENDLY, ECO-SAFE, EARTH FRIENDLY), I SUGGESTED THAT AN ADDITIONAL SECTION OF LAW BE CREATED WHICH DID NOT REGULATE THESE GENERAL TERMS PER SE, BUT INSTEAD REQUIRED MANUFACTURERS TO SUBMIT INFORMATION TO THE ATTORNEY GENERAL'S OFFICE (LATER CHANGED TO THE DEPARTMENT OF CONSUMER AFFAIRS) WHICH SUPPORTED THE USE OF THE CLAIM.

THIS PROPOSAL, WITH SOME MODIFICATIONS ALONG THE LEGISLATIVE PATH TO THE GOVERNOR'S DESK, BECAME ASSEMBLY BILL (AB) 3994 OF THE 1990 CALIFORNIA LEGISLATIVE SESSION.

AB 3994 PASSED BOTH HOUSES OF THE LEGISLATURE WITH LOPSIDED, BIPARTISAN VOTES. ITS ONLY OPPOSITION WAS (RATHER PARADOXICALLY) FROM THE CALIFORNIA DEPARTMENT OF CONSUMER AFFAIRS, WHICH OPPOSED THE PROVISION OF THE BILL WHICH REQUIRED THE DEPARTMENT TO COLLECT AND WAREHOUSE INFORMATION SUBMITTED BY CONSUMER PRODUCTS MANUFACTURERS SUPPORTING GENERAL ENVIRONMENTAL CLAIMS (IN RESPONSE TO THIS OBJECTION, WE AMENDED THE BILL TO SIMPLY REQUIRE MANUFACTURERS TO MAINTAIN THE INFORMATION IN THIER OWN FILES AND MAKE IT AVAILABLE TO THE PUBLIC UPON REQUEST). NOT ONE CONSUMER PRODUCT MANUFACTURER OPPOSED THE BILL WHILE IT WAS PENDING BEFORE THE LEGISLATURE. IN RETROSPECT, EVEN MORE CURIOUS WAS THE FACT THAT THE STANDARDS SET IN THE BILL FOR SPECIFIC ENVIRONMENTAL

CLAIMS (WHICH ARE BY MOST ACCOUNTS THE MOST CONTROVERSIAL PROVISIONS OF THE BILL) WERE NOT QUESTIONED AND DID NOT CHANGE FROM THE DATE THEY WERE AMENDED INTO THE BILL UNTIL THE DATE THE BILL WAS SENT TO THE GOVERNOR.

ON AUGUST 21, 1990, AB 3994 WAS SENT TO THEN GOVERNOR GEORGE DEUKMEJIAN ON A 68-1 VOTE OF THE 80-MEMBER ASSEMBLY. IT HAD NO OPPOSITION.

BUT THAT CHANGED QUICKLY ONCE THE BILL WAS ON THE GOVERNOR'S DESK.

WITHIN SEVERAL WEEKS OF THE BILL PASSING THE LEGISLATURE, CONSUMER PRODUCTS MANUFACTURERS, LEAD BY THE AMERICAN PAPER INSTITUTE, THE LEAGUE OF CALIFORNIA FOOD PROCESSORS AND THE WESTERN STATES PETROLEUM ASSOCIATION, THE BURGER KING CORPORATION AND THE SIMPSON PAPER COMPANY BARRAGED THE GOVERNOR'S OFFICE WITH LETTERS AND TELEPHONE CALLS STRENUOUSLY URGING THAT HE VETO THE BILL. ONE CAN ONLY ASSUME THAT THESE INTERESTS WERE "ASLEEP AT THE SWITCH" WHILE THE BILL WAS PENDING BEFORE THE LEGISLATURE AND WERE COUNTING ON THE GENERALLY PRO-BUSINESS DEUKMEJIAN ADMINISTRATION TO PERFORM THEIR DIRTY WORK AND VETO THE BILL.

SUPRISED AND INITIALLY ANGERED AT THE ARROGANCE AND HIGH-HANDEDNESS OF THESE SPECIAL INTEREST LOBBIES, THE ENVIRONMENTAL GROUPS MOUNTED A MEDIA CAMPAIGN OF THEIR OWN TO COUNTERACT THE BEHIND-THE-SCENES LOBBYING OF THE INTEREST GROUPS WHICH WERE URGING A VETO.

CONCURRENT WITH THESE EFFORTS, I MET WITH AND WROTE TO THE GOVERNOR AND HIS STAFF TO DISCUSS THE BILL'S PROVISIONS, TO RESPOND TO THE ARGUMENTS BEING PRESENTED BY THE OPPONENTS AND TO OFFER TO AUTHOR CLEANUP LEGISLATION TO ADDRESS ANY LEGITIMATE POINTS THE GOVERNOR MIGHT BE CONCERNED ABOUT.

NOW, GOVERNOR DEUKMEJIAN IS A REPUBLICAN AND I AM A DEMOCRAT; HE IS GENERALLY SUPPORTIVE OF THE BUSINESS COMMUNITY AND I HAVE GENERALLY SUPPORTED STRONG ENVIRONMENTAL PROTECTION LAWS. HENCE, OVER THE EIGHT YEARS THAT GOVERNOR DEUKMEJIAN HELD OFFICE, MORE OFTEN THAN NOT I WAS IN DISAGREEMENT WITH HIS ENVIRONMENTAL POLICIES. WHEN THE OPPOSITION EMERGED TO AB 3994, I WAS CONVINCED THAT OUR CHANCES OF HAVING THE BILL BECOME LAW WERE SLIM. HOWEVER, TO HIS CREDIT, AND TO THE GREAT SURPRISE AND DELIGHT OF MANY OF US, ON SEPTEMBER 28, 1990, TWO DAYS BEFORE THE DEADLINE TO DO SO, THE GOVERNOR SIGNED AB 3994 INTO LAW. HOWEVER, HE DID SO IN A RATHER UNIQUE FASHION.

IN SIGNING THE BILL INTO LAW, THE GOVERNOR ISSUED A RARE MESSAGE TO THE LEGISLATURE THAT OUTLINED HIS CONCERNS WITH THE BILL AND REQUESTED CLEANUP LEGISLATION TO ADDRESS THESE CONCERNS. SIMPLY STATED, HIS CONCERNS WERE THAT SOME OF THE STANDARDS FOR SPECIFIC ENVIRONMENTAL CLAIMS WERE VAGUE AND NEEDED FURTHER REFINEMENT AND THAT SOME PROVISION SHOULD BE MADE IN THE LAW FOR GOODS WHICH WERE ALREADY IN THE STREMA OF COMMERCE WHEN THE BILL TOOK EFFECT. I COMMITTED TO THE GOVERNOR TO AUTHOR CLEANUP LEGISLATION IN 1991 TO

ADDRESS THESE TWO POINTS.

IN MY VIEW, THE SIGNATURE OF AB 3994 INTO LAW, AND THE SIGNAL THAT IT SENT TO CONSUMER PRODUCTS MANUFACTURERS, WAS A GREAT VICTORY FOR CONSUMERS AND FOR THE ENVIRONMENT. IT PUT CALIFORNIA STATE GOVERNMENT ON RECORD THAT THE STATE WITH THE LARGEST SINGLE CONSUMER MARKET IN THE COUNTRY AND THE SIXTH LARGEST ECONOMY IN THE WORLD WAS SERIOUS ABOUT TRUTHFUL "GREEN ADVERTISING." IT SENT THE MESSAGE THAT IF YOU AS A MANUFACTURER WISH TO SELL YOUR PRODUCT IN THE STATE AND MAKE ENVIRONMENTAL CLAIMS ABOUT THAT PRODUCT, YOU MUST BE TRUTHFUL ABOUT THE ENVIRONMENTAL CLAIMS.

THE FINAL BILL, AS IT WAS SIGNED INTO LAW BY THE GOVERNOR, ADDED SECTIONS TO THE DECEPTIVE ADVERTISING STATUTES IN THE BUSINESS AND PROFESSIONS CODE TO REQUIRE SPECIFIC CLAIMS OR REPRESENTATIONS MADE ON CONSUMER PRODUCTS TO COMPLY WITH SPECIFIED STATUTORY STANDARDS. FAILURE TO DO SO IS PUNISHABLE BY CRIMINAL MISDEMEANOR PENALTIES. THE MEASURE DEFINES THE SPECIFIC TERMS "OZONE FRIENDLY", "BIODEGRADABLE", "PHOTODEGRADABLE", "RECYCLABLE", AND "RECYCLED" FOR USE IN CONSUMER PRODUCT LABELING AND ADVERTISING. AB 3994 FURTHER REQUIRES MANUFACTURERS OR DISTRIBUTORS WHICH MAKE GENERAL ENVIRONMENTAL CLAIMS ABOUT THEIR PRODUCTS (E.G., "ENVIRONMENTALLY FRIENDLY", "ECO-FRIENDLY") TO MAINTAIN WRITTEN JUSTIFICATION FOR THE CLAIMS AND OTHER SPECIFIED INFORMATION. THE MEASURE IS ENFORCED (AS WITH OTHER DECEPTIVE ADVERTISING STATUTES) BY DISTRICT ATTORNEYS, THE ATTORNEY GENERAL AND THROUGH PRIVATE ATTORNEY

GENERAL (I.E., "CITIZEN SUITS") ACTIONS.

THIS MAY SEEM LIKE THE APPROPRIATE POINT IN MY REMARKS TO SAY SOMETHING LIKE "AND THEY ALL LIVED HAPPILY EVER AFTER." HOWEVER, THE NEXT CHAPTER THE AB 3994 SAGA BEGAN IN DECEMBER OF LAST YEAR WHEN I INTRODUCED THE CLEANUP LEGISLATION TO THE ORIGINAL LAW IN ORDER TO FOLLOW THROUGH ON MY COMMITMENT TO GOVERNOR DEUKMEJIAN TO MODIFY THE ORIGINAL STATUTE.

THE CLEANUP BILL, KNOWN AS ASSEMBLY BILL 144 WAS INTRODUCED EARLY IN THE SESSION WITH THE INTENT THAT IT WOULD BE PASSED QUICKLY AS AN URGENCY MEASURE AND BECOME LAW BEFORE SUMMER. HOWEVER, ONCE THE BILL WAS INTRODUCED, IT QUICKLY BECAME THE FOCAL POINT FOR ENVIRONMENTAL AND INDUSTRY GROUPS, BOTH OF WHICH HAD THEIR OWN IDEAS OF HOW TO IMPROVE THE LAW.

IN THE ORIGINAL VERSION OF AB 144, WE MODIFIED SEVERAL OF THE SPECIFIC CLAIMS STANDARDS IN THE CURRENT LAW TO MAKE THEM MORE FLEXIBLE FOR INDUSTRY. THE BILL CHANGED THE STANDARDS FOR TERMS SUCH AS "RECYCLABLE" AND "BIODEGRADABLE" TO MAKE THEM EASIER FOR CONSUMER PRODUCT MANUFACTURERS TO MEET. AFTER A GOOD DEAL OF EFFORT, AB 144 PASSED THE STATE ASSEMBLY AND WAS ASSIGNED TO THE SENATE COMMITTEE IN EARLY AUGUST. IN THAT COMMITTEE, A COMPANY BY THE NAME OF "KEYES FIBER" (MAKERS OF "CHINET" PAPER PLATES) SOUGHT AN AMENDMENT TO ALLOW THAT COMPANY TO CLAIM THAT ITS PRODUCTS WERE MADE OF RECYCLED MATERIALS, EVEN THOUGH THEY CONTAINED NO POSTCONSUMER RECYCLED MATERIALS. I RESISTED THIS AMENDMENT WHEN IT WAS OFFERED IN THE COMMITTEE AND THE BILL FAILED PASSAGE. WE WERE GRANTED RECONSIDERATION BY THE COMMITTEE AND DID IN FACT OFFER SOME

MATTER SITS--EXCEPT THAT I HAVE NOW ADVISED THE ATTORNEY GENERAL, WHO I HAD ASKED NOT TO PROSECUTE VIOLATORS PENDING THE DISPOSITION OF AB 144, TO PROCEED "FULL SPEED AHEAD" TO ENFORCE THE LAW AS IT WAS ENACTED. MEANWHILE, THERE HAS BEEN SOME INTEREST EXPRESSED BY INDUSTRY GROUPS TO RESUSCITATE THE BILL, AND I INTEND TO PURSUE THE MATTER WHEN THE LEGISLATURE RECONVENES NEXT JANUARY, ADDRESSING THE TWO CONCERNS EXPRESSED BY GOVERNOR DEUKMEJIAN, AS WELL AS OTHER ISSUES. IN THE MEANTIME, I EXPECT THERE TO BE SOME PROSECUTIONS PRESSED BY LAW ENFORCEMENT AGENCIES OR CITIZEN GROUPS. ONE RECENT CASE THAT HAS GENERATED A LOT OF INTEREST IS PROCTOR & GAMBLE'S ADS THAT ITS PAMPERS DISPOSABLE DIAPERS ARE COMPOSTABLE, EVEN THOUGH THERE ARE COMPOSTING FACILITIES FOR DIRTY DIAPERS IN CALIFORNIA. AS A RESULT OF THE ADS, CONSUMERS IN LOS ANGELES BEGAN PLACING DISPOSABLE DIAPERS OUT FOR COLLECTION IN THE CITY'S CURBSIDE RECYCLING PROGRAM, AND THE CITY WAS FORCED TO PLACE STICKERS ON ITS RECYCLING BINS STATING THAT DISPOSABLE DIAPERS ARE UNACCEPTABLE.

AT THE OUTSET OF MY REMARKS, I INDICATED THAT I WOULD TAKE A FEW MINUTES TO COMMENT ON ENFORCEMENT AND FEDERAL PREEMPTION ISSUES. WITH RESPECT TO ENFORCEMENT OF ENVIRONMENTAL TRUTH IN ADVERTISING LAWS, IT IS FORTUITOUS THAT CALIFORNIA'S LAW WAS PLACED IN THE SAME STATUTORY SECTIONS AS THOSE WHICH ADDRESS DECEPTIVE ADVERTISING CLAIMS IN GENERAL. AS SUCH, THE LAW CAN BE ENFORCED BY THE STATE ATTORNEY GENERAL, BY LOCAL DISTRICT ATTORNEYS, OR THROUGH WHAT ARE CALLED "PRIVATE ATTORNEY GENERAL" ACTIONS (I.E., CITIZENS SUITS). IN MY VIEW, IT IS APPROPRIATE THAT THIS LAW, AS WITH OTHER DECEPTIVE ADVERTISING LAWS, BE ENFORCEABLE BY CONSUMERS (WHO ARE

DIRECTLY AFFECTED BY THE MARKETING CLAIMS OF CONSUMER PRODUCT MANUFACTURERS). OFTEN, WHITE COLLAR CRIMES LIKE DECEPTIVE ADVERTISING ARE LOW ON THE PRIORITY LIST OF LAW ENFORCEMENT AGENCIES. THE PROSPECT OF PRIVATE ATTORNEY GENERAL ACTIONS BY WATCHDOG CONSUMER GROUPS SHOULD SERVE TO DETER COMPANIES WHICH MIGHT OTHERWISE HAVE A MARKETING INCENTIVE TO STRETCH THE TRUTH ABOUT THE ENVIRONMENTAL BENEFITS OF THEIR PRODUCTS.

WITH RESPECT TO THE ISSUE OF FEDERAL PREEMPTION, CALIFORNIA'S LAW EXPRESSLY DEFERS TO ANY DEFINITIONS IN TRADE RULES ADOPTED BY THE FEDERAL TRADE COMMISSION, SO THAT ANY SPECIFIC ENVIRONMENTAL CLAIMS THAT MEET THE FEDERAL DEFINITION SHALL NOT BE SUBJECT TO PROSECUTION. AS THE AUTHOR OF THE CALIFORNIA LAW, I PERSONALLY SUPPORT THE IDEA OF UNIFORM NATIONAL STANDARDS IN THIS AREA. IT IS INTERESTING TO NOTE, HOWEVER, THAT MANY OF THE COMPANIES AND FEDERAL AGENCIES URGING THE FEDERAL GOVERNMENT TO STEP IN AND PREEMPT THE STATES WERE SUPPORTERS OF THE REAGAN/BUSH "NEW FEDERALISM" POLICIES, WHICH SEEK TO DECENTRALIZE ENVIRONMENTAL REGULATIONS IN THE FEDERAL BUREAUCRACY AND INSTEAD HAVE THE STATES ASSUME REGULATORY JURISDICTION.

I WOULD HOPE THAT IF CONGRESS GRANTS THE FTC OR EPA THE AUTHORITY TO PREEMPT THE STATES IN THIS AREA THE FEDERAL AGENCY IS ALSO REQUIRED TO ESTABLISH TOUGH, LOCALLY ENFORCABLE STANDARDS FOR TRUTHFUL ENVIRONMENTAL ADVERTISING. ALTERNATIVELY, I WOULD SUPPORT THE FEDERAL GOVERNMENT'S ESTABLISHING BASELINE STANDARDS WHILE ALLOWING INDIVIDUAL STATES TO ENACT LAWS WHICH GO BEYOND THESE

STANDARDS.

IN CLOSING, I WOULD SUGGEST THAT THOSE OF US IN PUBLIC OFFICE HAVE AN OBLIGATION TO PROVIDE MANUFACTURERS AND SELLERS WITH CLEAR, EASILY UNDERSTANDABLE STANDARDS IN OUR TRUTH IN ENVIRONMENTAL ADVERTISING LAWS. HOWEVER, WE ALSO HAVE A RESPONSIBILITY TO THE CONSUMER WHO ON A DAILY BASIS IS BARRAGED WITH CONFUSING, AND OFTEN MISLEADING CLAIMS BY CONSUMER PRODUCT MANUFACTURERS. I BELIEVE THAT IF STANDARDS ARE SET FORTH CLEARLY IN THE LAW, AND IF MANUFACTURERS ARE GIVEN A REASONABLE AMOUNT OF TIME TO COMPLY, BOTH THE BUSINESS COMMUNITY AND THE CONSUMER WILL BENEFIT. MARKETING OF PRODUCTS WHICH ARE TRUTHFULLY ENVIRONMENTALLY BENIGN WILL ALSO RESULT IN TANGIBLE ENVIRONMENTAL IMPROVEMENTS. THESE SHOULD BE THE GUIDING PRINCIPLES IN OUR EFFORTS TO PROMOTE TRUTH IN GREEN MARKETING.

# # # # #

AMY WILCOX

MASSPIRG

MASSACHUSETTS PUBLIC INTEREST RESEARCH GROUP

FACT SHEET: THE MASSACHUSETTS RECYCLING INITIATIVE

Massachusetts is facing a garbage crisis.

Every year, Massachusetts produces six and a half million tons of solid waste -- more than a ton per person. We recycle less than ten percent of that total, relying instead on burning and burying trash.

But landfills inevitably leak and contaminate drinking water supplies. Incinerators are no better; they spew chemicals into the air and leave behind vast amounts of toxic ash which still must be landfilled.

Packaging waste is out of control.

There is general agreement that reducing the amount of garbage we throw out is the answer to this growing crisis and that throwaway packaging, which makes up one-third of our total solid waste by weight and half by volume, must be addressed. There is a growing recognition of the need to require recycling standards for packaging. At least ten states are working on bills modeled after our Recycling Initiative.

The Recycling Initiative will prevent wasteful packaging and promote increased recycling.

The primary purpose of the Recycling Initiative is to stimulate innovations in packaging and recycling systems, and to do so with a minimum of government involvement. It will encourage packagers to reduce the amount of packaging they use, create a strong market demand for recycled materials, and create incentives for packagers to push comprehensive recycling programs in the state.

The Recycling Initiative would require that by July 1, 1996 all packaging used in Massachusetts must be either:

* Reusable five or more times, or
* Made of 25% recycled materials (35% by 1999 and 50% by 2002), or
* Made of materials that are being recycled at a 25% rate in the state (35% by 1999 and 50% by 2002), or
* Reduced by 25% every five years, or
* Recycled at a 50% rate.

Practical decisions about how best to comply with these attainable standards are left to those best able to make those decisions: the affected industries themselves.

The Recycling Initiative would equalize the burden of solid waste management, shifting some of the responsibility for reduction and recycling onto those responsible for creating our trash problems in the first place. No other solid waste proposal addresses so effectively economic dimensions of recycling.

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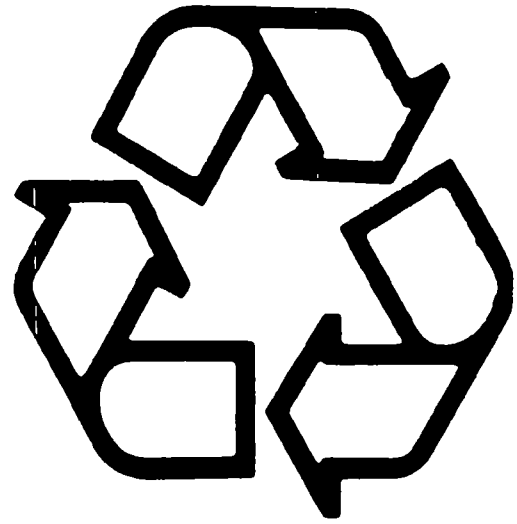
THE ART OF THE POSSIBLE



The Feasibility of Recycling Standards For Packaging

SUMMARY VERSION

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THE ART OF THE POSSIBLE

The Feasibility of Recycling Standards for Packaging

SUMMARY VERSION

INTRODUCTION:
Setting Recycling Standards For Packaging

The average American discards, directly and indirectly, an amount of waste equal in weight to the Statue of Liberty every five years. The economic, environmental and public health consequences of burying and burning these literal mountains of trash have been well documented.

Throwaway packaging is not only the symbol of our national solid waste crisis, it is a leading contributor to the problem, comprising one-third by weight of the municipal solid waste stream.

But the findings in this report demonstrate that the technology needed to transform our throw-away economy into one based on waste reduction, reuse, recycling and sustainable use of resources already exists. What packagers and other manufacturers lack is a strong enough incentive to reduce, reuse, and recycle the materials needed to make their products.

Environmental and consumer groups in many states are now proposing to provide that incentive through mandatory recycling standards for packaging. To comply with the standards proposed in the Massachusetts Recycling Initiative, product packaging must, by 1996, be either:

(1) reusable five times; or,

(2) made of 50% recycled material by weight; or,

(3) made of materials that are actually being recycled at a rate of 35% statewide, and at higher rates five and ten years later.

Our detailed analysis of each major material used in packaging and of five common products, summarized here, demonstrates that recycling is truly, like politics, "the art of the possible."

PART ONE:
Materials Used In Packaging Can Comply With Recycling Standards: A Material-By-Material Analysis

In this section, we examine the broad categories of materials most commonly used in packaging — six types of plastics, paper, glass, aluminum, and iron and steel — in light of the latest advances in the recycling field. For each material, we assess the current state of recycling technology, the feasibility of collection and separation of used materials, and issues in packaging design.

In general, high recycling rates have already been achieved nationally in the paper, glass, aluminum, and iron and steel industries, and ongoing efforts and innovations should cause those rates to climb in the near future. In addition, the plastics industry, which for years has neglected recycling, is beginning to make

major strides. The highlights of our findings follow.

Plastics

Because they possess many qualities attractive to consumers yet harmful to the environment, plastics — now projected to account for 10% by weight of municipal solid waste by the year 2000 — present the greatest challenge to packagers and environmentalists. But by designing for reuse, standardizing plastic types (making more products out of the same plastic type), improving recycling labels, establishing better collection systems, and incorporating recycled plastics into their products, even plastics manufacturers can comply with the proposed recycling standards.

Developments in the field of plastics recycling are out of date almost before they can be reported, while problems that were insoluble yesterday become tomorrow's success stories. Following is a soon-to-be-obsolete sampling of the current state of the art:

Reuse: Coca-Cola and Pepsi are introducing reusable PET plastic soft drink bottles that they expect to collect and refill up to 25 times (which would be a 96% reduction in waste). And General Electric recently announced the development of a plastic container that can be sterilized and refilled up to 100 times and then recycled into other products.

Recycling: Though only 1% of all plastic is now recycled, 80% could be recycled using existing technology. Some plastic resins have achieved relatively high recycling rates: PET plastic, used primarily in soft drink bottles, is already being recycled at a 20% rate nationally, and at rates as high as 80% in states with bottle return laws. HDPE plastic, most commonly seen in milk jugs, also promises high collection and recycling rates. As packaging standards increase demand for recycled plastic, collection programs will become more economically viable.

Recycled Content: In January, 1991, the Food & Drug Administration (FDA) for the first time approved the use of recycled plastics in beverage containers (PET Coke bottles). Proctor & Gamble sells Downy, Tide, Cheer and other detergents in HDPE plastic bottles containing about 30% recycled HDPE from milk jugs, while Exxon has developed a process to allow increased recycled HDPE content. Plastic film, commonly used in bags and wraps, poses particular collection and recycling problems. But progress is even being made here: Mobil is making trash bags with up to 90% recycled LDPE, while Mirrex Corporation is producing transparent PVC packaging film containing a minimum of 30% recycled content.

Paper

Over half the 79 million tons of paper produced in 1988 was used in packaging, contributing heavily to the municipal solid waste stream.

Recycling: Paper is already being recycled nationwide at a rate of 26%, while rates for some packaging uses are even higher (the recycling rate of corrugated cardboard, for example, is at 52%). The paper industry itself has pledged to achieve an overall recycling rate for all paper of 40% by 1995 (the Massachusetts Recycling Initiative, in comparison, anticipates a 35% rate by 1996).

Recycled Content: Many paper packaging products today contain significant recycled content. Corrugated cardboard is commonly made with anywhere from 20% to 70% recycled content. Also, innovations in inks and coating allow recycled paper to be used in higher grade products (such as boxes, paper plates and cups) rather than lower grade uses (tissues, newsprint).

Recent Developments: A plethora of new recycling technologies and product designs bodes well for achievement of recycling goals as envisioned in the Massachusetts Recycling Initiative. International Paper is running a pilot program to test the feasibility of recycling plastic- or wax-coated paperboard milk and juice cartons, an untapped source of high-grade paper fiber. Chesapeake

Corporation, in Virginia, has introduced a super- efficient process for recycling post-consumer newsprint, corrugated cardboard and unsorted office paper in one feed stream. This innovation cuts the cost of traditional paper recycling processes by one-third by reducing the number of steps required from 21 to just eight.

Glass

About 12.9 million tons of glass were discarded in 1986, approximately 90% of which was container glass, the type used in packaging.

Reuse: Reusable bottles are an environmentally ideal container: reuse accomplishes source reduction, and when the bottle is no longer reusable it can be recycled into new glass containers. One California firm profitably collects and washes 9.3 million wine bottles annually for resale to wineries, while two northwestern breweries (G. Heileman and Rainier) have made strong commitments to refillable beer bottles.

Recycling and Recycled Content: Glass is 100% recyclable: that is, one pound of recycled glass makes one pound of new glass. Approximately 25-30% of container glass is estimated to be recycled currently (up from just 15% in 1988), and the glass industry intends to achieve a 50% national recycling rate in the near future.

Aluminum, Iron and Steel

More than three-quarters of the aluminum in municipal solid waste consists of aluminum cans, while steel food and beverage cans account for about a quarter of the 11 million tons of ferrous scrap in the waste stream.

Recycling: Because of their high market values, metals have historically been recovered and recycled at high rates. The national aluminum recycling rate is now 35%, while aluminum cans are recycled at a rate of over 60%. In 1986, U.S. steel mills actually consumed more scrap than virgin material, and, overall, 66% of ferrous scrap is recycled. High scrap values have always driven post-consumer aluminum recycling, and increased demand promises to raise recycling rates for steel cans, which have been recovered at 45% rates in curbside collection programs.

Recent Development: Magnetic separation systems at waste processing facilities will enhance steel recycling efforts by efficiently separating ferrous materials from the rest of the waste stream.

PART TWO:
Product Packaging Can Comply With Recycling Standards: Five Case Studies

How will developments in materials conservation and recycling technologies translate to the local supermarket or department store? This section of the report consists of five case studies of common products, most of which are often held up as examples of why mandatory recycling standards for packaging would be impractical.

To test the common wisdom about these products, we interviewed dozens of people in the packaging business: manufacturers, packagers, distributors and retailers. We explored current technology, the unique design considerations necessitated by each product, and the variety of options open to packagers and retailers under the proposed recycling standards. In each case, simple changes in design or expanded use of recycling technologies available today can guarantee safe, effective and economical delivery of the products in question.

Milk

Milk packaging must be hygienic (bacteria-free) and barrier resistant to moisture. These criteria can be harmonized with recycling standards for packaging in a variety of ways:

Coated Paperboard Cartons: Paper is very likely to meet the minimum statewide recycling rates, while efforts are under way to develop coated paperboard made with recycled fiber (which would require FDA approval). As

noted above, International Paper is conducting a pilot program to assess the feasibility of recycling post-consumer wax- and plastic-coated paperboard from milk and juice cartons.

Glass Bottles: Glass will meet the proposed recycling rates; bottles can be made of recycled glass; and refilling bottles many times can make their unit cost competitive with plastic and paperboard.

Plastic Jugs: HDPE (used now for milk jugs) could achieve high recycling rates with more aggressive collection. Reusable plastic jugs, such as those developed by General Electric which can be sterilized and refilled 100 times and then recycled, offer another possibility.

Shampoo

One of every seven plastic bottles sold in Massachusetts is for hair or personal products, and shampoo is almost exclusively sold in plastic containers. Shampoo containers must be barrier resistant, and should be nonbreakable, lightweight, and squeezable. Plastic shampoo bottles can comply with recycling standards in various ways.

Single-Resin Plastics: Most shampoo bottles are made of HDPE, which is being recycled in a number of programs in Massachusetts and around the country. PET, which has achieved even higher recycling rates, can also be used for shampoo. Standardizing resin use — in other words, making more products out of the same plastic type — would aid in achieving aggressive recycling goals.

Recycled Plastic: The technology to make bottles from recycled plastic exists, and some manufacturers believe they will actually be cheaper to produce than virgin plastic bottles. Three companies now make detergent bottles with 25-35% post-consumer recycled HDPE, and one of them (Plastipak, in Michigan) has designed a 100% recycled PET bottle used by Proctor & Gamble for Spic 'n Span.

Reusable Plastic Bottles: The Boston Food Co-op has refilled consumers' shampoo bottles for 20 years without any health, safety or legal problems, while The Body Shop, a California-based cosmetics store, encourages consumers to refill bottles at the shop with a $0.40 incentive.

Computer Equipment

Computer equipment is generally shipped in corrugated cardboard boxes with styrofoam cushioning material. The primary packaging considerations are cushioning ability, fit, and amenability to automated packaging processes. Both the box and the cushioning material can be produced in accordance with the proposed recycling standards.

Corrugated Cardboard: These boxes are already recycled at a rate of more than 50%, and can include up to 70% recycled content.

Reusable Plastic Cushioning: Styrofoam can be replaced with reusable polyethylene cushioning materials. Dow Chemical's Ethofoam is more durable than styrofoam, can be reused ten times, can be handled by automated packaging machines, and is priced competitively with styrofoam.

Paper Cushioning: EcoPak, of Kent, Washington, is marketing a spring-loaded, 100% recyclable paper packing material that expands upon impact and doesn't settle during shipping. Other innovative paper cushioning products are also on the market.

Microwaved Food

Microwavable food is frequently cited as an excessively packaged product. These "convenience" foods are usually sold in an outer box, a disposable plastic cooking tray, and a plastic wrapping. The packaging must keep food fresh and dry, and those elements put into the oven must withstand extreme temperature variations and not be made of metal.

Paperboard Boxes: Paperboard will comply with the proposed recycling standards thanks to the high overall level of paper recycling, while packagers like the Virginia-based James River Paper Company

are already working on coated paperboard with recycled content.

Eliminate Disposable Cooking Trays: Eliminating the plastic tray, which many packagers already do, would reduce excess packaging and avoid health threats posed by plastic leaching into foods during cooking. Trays can also be made of single-resin, recyclable plastic.

Foods Wrapped in Plastic

Plastic film has become a popular flexible packaging material because it is transparent, barrier resistant, form fitting, and inexpensive. But foods now wrapped in plastic can be packaged in a number of ways which comply with the proposed recycling standards.

Reduction: Unnecessary second and third layers of wrap — sometimes to delineate "individual servings" or to provide an extra "freshness seal" — are simply marketing devices, and can be eliminated.

Substitution: Selling food in bulk, packaging food in more durable plastic or in other materials which can be reused or recycled, and allowing consumers to use reusable containers can also avoid unnecessary uses of plastic film.

Recycled Content: Packages that use plastic food wrapping in conjunction with outer boxes, bags, trays or other material made of recycled content would comply with recycled content standards based on the weight of the entire package. Shop 'n Save supermarkets in Maine now sell meat wrapped in PVC film but sitting on molded, recycled paperboard trays. And plastic film itself can be made of recycled plastic: Mirrex Corporation now produces PVC film with a 30% recycled content.

Recycling: Advanced recycling technologies are making possible the separation and cleaning of post-consumer plastic film, and successful collection and recycling has been accomplished for LDPE and HDPE grocery sacks, trash bags, and cleaners' bags.

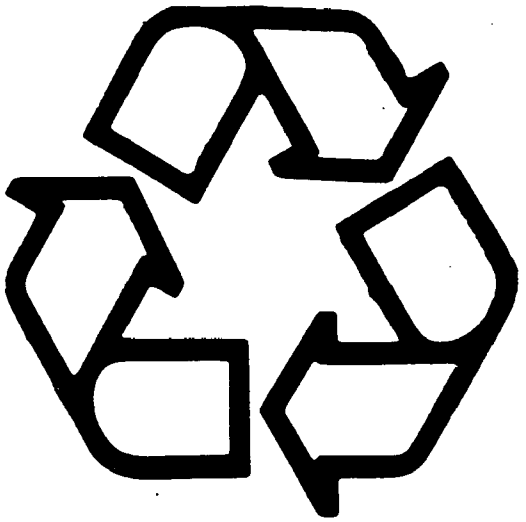
CONCLUSION:
Mastering the Possibilities

There is an enormous potential for reducing, recycling and redesigning product packaging as a key component of a long-term solution to the solid waste crisis. Our research, however, has uncovered more than just "potential." The ground-breaking technologies, innovative collection and separation techniques, and advanced product designs mentioned here demonstrate in striking fashion the momentous changes already afoot. *Setting mandatory recycling standards for packaging would ensure that all sectors of industry take seriously their responsibility for the solid waste challenges we all face.*

Not all of the possibilities and options described in this report may be desirable for consumers or cost-effective for industry. But those questions are for the free market to decide. And that is one of the most attractive features of the proposed recycling standards discussed in this report. *Decisions about how best to comply with these standards would be left to those best able to make such determinations: the affected businesses themselves.*

The profusion of recent advances and future possibilities in packaging design, construction and recycling far exceed what the common wisdom would have us believe. They also contradict industry predictions that mandatory recycling standards would lead to wide-spread product bans and empty supermarket shelves. The possibilities for reduction, redesign, and recycling of product packaging are certainly there; enacting recycling standards for packaging may be the only way to push the free market to master those possibilities.

PACKAGE DEAL



The Economic Impacts of Recycling Standards for Packaging in Massachusetts

SUMMARY VERSION

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Massachusetts Institute of Technology

MARCH 1991

PACKAGE DEAL:
THE ECONOMIC IMPACTS OF RECYCLING STANDARDS FOR PACKAGING IN MASSACHUSETTS

EXECUTIVE SUMMARY

This report examines the economics of recycling. It consists of three related parts. Part One compares the costs of recycling with the costs of landfilling and incineration for a representative ton of materials found in municipal solid waste. In Part Two, we analyze the dynamics of recycling markets and determine that recycling standards are the critical mechanism for remedying deficiencies in demand for recovered materials. Part Three of the report evaluates the likely impacts of Massachusetts recycling standards for packaging (RSP), taking into account both microeconomic and macroeconomic effects.

PART ONE: RECYCLING PAYS, BUT BY HOW MUCH?

It is widely recognized that the recycling of materials confers a net benefit to society, but just how large is the social benefit? Casual estimates are typically based on the revenue from recycled materials plus the avoided tipping fee for incinerating or landfilling of the (otherwise waste) material. However, tipping fees bear no necessary relationship to the actual social costs of solid waste disposal, and the recycling of materials imposes costs that must also be included in the calculation.

For the purposes of this analysis, we assume that current market conditions and prices for recycled materials prevail. In fact, as we argue in Part Two, recycling standards for packaging are required precisely in order to realize this assumption, by maintaining viable markets for recycled materials.

The net social benefits of recycling can be derived from five elements:

(1) Revenues From Recyclers for Separated Materials: The current market values for separated and processed paper, glass, plastics, steel, and aluminum, adjusted for the projected composition in the year 2000 of a typical ton of Massachusetts municipal solid waste, yield an estimated revenue of $49/ton.

Plus: (2) Avoided Subsidy to Virgin Materials: Since the use of recycled materials reduces the need for virgin materials, the cost of government subsidies to producers of those materials--consisting of tax benefits, below cost sale of natural resources, and uncompensated technical support--is avoided. The magnitude of the subsidy is estimated to be approximately $3/ton.

Minus: (3) Costs of Collecting and Separating Materials for Recycling: The capital and operating costs needed for the collection and separation of recycled materials--based on current garbage collection costs, additional costs associated with collecting recyclables, and the experience of the Springfield Materials Recycling Facility--is estimated to be $86/ton.

Plus: (4) Avoided Disposal Costs of Incineration (for that share of municipal solid waste that is incinerated): The Commonwealth predicts that, by 1992, the ratio of incineration to landfilling will be 70% to 30%. Adding capital costs, Federal tax subsidies, the cost of remedial pollution control equipment, operating costs, ash disposal costs, and the social cost of environmental harm and disamenities, and subtracting revenues from the sale of electricity produced from solid waste combustion, yields a net cost of $289/ton of waste incinerated in Massachusetts facilities. 70% of that figure provides the avoided disposal cost of $202/ton.

Plus: (5) Avoided Disposal Costs of Landfilling (for that share of municipal solid waste that is landfilled): Capital costs, operating costs, clean-up and post-closure care costs, additional costs of impending landfill regulations, and the social cost of environmental harm and disamenities come to $209/ton. 30% of that figure provides the avoided disposal cost of $63/ton.

Based on the preceding estimates, we are now able to calculate the net social benefits of recycling, as applied to packaging material.

Recycling Revenues:	$49/ton	
Recycling Costs:	$86/ton	
Net Recycling Revenue:		$(-37)/ton
Avoided Subsidy to Virgin Material:		$ 3/ton
Avoided Cost/Ton of Incineration (for the share of waste incinerated)		$ 202/ton
Avoided Cost/Ton of Landfilling (for the share of waste landfilled)		$ 63/ton
Net Benefit of Recycling:		$ 231/ton

Appendix A of the report subjects the estimates cited above to a sensitivity analysis, in which each variable influencing the net benefit of recycling is allowed to assume a range of possible values. This analysis demonstrates how robust the $231/ton estimate is. With few exceptions, substituting the high and low values of a variable in place of the baseline value still results in a net benefit of recycling of between $200 and $265.

PART TWO: WHY RECYCLING STANDARDS FOR PACKAGING ARE NECESSARY

This section answers the following two related questions:

(1) If the benefits of recycling are so substantial ($231/ton), won't private markets provide the desired expansion of recycling activity (to its optimum level)?

(2) Why are recycling standards for packaging (RSP), or any other form of government intervention, needed?

Market imperfections plague recycling efforts. For a market to operate efficiently, economic agents must bear the full marginal social costs (and realize the full marginal social benefits) associated with their actions. Imperfections in solid waste disposal markets prevent this condition from being realized.

Because the price for solid waste disposal does not reflect the environmental harm and disamenities accompanying such activities, solid waste generators are able to escape these costs. The other source of the market failure arises from the way in which solid waste collection and disposal are financed. Local government typically finances market costs of collection and disposal from general tax revenues, making a household's *marginal* tax burden of discarding an additional unit of trash effectively zero, even though the associated market cost is not.

> *Example:* Suppose a town contains 6000 households, each paying $400 a year in taxes to collect and dispose of the 6000 pounds of solid waste it generates. The marginal cost to the town of each additional pound of trash is 6.7 cents, but the cost borne by each household in tax payments for each additional pound discarded is only 6.7/6000 cents, or approximately 1/1000 of a penny.

This discrepancy distorts incentives for individuals to reduce the amount of material they discard and results in an inadequate amount of recycling from a social perspective.

Government-mandated separation and collection of recyclable materials has fatal limitations. Until recovered materials are actually reused--until they are converted into new products and sold to new customers--no meaningful recycling has been achieved. It is the inability of government-mandated waste separation and collection programs to remedy deficiencies in demand for the recovered materials that will quickly cause them to fail. Some cities have already discovered that no markets exist for their recyclables.

Existing demand-side policies are ineffective. *Economic charges and taxes* (on household waste disposal, packaging, or virgin materials) face insurmountable practical problems concerning accuracy, fairness, effectiveness, and collection costs. *State procurement* constitutes too small a percentage of packaging sales to remedy deficient private demand for recyclable materials. *Unconditional product bans* eliminate the possibility of recycling the banned material or packaging and provide no additional demand for recovery of the material that replaces it; historically, unconditional bans have been applied to isolated materials and packaging in a relatively unsystematic manner, limiting their effect.

Recycling standards for packaging are the mechanism critical to remedying deficiencies in demand for recovered materials. Since packaging is the largest single source of municipal solid waste (MSW), comprising one-third of MSW, it is there where recycling standards would, in all likelihood, be most productively applied. RSP will stimulate recycling demand for the major types of materials used in packaging--paper, glass, plastics, steel, and aluminum. These materials account for 60% of MSW.

RSP should contain at least two provisions: that packaging consist of a given percentage of *recycled* material, and, alternatively, that packaging be made of *recyclable* materials (those which achieve a specified statewide recycling rate for all uses of the material). An important feature of the two provisions is their synergy, which causes the demand for recovered packaging materials to ratchet up.

The function of government should not be to replace the market but to organize and maintain a market that is not independently sustainable. Mandatory separation and collection, education of consumers and businesses, information clearinghouse functions, and state procurement take on added importance when complemented by RSP. The combination of these activities can provide the stability in recycling markets that private investors require and help develop a large-scale recycling infrastructure.

PART THREE: THE EFFECT OF RECYCLING STANDARDS FOR PACKAGING IN MASSACHUSETTS

Microeconomic Effects: The Benefits and Costs of RSP

(1) Net Social Benefits of Increased Recycling of Packaging Material Due to RSP: Although less than 10% of Massachusetts's 6.6 million annual tons of MSW is currently recycled, a larger proportion of packaging discards (estimated at 2.23 million tons) is recycled: approximately 16% by weight, or 357,000 tons per year.

For purposes of analysis, we assume that an aggressive, but realistic, RSP program can and will increase the recycling rate for discarded packaging to 50%. Not only have other countries met or exceeded this level, but most packaging materials now used in the U.S. have already reached or are anticipated to reach 50% recycling.

For all packaging in Massachusetts to comply with RSP by consisting of 50% recycled materials would require a total of 1.115 million tons of MSW to be recycled, or an increase of 758,000 tons per year from current levels. (We argue below that, for economic reasons, most additional recycled material processing and formulation will occur in-state.) Earlier, we calculated the net social benefit derived from recycling of packaging material at $231/ton. *Based on this figure, the net social benefit of RSP associated with the additional 758,000 tons per year of recycled MSW is approximately $175 million annually.*

(2) Ancillary Benefits of RSP: In addition to increasing the proportion of recycled materials in packaging, an RSP program will promote packaging reduction and reuse, as well as recycling of packaging materials from non-packaging uses. There is no reason these "ancillary" benefits might not exceed in magnitude the aforementioned benefits from recycled packaging.

For example, businesses might choose to comply with RSP by using recyclable packaging material--those that are achieving a statewide recycling rate of 50% from all uses. If all packaging were to comply with this criterion, half the 4 million tons of these materials discarded annually in Massachusetts would have to be recycled; just 700,000 tons are estimated to be recycled currently. We previously estimated the impact of the recycled content standard at 758,000 additional tons of recycling; satisfying the recyclability standard (2 million tons) would therefore require another 542,000 tons annually. *Using $231/ton as the net social benefit of recycling packaging material, the potential leveraged benefits of RSP due to the recyclability criterion are approximately an additional $125 million per year.*

Obviously, if some packaging complies with the recycled content standard and the remainder with the recyclability standard, then *the total social benefits will fall somewhere between $175 million and $300 million annually.*

(3) RSP Compliance Costs are the additional costs that firms incur to make their packaging meet packaging recycling standards. We expect these compliance costs to be small for a number of reasons, including:

* some packaging is already in compliance with RSP;

* firms modify their packaging, on average, every two to three years, so that RSP compliance will be part of the regular process of packaging revision;

* packagers will aggressively market their compliant packaging, reducing packaging buyers' need to spend resources seeking that information.

In addition, two by-products of RSP compliance will tend to minimize, or offset, RSP compliance costs:

* *joint production efficiencies*: the re-evaluation of production processes needed to achieve compliance with RSP will allow some firms to introduce simultaneous productivity improvements at the same time;

* *packaging and recycling innovations*: government regulation with the characteristics of RSP has been shown to stimulate the performance of industry.

(4) Administrative Costs of RSP include government's costs of developing, supervising, and enforcing an RSP program, as well as the costs businesses incur to verify and demonstrate their compliance. Because of its heavy reliance on market solutions, we anticipate that RSP will keep the government's administrative costs to a modest level. Competitors can be expected to challenge unwarranted exemption requests, while increased recycling will reduce governmental costs associated with other environmental programs. Retailers, meanwhile, will develop standard contract language requiring their suppliers to assume liability for any and all costs and penalties arising from delivered packaging in violation of RSP.

(5) Possibility of Product Withdrawals or Shortages: Simply put, there will be no vacant shelves in Massachusetts as the result of an RSP program. Although this prospect is raised by industry every time it is faced with stringent regulation, the functioning of economic markets prevents product withdrawals or shortages. Manufacturers of compliant packaging will rush in to fill the void left by non-compliant competitors, and packaging entrepreneurs will develop novel packaging solutions that better incorporate the new realities of the marketplace.

Macroeconomic Effects on Massachusetts Employment and Economy

(1) General Caveats: The analysis of any policy requires tracing the long-run consequences of that policy for all economic sectors, not merely the immediate effects of the policy or the effects on only one economic sector. For example, some manufacturers of non-compliant packaging will lose business and employees. But those losses will be offset by the additional business and employment created for manufacturers of recyclable or recycled-content packaging: recycling standards will result not in a loss of jobs, but in a diversion of jobs.

It should also be understood that just because an economic agent is "affected" by a policy or change in economic activity doesn't necessarily mean that the impact is negative. The purpose of the recycling standards is precisely to "affect" businesses and households by providing incentives to alter behavior in ways that promote recycling.

(2) Real and Implicit Tax Reductions: Every dollar an RSP program saves Massachusetts in solid waste disposal costs directly translates into a dollar reduction in tax burden for Massachusetts taxpayers.

Of the estimated $175 - $300 million net social benefit of an RSP program, approximately 42% is associated with the avoided out-of-pocket costs and the remaining 58% is derived from the avoided imputed costs of solid waste disposal. Thus, *the net social benefits of an RSP program translate into a tax reduction of $75 - $125 million annually for Massachusetts businesses and households, and an additional implicit tax benefit of $100 - $175 million* (which may appear in such areas as reductions in environmental hazards and their associated health and work-loss consequences).

These real and implicit tax reductions brought about by an RSP program will serve to stimulate the Massachusetts economy and employment in Massachusetts. Tax reductions (without corresponding loss of services) will attract both workers and industry to the state.

(3) Industry-Specific Effects: An RSP program will stimulate certain industries and cause others to contract. The stimulated activities will be conducted primarily in Massachusetts, while the industries adversely affected are primarily out-of-state. Although numerical projections of job gains and losses are necessarily uncertain and subject to analytic abuse, we are confident in concluding that recycling standards will have a positive effect on employment in Massachusetts. (Rough estimates of job gains are included, where relevant, in footnotes to this report.)

Our reasoning with respect to each affected industry is as follows:

Because *materials collection and sorting* are much more labor intensive than landfilling and incineration, the shift of economic activity to these local industries will create additional employment in Massachusetts.

Only about 18,000 Massachusetts *manufacturing jobs* are packaging-related. These jobs will not be lost as a result of recycling standards, but there will be some diversion of job activity to recycled-content or recyclable packaging.

The *packaging industry* itself employs approximately 22,000 workers in Massachusetts. Some packagers will be positively affected by RSP; some negatively. But these impacts are inherently off-setting: one packager's loss signals a competitor's gain, with the net effect on Massachusetts employment small.

Most importantly, however, the shift to recycled and recyclable packaging will boost Massachusetts employment in all materials processing and packaging-related businesses. The amount of economic activity in Massachusetts involving *virgin materials extraction and processing* (such as forestry and mining) is extremely small. Thus, any loss of economic activity in this area will have only a negligible effect on the state economy. Conversely, RSP-induced stimulation of *recycled materials formulating and processing* should have a substantial

positive impact on employment. Because of the relatively high cost of transporting materials, additional formulation and processing will, for the most part, happen locally. In-state packagers who quickly adapt to the new market conditions will also enjoy competitive advantages.

(4) Other Effects and Considerations: The successful implementation of RSP in Massachusetts would surely provide the impetus for adoption of this program in other states. In addition, the pervasive benefits of recycling standards will act to reduce materials and production costs throughout the economy, thereby improving the competitiveness of Massachusetts and American industry. Finally, recycling standards for packaging will provide the means for a successful transition from a throw-away society to one that respects and values its resources.

Federal Trade Commission

JANET D. STEIGER

CHAIRMAN

FEDERAL TRADE COMMISSION

EPA NATIONAL ENVIRONMENTAL LABELING CONFERENCE

BALTIMORE, MARYLAND

October 1, 1991

The views expressed are those of the Chairman and do not necessarily reflect those of the Federal Trade Commission or the other Commissioners.

Good Afternoon, I appreciate the opportunity to join you today to discuss the "Greening" of the American Marketplace and the FTC's work in this area.

Our economy is driven by the powerful engine of competition in which marketers are eager to respond to consumers' choices about the products they buy. Consumer choice drives marketers to improve their products and to promote those improvements in competition with each other. During the past three years, there has been a powerful expression of concern by individual consumers over how their purchasing decisions affect the environment of our planet. It has been referred to by many as the "green revolution."

A July 1991 study reported that 85% surveyed are "doing something" about the "solid waste problem." This concern has been translated into purchasing decisions. This same study reported that 76% of those surveyed said that they would pay up to 5% more for "environmentally sound" packaging, a response that had jumped from 64% in 1989.[2] Some marketers are now emphasizing

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[1] The views expressed are those of the Chairman and do not necessarily reflect those of the Federal Trade Commission or the other Commissioners.

[2] Consumer Solid Waste, Awareness, Attitudes and Behavior Study III, Gerstman & Meyers, Inc. July 1991.

more environmentally sound products. During the first half of 1991, approximately 13% of all new products introduced made some kind of environmental benefit claim. This compares to 11.4% of all new product launches for 1990.

Green marketing is obviously no panacea for the nation's environmental concerns, and there is evidence that despite the high level of consumer interest shown by the various surveys and polls, green marketing is having a hard time effectively responding to consumer demand for informative environmental claims. One marketing expert testifying at our hearings has graphically illustrated the problem. He said that only 14% of consumers can remember seeing "green" advertising or labeling. He further reported that in some focus groups an overwhelming majority of consumers were skeptical of manufacturers' environmental claims.[3] The recent Gerstman & Meyers survey confirms this skepticism finding that only 15% of consumers find environmental claims on packaging believable. The same survey showed consumers want more, not less, information about products. More than 95% of those surveyed agreed with the statement that more information is needed about packaging materials.[4]

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[3] Walter Coddington, Persuasion Environmental Marketing, Inc. (H.T. pp. 102-103, 105, Vol I).

[4] Gerstman & Meyers at page 9.

A clear dilemma thus emerges. Survey data show that ısumers want information about the environmental attributes of tne products and packaging they buy. However, they mistrust many marketing claims that they see in advertising. At the same time, as we learned at the Commission hearings last July, many marketers, large and small, are reluctant to make environmental marketing claims because they fear law enforcement action. Confusion about green claims is simultaneously keeping useful information from reaching consumers and leaving them distrustful about the information they do receive.

Green benefits, to be fair, are not the easiest to convey in creative marketing. One recent trade press article pointedly asked advertisers to try using "polyethylene terephthalate" in a ıgle.[5] Many of the issues that green marketing addresses are nplex. We have only to look at the ongoing debate over whether cloth diapers are better than disposable diapers or plastic bags better than paper bags to understand this point. Some of the most popular claims that have been made, such as "degradability" or "ozone friendliness," have been accompanied by charges that they are themselves deceptive. When asked whether consumers should choose paper or plastic bags at the grocery store, a

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[5] : Ad Week "Try Using Polyethylene Terephthalate in a Jingle, (June 17, 1991) at 12.

spokesperson of an environmental group said confidently, "it depends."[6]

So what is the FTC's role in all of this? As you know, the FTC is primarily a law enforcement agency. Its consumer protection expertise lies in preventing deceptive practices, thereby guaranteeing consumer freedom of choice. The FTC has been involved in environmental marketing issues for many years. The Commission brought its first case challenging landfill degradability claims for a plastic-coated milk carton in 1973.[7] In the early '70's it provided guidance for the soap and detergent industry to facilitate labeling of phosphate content and degradability of detergents. For the past two years we have maintained a heavy caseload of environmental advertising investigations, some of which have already been completed.[8] As environmental claims in advertising and labeling increase, you may rest assured so too will our environmental advertising enforcement actions.

Nevertheless, there is a growing sentiment that in the area of environmental claims more needs to be done. Specifically,

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[6] Nutrition Action Healthletter (April 1990) at 5.

[7] Ex-Cell-O Corporation, 82 F.T.C. 36 (1973).

[8] See, Zipatone, Inc. et al., C-3336 (Final Consent 7/9/91); Jerome Russell Cosmetics, USA, Inc., et al., C-3341 (Final Consent (8/2/91); and American Enviro Products, Inc., File No. 902 3110 (Consent Accepted for Public Comment 8/30/91).

there seems to be a strong feeling in most corners of the ırketplace that the Commission should issue some form of public ɣuidance on green marketing claims. It is my view on this subject that I want to discuss wıth you today.

This July, in response to petitions filed by a coalition of trade associations, as well as requests by the National Association of Consumer Agency Administrators, and the National Association of Attorneys General, the Commission held hearings on green advertising. There were basically two issues the Commission wanted to address during these hearings. The first issue was whether there is a need for Commission guidance in the area of environmental claims. The second issue was, assuming there is a need for such guidance, what form should it take.[9]

During two days of hearings, the Commission heard testimony from forty witnesses. These included representatives of federal, state and local government, trade associations, large and small businesses, market researchers, environmental groups, advertising agencies, certification groups and the Better Business Bureau. In addition to this oral testimony, we received more than 100 written comments, many supported by numerous documents. The Commission staff is currently preparing a recommendation to the Commission based on the testimony and written comments. All of the Commissioners will want to carefully review that

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[9] 56 Fed. Reg. 24,968 (May 31, 1991).

recommendation. At the same time I can tell you it is my belief, based on the two days of testimony we heard, that the Commission has an important role to play in providing guidance to companies that wish to make claims about the environmental attributes of their products, and that the Commission ought promptly to propose guidelines for public comment. I believe we should try to rise to the green claims challenge.

There are several things about the hearings that lead me to this conclusion. First, in the absence of a national approach to the green marketing problem, marketers told us they are being confronted by a patchwork of differing and sometimes conflicting state and local regulations. Second, there is near unanimity of opinion that Federal Trade Commission guidelines could be useful to both businesses and consumers and provide a helpful framework for environmental claims. Third, most witnesses stressed the need for a quick resolution of the problem.

Repeatedly during the hearings, representatives of industry testified that in the absence of a federal policy, the potential for inconsistent or conflicting state and local regulation of environmental claims would put national advertising and marketing legally at risk. A representative of one major national manufacturer, for example, testified that the absence of national guidelines and the emerging pattern of state-by-state regulation may eliminate advertising and labeling as a source of

environmental information.[10] The representative of a national rade association said that conflicting state standards "present ignificant, if not insurmountable, barriers"[11] and a small businessman who characterized himself as an "endangered species" said simply that he would "dare not put" environmental claims on his products absent national standards.[12]

One representative of the advertising community reported that some advertisers were beginning to view environmental claims, not as an opportunity, but as the "third rail of advertising. Touch it and you die." He also cited testimony by small and large companies during the hearings that they had either refrained from making environmental claims or were rethinking continuing the claims they were already making. This witness noted that during the last quarter of 1990 there had been only 22 insertions of print ads that talked about the environmental attribute of specific products. A trend he characterized as "virtually nothing in terms of the noise level in the marketplace."[13]

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[10] L. Ross Love, Procter & Gamble (H.T. p. 227, Vol II).

[11] Red Cavaney, American Paper Institute (H.T. pp. 254-55, Vol II).

[12] Hal Lightman, Independent Cosmetic Manufacturers and Distributors (H.T. p. 202, Vol I).

[13] Hal Shoup, American Association of Advertising Agencies, (H.T. pp. 356-358, Vol II).

These trends are of concern, especially because the testimony also indicates that consumers want truthful information about the environmental impact of the products they buy and because there is significant confusion about the environmental effect of the products consumers do buy. One witness, for example, testified that surveys show that 70% of Americans still believe that aerosol products contain CFCs despite the fact that the use of CFCs in virtually all aerosols has been banned in the United States since 1978.[14]

At the federal level, EPA's Deputy Administrator, Hank Habicht, told us that, "clear federal guidance on environmental labeling will help clarify the information provided to consumers, and thus help markets operate more efficiently."[15] His words were echoed by Clayton Fong who testified on behalf of the United States Office of Consumer Affairs, (USOCA).

At the state level, Minnesota Attorney General Hubert Humphrey reiterated the position of 11 states Attorneys General that a federal presence is needed.[16] Commissioner Thomas Jorling of the New York Department of Environmental Conservation, testified that he believed "the Commission working with EPA does

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[14] Richard Bednarz, Chemical Specialties Manufactures Association (H.T. pp. 193-194, Vol I).

[15] EPA written Comments, July 17, 1991, p. 2.

[16] Hubert H. Humphrey III, Attorney General of the State of Minnesota, (H.T. p. 50, Vol I).

have an appropriate role in establishing a broader national framework for truth in advertising... ."[17] The statements of these federal and state regulatory officials were shared by environmental groups who testified before us. Dr. Richard Denison, speaking for the Environmental Defense Fund, said that "guidelines are critically important to clarify for industry how the FTC believes consumers will respond to particular categories of claims."[18] And Jeanne Wirka of the Environmental Action Foundation testified that her organization wanted the FTC "to vigorously pursue enforcement actions and issue guidance against misleading environmental claims."[19]

Similarly, trade associations, representing some of the country's large and small corporations alike, urged the commission to move forward on guidelines. Cal Collier, a former chairman of the FTC, testifying for the National Food Processors Association, characterized the need for national guidance, taking the particular form of FTC guides, as "immediate and compelling."[20] In sum, much of what I heard at the hearings reinforced the words of General Humphrey, on behalf of a group of 11 state Attorneys General, "Never before have the business

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[17] (H.T. p. 42, Vol I).

[18] (H.T. p. 141, Vol I).

[19] (H.T. p. 139, Vol I).

[20] National Food Processors Association, written comment p. 5.

community, state regulators, and consumer activists, been so much in agreement on any single point and that is for the need for federal guidelines that will fit the national marketplace."[21]

Of course, the Federal Trade Commission cannot base a decision on whether to issue federal guidelines merely on the idea's popularity. We must undertake a close examination of the likely impact on the business community and on consumers. That is why, in publishing its notice announcing the hearing, the Commission asked witnesses to address a series of ten probing questions focusing on the need for guidelines, their feasibility and potential costs, and the benefits to be derived from them.

Here again, I was impressed both by the reasons given for supporting federal guidelines, and by the consistency of the reasoning across diverse groups.

Perhaps most important, there was broad based support for the idea that environmental marketing can play an important role in improving the environment. Richard Denison of the Environmental Defense Fund observed that "consumers armed with accurate and reliable information have a critical role to play in shifting industrial systems and production toward more environmentally defined products and processes."[22]

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[21] Hubert H. Humphrey, III (H.T. p. 34, Vol. I).

[22] (H.T. p. 140, Vol I).

Attorney General Humphrey, on behalf of the National Association of Attorneys General agreed, "Green marketing is truly an area where all of us want to see more, not less, information available to the public," the statement said, "the states do not seek to stamp out the green revolution."[23]

In summary, I believe our hearing record presents a compelling body of testimony that federal guidelines could make an important contribution to promoting truthful advertising of product attributes responsive to consumer concern for the environment.

I have no illusions that consensus for a guidelines approach can be read to show support for any particular guidelines that might be written. Consumer groups and industry come at the problem differently, and do not necessarily agree on what a guideline should say. I only want to assure you that any Commission project would be conducted in the full sunshine of public review and debate. That, after all, is what our public hearings were all about and what, as a public agency, the FTC is all about.

There are other difficulties with any endeavor to draft guidelines. Drafting guidelines on environmental claims will be

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[23] (H.T. pp. 33-34, Vol I).

difficult because it is a rapidly developing technological area. Any FTC guidelines would have to walk the line between being too strict, and thus unlikely to accommodate future developments, and too weak, thus permitting claims that may be misleading.

In addition to the changing nature of the technology there are also concerns that the Commission has less data on how consumers actually interpret environmental claims than we would like to have in an ideal world. In that regard, much has remained the same since as long ago as 1973, when the FTC promulgated guidelines on laundry detergents. Nearly two decades ago there were also problems of consumer perception. For example, the Commission learned that there was not much information on how the average consumer interprets the term biodegradable, except that a significant number of people vaguely believe that being biodegradable is somehow good for the environment. The Commission faces similar problems today in determining consumer perception.

A related issue is industry's perception of the problem. One of the common threads in FTC cases against deceptive or misleading green marketing claims is that, in many instances marketers have rushed to propose solutions to environmental concerns without fully conveying either the problem or the usefulness of the product to a solution. For example, enhancing the degradability of trash bags or disposable diapers intuitively

seems like a good idea to respond to consumer concerns about the environmental attributes of plastic versus paper products. It is only when one considers that in the United States, much of our plastic and paper waste winds up in landfills, and that landfills are managed in a way that actually retards degradability, that you can see the advertising promise may be illusory.

Moreover, there has been concern that if the FTC promulgates environmental marketing guidelines, it will inevitably be drawn into setting environmental policy, rather than protecting consumers from deception, the role that Congress intended the FTC to play. In my opinion, the FTC is not and should not, be engaged in setting environmental policy. That is a matter appropriately left to the EPA and Congress. But many of the witnesses during the July hearings seemed to understand that there are separate communication issues in marketing that the FTC could and should address.

Finally, there have been concerns, echoed by several of the witnesses at our hearing, that, because FTC guidelines would not preempt or legally displace different state laws, FTC guidelines would have little practical effect on the problem of potentially inconsistent or conflicting state laws or regulations. This concern seemed to be the focus of much of the industry's testimony and the Commissions's questions during the hearings.

These are all important concerns and none of them have been fully answered. But again, I believe that the hearings provide a strong basis for going forward; the testimony I heard at the hearings suggest that the greatest risk of stifling information stems from the lack of guidance. Moreover, the proposal for guidelines made by both the State Attorneys General and industry, in general, strive for approaches that avoid rigid definitions most likely to lock in today's technology, leaving a potential defect of rendering guidelines obsolete in the future.

Guidelines would not be the only answer to the problem that we face. As a law enforcement agency, we will continue vigorously to pursue cases of deceptive and false advertising of environmental claims. Likewise, you can anticipate that any guidelines would draw heavily from the principles -- both legal and economic -- that are represented in the Commission general case law and enforcement actions.

In conclusion, I want to leave you with my view that green marketing guidelines are a unique opportunity for business, government, and public interest groups to build on a broad consensus to develop an approach that can serve the interest of consumers and the environment. To be sure, there are difficult challenges to be faced, and the success of any FTC effort, if undertaken, is certainly not assured. The key to success in forging federal policy in environmental advertising requires a

partnership between government, industry, and consumer groups,

h presents a unique opportunity for cooperation. The result could be the development and promotion of more environmentally sound products within the proven success record of the free market system. Thank you.

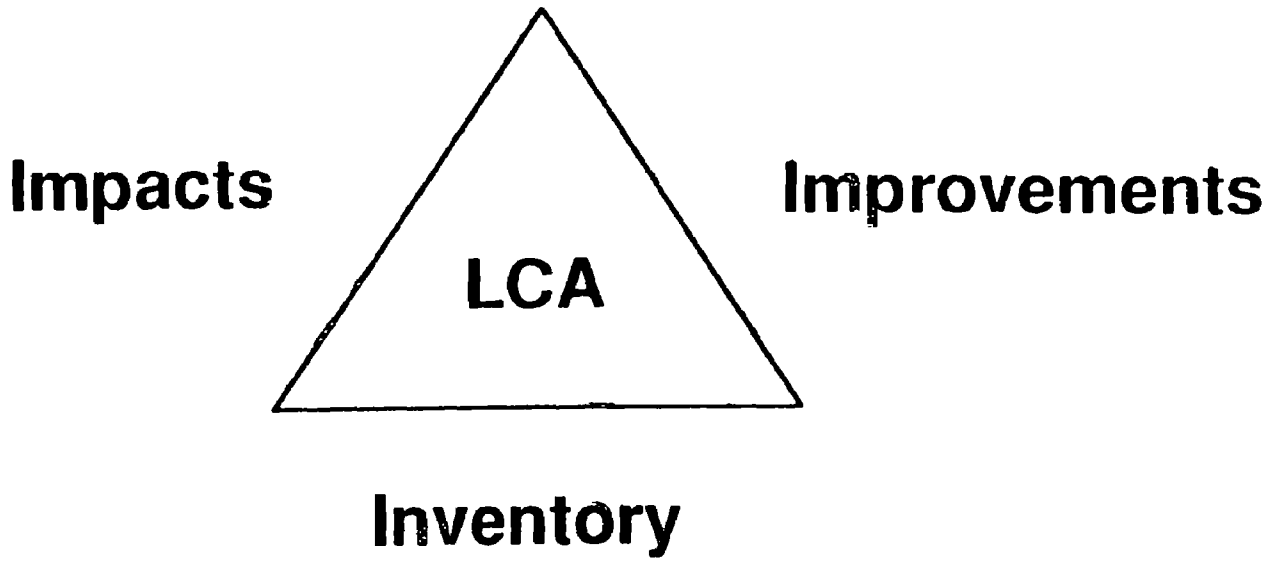
EPA Life Cycle Assessment Task Force - Market Based Pollution Prevention

Timothy J. Mohin

Background

- Definition
- SETAC Workshop, Vermont, August, 1990
  - Determine state of the art
  - Define three stages of LCA

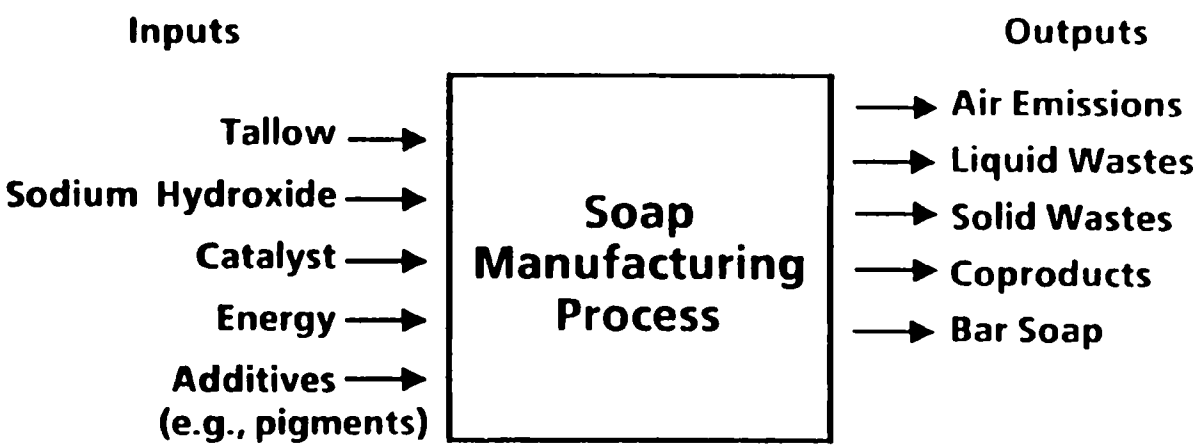
Components of a Life Cycle Analysis (LCA)

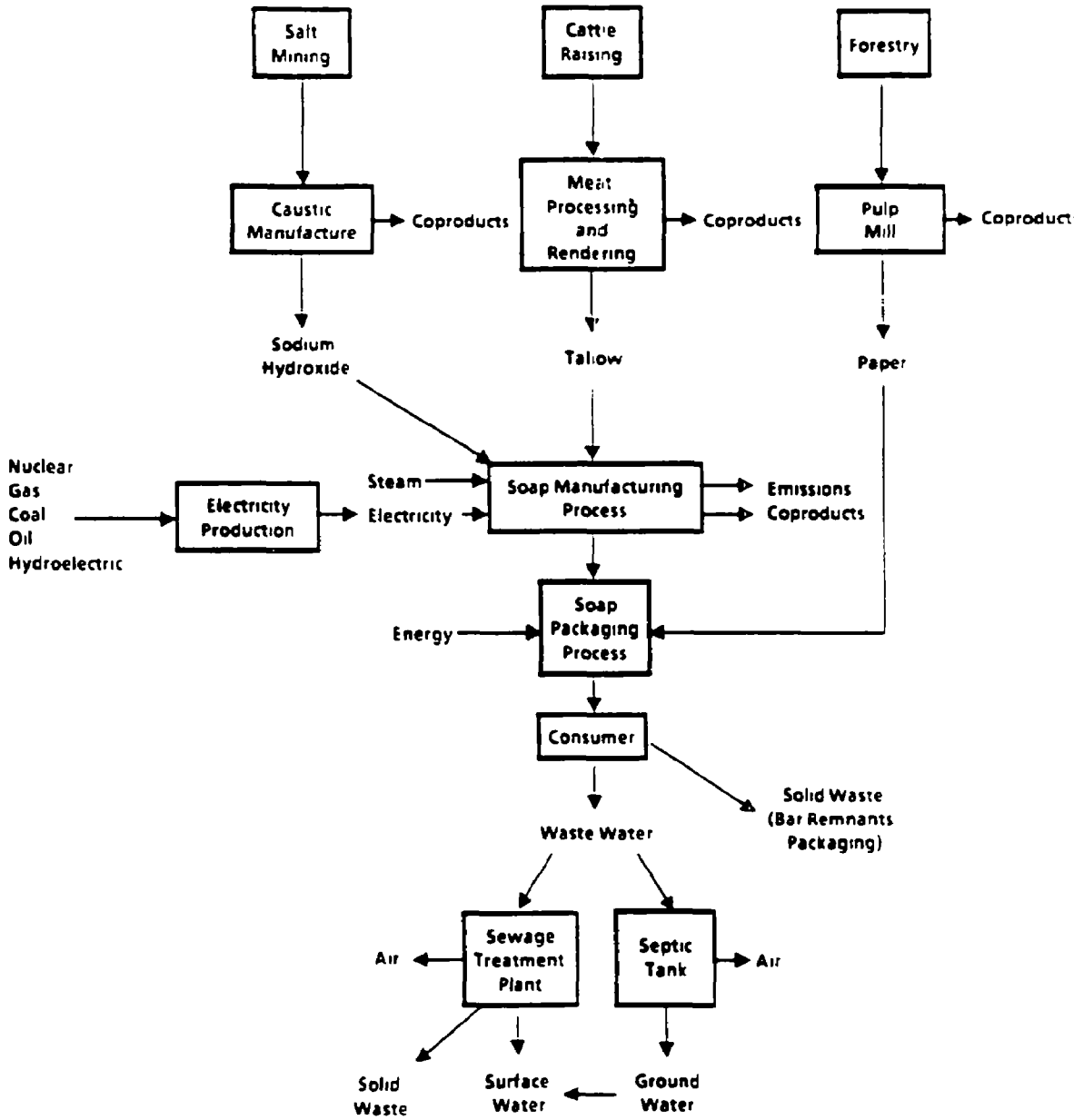


Three I's

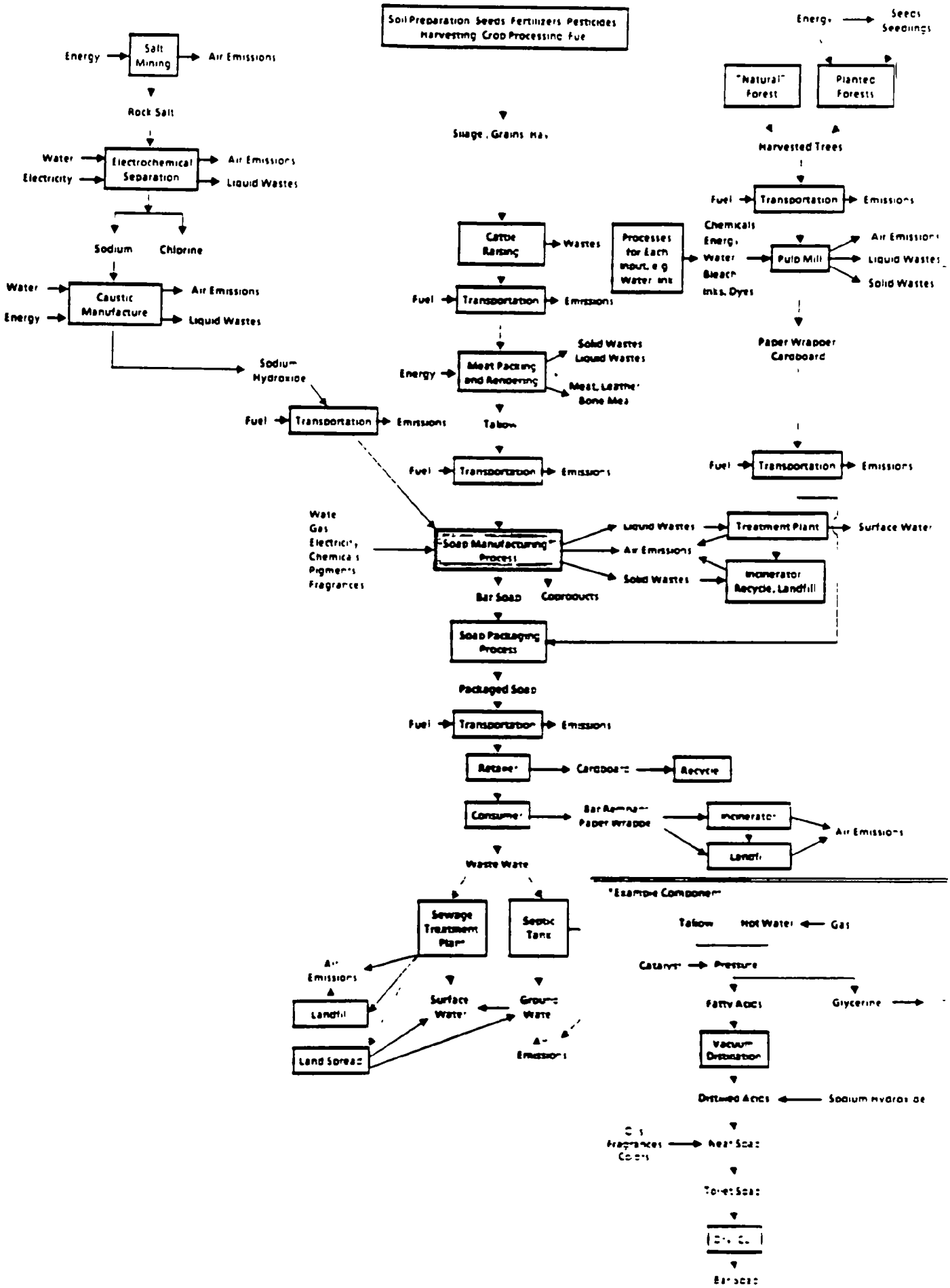
- Inventory
  - Boundary definition
  - Criteria definition for an LCA
- Impact
  - Which are the important criteria
  - Methods of evaluating criteria (scoring/weighting)
- Improvements
  - Results oriented actions - product improvements
  - product labelling
  - product certification
  - education/product design
  - regulatory programs

Soap Manufacturing Module




Salt Mining
Cattle Raising
Forestry
Caustic Manufacture
Coproducts
Meat Processing and Rendering
Coproducts
Pulp Mill
Coproducts
Sodium Hydroxide
Tallow
Paper
Nuclear
Gas
Coal
Oil
Hydroelectric
Electricity Production
Steam
Electricity
Soap Manufacturing Process
Emissions
Coproducts
Energy
Soap Packaging Process
Consumer
Solid Waste (Bar Remnants Packaging)
Waste Water
Air
Sewage Treatment Plant
Septic Tank
Air
Solid Waste
Surface Water
Ground Water

Simplified Life Cycle Analysis for Bar Soap



EPA Effort

- Joint effort among four EPA offices
  - Office of Air Quality, Planning, and Standards (OAQPS)
  - Office of Solid Waste (OSW)
  - Office of Research and Development (ORD)
  - Office of Policy, Planning, and Evaluation (OPPE)
- 2% project combined with an ORD project
- Total funding 850K over 3 years (FY90-92)
- Work on project began August, 1990 (Battelle)

Goals & Objectives

- GOAL: To make LCA an effective tool for providing information on products that will lead to a shift in the market profile
- Develop a comprehensive LCA method to facilitate use and understanding
- Develop a streamlined approach to increase use and effectiveness and lower costs
- Develop a screening method to prioritize LCAs of products
- Provide the lifecycle methodology to consumers, industrial designers, manufacturers, and regulators
- Emphasis on lifecycle method development rather than labelling

Tasks

- Establish a Technical Advisory Panel (second meeting April 2, 1991)
  - Academic, industry, PIRGS, State agencies and other Federal agencies
  - Possible NACEPT focus group
- Analyze the existing lifecycle programs
  - Foreign countries, Franklin, Tellus
- Develop an inventory assessment methodolgy
  - Identification of loadings, assumptions and uncertainties
  - Identification and validation of types and locations of data
- Develop a hazard assessment method (impact assessment)
  - Goal: determine the health and environmental implications of the loadings identified in the inventory
  - Identify possible methods
  - Conduct a workshop
  - Develop best method

Tasks continued

- Evaluate a communications strategy options
  - Short-term: status reports, getting the work out
  - Long-term: results oriented, target consumers, manufacturers, etc.
  - Methods vs. audience matrix to evaluate effectiveness
- Screening analysis
  - To determine whether to use a detailed or streamlined LCA
- Develop a stream-lined method
  - Goal: practical yet credible lifecycle method
  - Simplified approach to data gathering and manipulation
  - Assumptions and decision rules to replace missing data
- Screen and select product groups for testing
  - Representative product groups - cover many effect areas
  - Available substitutes
- Analyze and refine method
  - Adjust the criteria and weighting system

Products

- Method for product lifecycle analysis
  - Comprehensive method
    - Inventory
    - Hazard Assessment
  - Screening method
  - Stream-lined method
  - Case studies of product groups
  - Communications vehicles

Procedural LCA Approaches

- Federal program
  - Canada, Germany, Japan, etc.
- Private programs
  - Green Cross, Green Seal
- Federal/private coop
  - E.G., industry supported review panel with Federal guidelines and joint membership

Policy Considerations

- Federal guidelines for environmental claims
  - EPA/FTC/US Office of Consumer Affairs task force on environmental claims
    - recycled content
    - recyclable
    - lifecycle???
- Legislative initiatives
  - Lautenberg bill S. 3818
    - Federal guidelines for lifecycle claims
  - EPA Pollution prevention bill
    - Quasi-governmental review/certification board
- Bottom line: unclear where this work will "fit"

Two Classes of LCA Use

Internal	External
LCA assessment results remain internal and are used to design or redesign a product or package.	LCA assessment results are made public to promote a product or package as having a lower environmental impact than a competitor's.
Criteria for accuracy need not be very stringent. (A best guess is better than ignoring environmental issues.)	Criteria for accuracy must be very stringent. (False or misleading claims can not be allowed.)
LCA science has advanced to allow useful predictions. Scientific consensus is not necessary.	LCA science is not yet advanced to the level of certain proof. Recently published LCAs have met with a wide range of scientific criticism.

FRANCES WERNER

MONSANTO COMPANY

IS PRODUCT LIFECYCLE METHODOLOGY APPROPRIATE FOR CONSUMER LABELING?

BACKGROUND

Product lifecycle assessments (LCA's) have been done for approximately 20 years, with a recent serge in interest in the last 18 months worldwide. The science of lifecycle assessments is in its infancy with the 1989 SETAC (Society of Environmental Toxicology and Chemistry) conference focusing on the INVENTORY portion of LCA's. Future conferences are planned to determine the IMPACT of the waste inventories as well as the DATA QUALITY within the inventory. LCA's are expensive ($100,000-$250,000 for a typical study) and involve an extraordinary amount of time and effort. They cannot be done quickly or with the lack of proper expertise.

ARE LCA'S A FEASIBLE SOURCE FOR LABELING INFORMATION?

Against the backdrop of the early stages of the science of LCA's, it seems inappropriate to begin discussions of the possible uses for labeling from the assessments. However, the overriding interest in a holistic approach makes the concept very appealing to many groups. The "ideal case" of having a simple number which would allow consumers to discriminate between product choices on the basis of waste produced has merit. But the difficulties of having a "simple number" can be demonstrated with several examples.

Figure 1 lists two products, A and B. The data are actual data for two interchangeable products that a consumer could use. An examination of solid waste shows that Product A is superior to Product B. However, an examination of raw materials used shows that "B" is superior. Adding both raw material and solid waste shows that "A" is still superior. The addition of process waste still gives the edge to Product A.

However, when energy is added to the information, Product B has lower energy usage. Neither scientists nor consumers can add "Btu's" to kgs of waste to come up with a meaningful comparison. Conversion of Btu's to kilograms confirms that Product B is superior in energy consumption. However, the final totals show that Product A is better overall. One theoretical option would be to label Product A with the number "228" and Product B with "235.8" to allow consumers to see the relative position of the products. But the conclusions would be faulty!!

FIGURE 1

PRODUCT LIFECYCLE ASSESSMENT

KG WASTE/1000 L PRODUCT

	PRODUCT A	PRODUCT B
SOLID WASTE	33	63
RAW MATERIALS	39.2	33.8
SW + RM	72.2	96.8
RM + SW + PROCESS	75.4	115.2
ENERGY, BTU	2270	2210
ENERGY, KG	156	139
TOTAL WASTE	228	235.8

LIMITATIONS of LCA's

Figure 2 shows other issues which are not dealt with in this analysis. There are several examples of inventory information which require either resolution by the scientific community or a value judgment by the group preparing the label system. For example, should consumers have information on water consumption rolled into their number? Certainly consumers in California may have a different opinion than those in Michigan. But what about waste that is treated? Should products be "docked" for making wastes that are degradable? LCA's measure that pollution from the source, not the ultimate fate of the pollutants. What if products can decompose to CO_2 and water, or other organic matter after composting? Isn't that better than a product which has waste which cannot be treated? Do consumers want to know about toxic waste or all waste? Product B has 9 pounds of waste which includes table salt and salt used on your driveway in winter. Product A has more metal ions released than Product B, for example. Do these have an impact? What does the consumer care about waste reported in kg/1000 liter units? LCA's report data in units that do not make sense for the consumer application.

POTENTIALS FOR APPLICATIONS

There are several possibilities for some usage of LCA information. However, the consumer labeling evolution must deal with several key issues (Figure 3). First of all, what's the purpose of the labeling? Concerned parties should decide this answer, then make sure that the vehicle for measurement is going to meet this need. Several types of labeling proposals could include:

- Total waste a customer can control
- Total waste and energy generated by the product
- Total waste and energy release to the environment
- Specific ingredients that may have health issues

The most appropriate usage of labeling to begin with should be HELPING CONSUMERS MAKE INTELLIGENT CHOICES ABOUT DISPOSAL. Thus, labels should be made utilizing meaningful units for the customer. In most cases, this would be on the appropriate unit size that the customer is purchasing. It is also recommended that since U.S. customers are still "metric ignorant," labeling in pounds may make the most sense. But information from LCA's can be misconstrued if the total picture is not presented. Instead of clouding the picture with upstream data from manufacture and raw materials, downstream application from LCA's may make the most sense. In fact, a limitation to using only disposal and recycling waste data may be prudent as a starting point.

FIGURE 2

DIFFICULT INVENTORY QUESTIONS:
VALUE JUDGMENT IN CONSUMER LABELING

- WATER CONSUMPTION?
  - PRODUCT A $2.3m^3$
  - PRODUCT B $1.78m^3$
- WASTE GENERATED VS. WASTE RELEASED?
  - PRODUCT B HAD 2x
  - MORE BIODEGRADABLE
- NATURAL WASTE PRODUCTS COUNT?
  - CO_2, ORGANIC CARBON
- TOXICS VS. NON-TOXICS?
  - PRODUCT B HAS 9 LBS WASTE
  - SODIUM CHLORIDE + CALCIUM CHLORIDE
- WRONG UNITS?
  - KG WASTE/1000 LITERS PRODUCT
  - NOT MEANINGFUL TO CUSTOMERS

SUGGESTIONS

CONSUMER LABELING EVOLUTION

FIRST STEPS:

- HELP CONSUMER MAKE CHOICES ABOUT DISPOSAL
- LABEL IN MEANINGFUL UNITS TO THE CUSTOMER
- UTILIZE DOWNSTREAM PRODUCT LIFE CYCLE INFORMATION ON DISPOSAL/RECYCLE ONLY
- LCA METHODOLOGY IS IN ITS INFANCY; PRESSURE FOR LABELS SHOULD NOT OUTPACE THE SCIENCE

DEMONSTRATION OF DOWNSTREAM SOLID WASTE CONCEPT

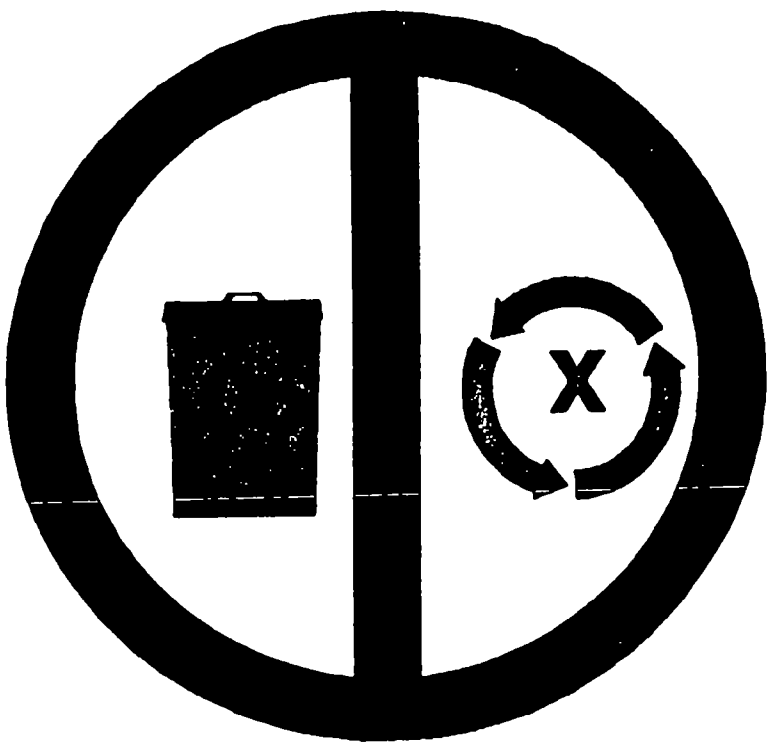
Let's revisit Products A and B. Remember that the earlier data showed that the total waste numbers for the products were 228 and 235.8, respectively. Based upon those numbers from the product lifecycle, a customer would probably choose Product A. An examination of Figure 4 shows an alternative presentation of the data on the two products from a downstream solid waste perspective. If Product A is pitched into municipal trash, it will contribute 0.06 pounds of waste to the environment that's unlikely to degrade. However, Product A is NOT RECYCLABLE. The technology is being developed, but it is not available in the United States. Product B, on the other hand, will contribute 0.11 pounds of waste if pitched into municipal waste streams. However, if it is recycled, it will only contribute to 0.01 pounds of waste.

Now the consumer can make an intelligent decision. If the consumer can recycle Product B, it is a better choice. However, if the consumer does not plan to recycle Product B, Product A is the superior choice. This type of presentation of data gets to the heart of the MISUSE of LCA data. **Neither Product A nor B is clearly the "winner." But the ultimate cost/benefit to the environment will be influenced by the choices the customer makes.**

But even this suggestion has limitations. It is easy to suggest that limiting the analysis for solid waste makes sense. And it certainly does in this case where solid waste is dominant. However, let's look at another case for two products, C and D (Figure 5) where the results are not as straight forward.(1) One product is a solid waste product which is primarily paper, while the other involves a cleaning step to be able to reuse the product. Now the consumer is faced with a new set of choices. If the consumer is merely going to throw the product away, then Product C will make less solid waste. However, Product D is superior if the product will be reused. Now, let's add complexity by showing that as composting becomes available to consumers, it makes Product C look much better (Figure 6). In addition, what if we include the water pollution produced during the cleaning of Product D as well as the energy required? Now Product D has a waste produced of 0.05 pounds. Product C now emerges as the product of choice.

(1) Complete data not available, so numbers have been rounded by author to demonstrate concept.

PRODUCT A



PRODUCT B

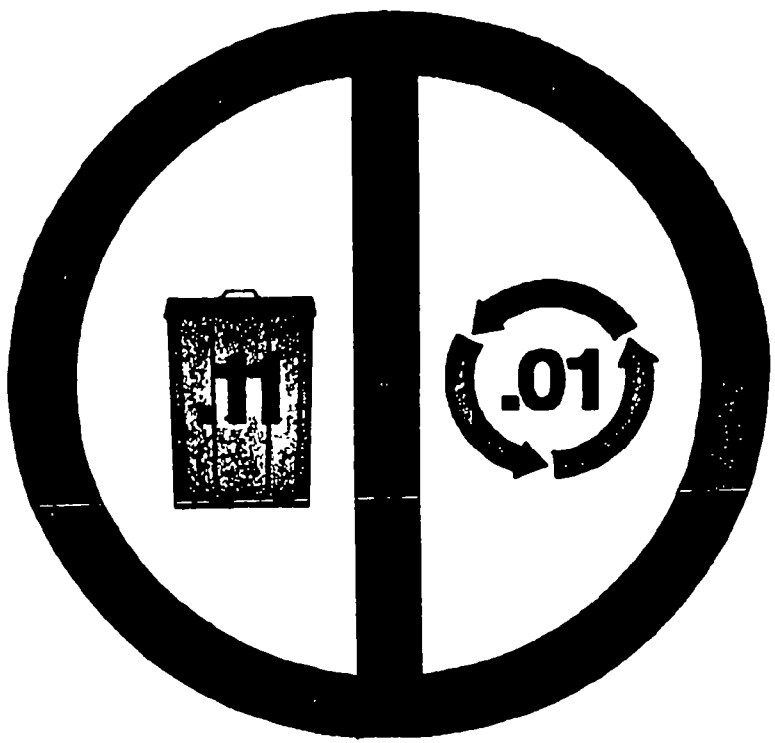
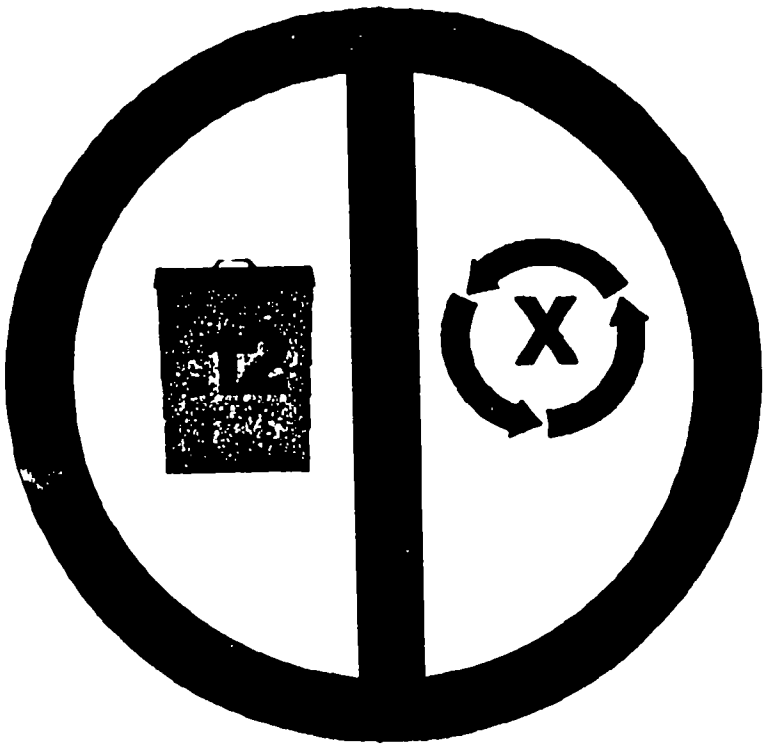
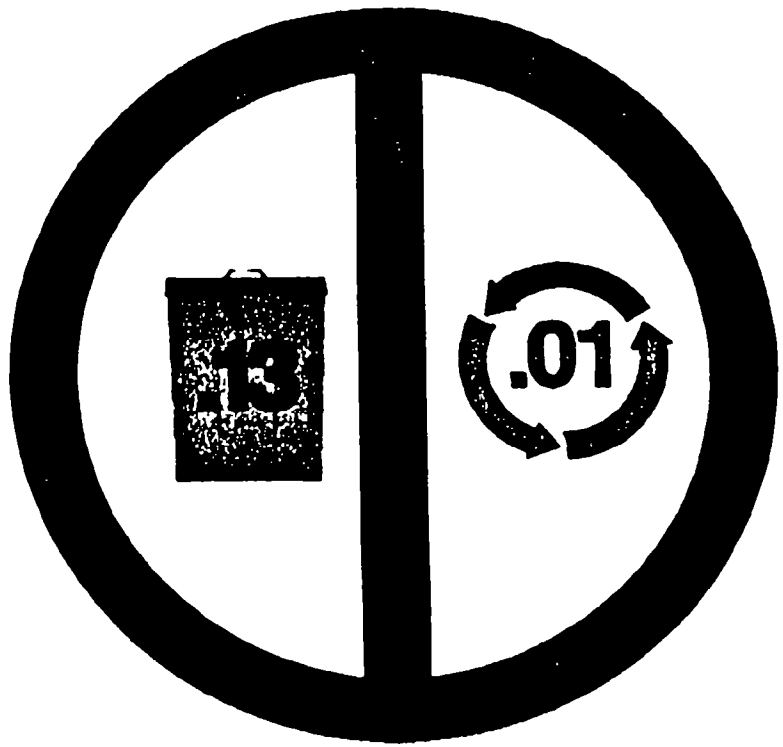


FIGURE 5

PRODUCT C



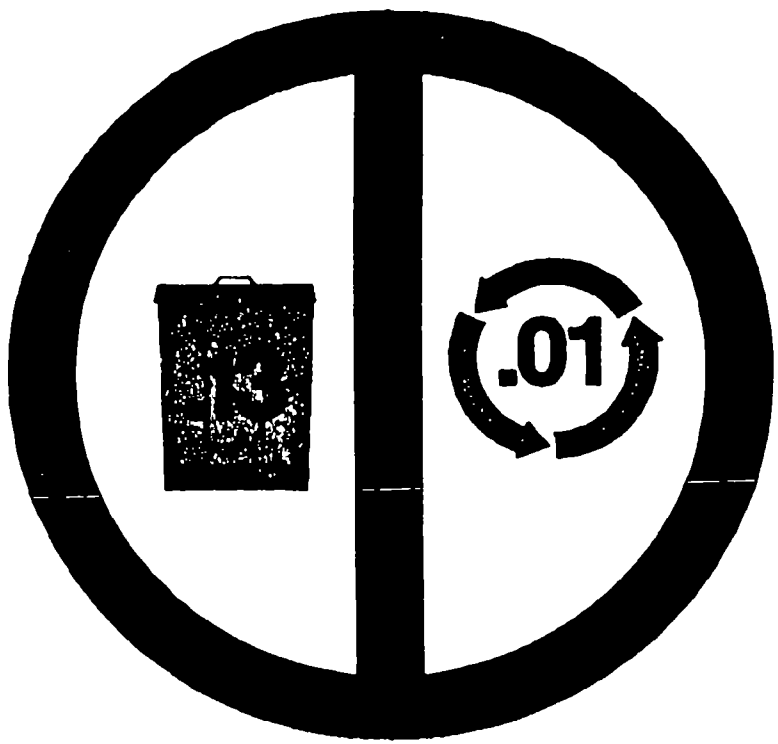
PRODUCT D



FIGURE

PRODUCT C

PRODUCT D



SUMMARY

These examples are real data from existing LCA's. They show that many types of data are available and can change the final answer. **Product Lifecycle Assessments should never be used as a simple** number for consumer labels because there is far too much complexity behind the final output which can lead the uninformed to wrong answers. However, LCA methodology on the disposal/ recycling side may have merit to show consumers their choices and the consequences of their choices. There will likely be multiple answers for every product, because there are multiple disposal and recycling choices that can be made. The critical decision on labeling must include the **resolution of the purpose of any label.** The importance of LCA methodology can ultimately only be answered by that purpose. Finally, remember that LCA's are only in their infancy. Let's not expect reasonable solutions when there have been less than 100 completed worldwide to date, and publication with an acceptable level of detail of less than a dozen.

Shopping Is a Polluting Activity
by Joel Makower, Editor, *The Green Consumer Letter*
October 1, 1991

Talking Points

* Let's start with the essentials: Nothing you can buy will ever be *good* for the earth. The most we can hope for is to buy products that generate the least amount of pollution and use resources most wisely.

* Consumer information on environmental topics is a muddle at best. In fact, a lot of what's going on may well be counterproductive.

    * consumers don't know what to believe
    * retailers don't know what to believe
    * regulators are scrutinizing everything
    * we don't even know if green claims increase sales

* To illustrate the muddle, take a look at the polls. While consumers repeatedly tell pollsters that they are environmentally concerned and would like to do the right thing, they also indicate that they don't necessarily practice what they preach. And when you look at other polls, you can easily see why:

    * A 1991 survey by Decision Research: only 7% believe companies are taking appropriate steps to protect the environment. Fully 58% were unable to name a single company they consider "environmentally conscious."

* Another poll found that Americans rank corporate environmental crimes as more serious than insider trading, antitrust violation, and worker health and safety abuses. Three-fourths of those surveyed said executives should be held personally liable for their companies' environmental offenses.

* Other polls show people don't know what "biodegradable," "recyclable" or other terms mean

* My experience traveling around country is that seemingly well-informed people -- reporters, even some environmentalists -- still believe that aerosols contain CFCs, or that some materials will effectively biodegrade in landfills. It simply points out that all the good efforts of writers, environmental groups, and government agencies can't hold a candle to the power of a couple good product ad campaigns.

* So, it's no wonder consumers aren't shopping green. They don't know who to believe. They don't know what kinds of claims they can rely on.

* I'm concerned that Green Consumerism is evolving hot on the heels of the Oat Bran Era. You no doubt recall what happened: manufacturers all but force-fed a single ingredient on an all-too-eager public, only to have the rug pulled out from under us by the reality of medical science. There is no doubt in my mind that the next time a magic-bullet cholesterol-reducing substance is discovered -- however valid its claims -- Americans are going to be far less willing to take the plunge.

* So, it's the repsponsibility of manufacturers to provide genuine education on Green Consumerism that transcends slogans and quick fixes.

* We've got to admit to ourselves that this is tough stuff. To understand, for example, the environmental impact of something so simple as a soda bottle or a bleached coffee filter requires digesting a fair amount of technical data, not to mention comprehending the often elusive maneuverings of companies, politicians, and environmentalists.

* It's vital that we make consumers understand that "going green" involves to fundamental things: minimizing waste and maximizing resources. When you do those two things – reduce waste and maximize resources – it doesn't matter whether you are running a business or simply shopping for groceries – you can't help but get a better return on your investment over the long run. So, "going green" can be as economical as it is ecological.

* Manufacturers have to supplement their product information with good, green information. For example, although it may seem simple to us, most people don't yet grasp the fundamentals of recycling – what's recyclable, how to do it, and so on. Labels should help disseminate this information. If a product is truly recyclable, then exlain how to do it – "Remove the plastic top, which cannot easily be recycled. Then rinse out the bottle and place it in a bin with other PET plastics, such as those from soda bottles...."

* It's also important to put things in perspective. For example, for all the debate over paper bags versus plastic bags, or glass versus aluminum containers, the environmental differences are obliterated by the energy and pollution impact of a consumer driving just one mile and back to the supermarket. In other words, the environmental impact of the purchases made at the grocery can pale by the impact of getting to the store and home again. So, we've got to make sure to tackle the significant things as well as the symbolic ones.

* Finally, companies have to get their own houses in order. The challenge is to integrate these green ideals into your corporate culture on a day-to-day basis – not simply to do a few symbolic and well-publicized things every third week in April around Earth Day.

* facilities management – greening lights, water, energy use, transportation, packaging, etc.

* pressuring suppliers – using marketplace clout to encourage other companies to adopt more environmentally responsible practices. Ace Hardware example.

* adopt a simple but specific environmental policy around which everyone can rally

* Use advertising dollars to help teach, not just to build credibility. Polls show that people don't believe those ads anyway. If you were to believe some oil companies' ads, you'd be led to think that they were in the principal business of saving porpoises and whales. Do companies really believe this will work? Apparently, companies do. But companies have to first establish credible products and corporate behavior before their ads can be heard.

* I think the public can handle imperfect answers, and solutions that aren't necessarily aimed at the lowest common denominator. People can adjust to uncertainty and change, as long as they are aware of the process.

* So, when companies start being honest with consumers, and stop taking advantage of their genuine concern for the earth -- I think the products will sell themselves.

RUTH BECKER

PENNSYLVANIA RESOURCES COUNCIL

LABELING: CONSUMER PROTECTION OR CONFUSION

My perspective on labeling is based primarily on extensive contact with ecologically aware consumers. As some of you already know, the Environmental Shopping Program was launched by Pennsylvania Resources Council about five years ago. Aimed at educating people about how to shop in a way which is less demanding on our environment. The program has reached over 50,000 people and is growing every day. Most of my comments and insights will be based on experience gained from working with such environmental shoppers across the United States and in Europe. In addition, I have also had substantial contact with industry during my two years on CONEG'S former source reduction council.

The first thing we need to look at when asking whether labeling is protection or confusion is what we mean by labeling. If we're talking "Green Hype", motivated by Green Profiteering, or course it's confusing. It's meant to be. Its intention is not information. It's sales.

On the other hand, a national symbol that has standardized meaning and criteria could be a source of assistance to both buyers and manufacturers. The only way a market system works properly is when the consumer has enough information to make informed decisions. And consumers want and are entitled to specific information on all products and packaging from food to cleaners, from paints to pesticides. If a consumer goes to a salad bar, he or she shouldn't have to ask if sulfites have been used. If you heard Pat Imperato testify at the forum on labeling yesterday, you heard a demand for less hype on the container and more information on what is in the product. Others properly objected to the use of a recycling symbol on a container if it was not recyclable within the community.

But what is equally clear is that labeling is not enough. Education is a necessity if any labeling effort is to be truly effective. It is also evident that educational materials and services for consumers won't be trusted unless those preparing them don't have an ax to grind. We cannot depend on the current void in consumer education being filled by manufacturers. Because they have a vested interest, much of what they say the consumer does not believe. In fact, right now the American consumer believes little of what government says, even

less of what business claims and nothing of what advertising touts. We need only look across the Atlantic to get a glimpse of what this can mean.

The British consumers are furious. They are demanding immediate government action and boycotting products. In store vandalism has increased.

The American buyer really accepts only two sources of information - the environmental group and the environmental journalist. This means that environmental labeling consumer education programs could probably be handled most effectively by non-profit groups like PRC who don't have a vested interest and already have credibility in the eyes of the consumer. They could be funded to prepare and provide educational materials both for schools and the general public.

Now, there are things no label can do.

I question whether it can be a source of protection because protection for the buyer lies in self education and protection for the manufacturers comes from ethical business conduct. No label is ever going to relieve informed consumers of the need to keep informed to make intelligent shopping decisions.

No label - no matter how good it is, is ever going to assess whether you need a product. No label is ever going to change the fact that "buying green" is no substitute for the change in behavior we all need to make to protect the environment. And herein lies the danger of the environmental labeling - that it can be construed as "doing enough" for the environment.

But regardless of the risk, in a democracy citizens have the right to know how the products they buy affects their health, their children's health and the environment. The environmental label, properly designed and implemented can be a useful tool, but it cannot be a be-all, end-all in itself. As Pogo said, "I've met the enemy and it is us". Much of the solution lie in changing our lifestyle and only we can make that choice.

Presentation by Sandra Eberle, Office of the Executive Director U.S. Consumer Product Safety Commission before the Environmental Labeling Conference Panel on Labeling: Consumer Protection vs. Confusion, October 1, 1991.

The views expressed are Ms. Eberle's and do not necessarily represent the official position of the Commission.

Good afternoon, it is a pleasure to be here in Baltimore to address this new task that many would have product labeling fulfill -- helping us all protect the environment.

I am reminded of the words of a song - SIGN, SIGN, EVERYWHERE A SIGN, DO THIS, DON'T DO THAT, CAN'T YOU READ THE SIGN!

Yes, product labeling is a sign that is being used to influence consumer behavior, our behavior, in many ways. Today I want to discuss with you

(1) some of the characteristics of labeling that the Commission's Human Factors' staff conclude impact the likelihood that a label will influence behavior, and

(2) the Commission's interest in assuring that health and safety messages on the label are not obscured by these other environmentally important messages.

First - what are the characteristics of a labeling message that don't cause confusion {as our title today highlights}? What characteristics make the label effective at changing behavior?

The Consumer Product Safety Commission relies on product labeling as part of the strategic defense system against injury from products ranging from lawn mowers to children's toys. The CPSC's Human Factors staff has concluded that the primary factors that influence the effectiveness of labeling are:

1) the perceived hazard of the product;

2) the products' familiarity; and

3) the ease of complying with the warning.

These factors are all interrelated. If a product is perceived to be hazardous, labeling instructions are more likely to be noticed and the recommended actions taken. The more familiar the product or situation, the less likely that labeling instructions will be noticed or followed. Labeling instructions that require the consumer to expend only modest effort to comply are more likely to be followed than those requiring repeated effort or lots of time.

Recent proposals would provide information on environmental concerns - everything from whether the manufacture of a product or component involved an "ozone depleting chemical" to a direction to the buyer to encourage the development of recycling facilities in their local area. This certainly is a fine thing. Consumers want information which is factual and reliable. They want to judge the comparative "safety" (safe for them and for the planet) of products.

The majority of Americans consider themselves environmentalists, and will find this plethora of new information useful and necessary, or will they?

Will they read and understand the new labels? And how well will the new "green" labels coexist with health and safety labeling?

CPSC's interest results from its regulation of the labeling of most of the products likely to bear "green" labeling, and from the need to ensure that the environmental issues do not overshadow or conflict with health and safety labeling. Warnings about health hazards and risk of fire or explosion required by the Commission now fight for prominence and conspicuousness with the "product promotion" portion of the label.

It seems that most of the "positive" messages - "ozone friendly", "recyclable", " Contains no CFC's" - are treated as advertising messages and placed on the front panel, again often more prominently than the health and safety messages. This can lead to problems.

Environmental labeling has indirectly caused at least one serious safety problem. Aerosol spray string, a novelty item, was reformulated to remove the CFC propellent, and the resulting products prominently labeled as "ozone safe" and "safe for the environment." The reformulated product was highly flammable, and several accidents occurred before CPSC obtained a recall and reformulation to a less flammable propellent.

CPSC compliance staff has encountered several other aerosols that require "DANGER Extremely Flammable" on the label, but also have disclaimers like "Safe for the Environment." These statements may violate regulations against the deceptive use of disclaimers, 16 C.F.R. 1500.122, which precludes the use of wording that implies safety on the labels of hazardous products. The Commission can take action against products where the "green" labeling has the potential to mislead or deceive consumers into thinking they are buying a "safe" product.

Over 250,000 acute injuries resulting from household chemical products are treated in hospital emergency rooms each year. These injuries include accidental ingestions, chemical

burns and other acute injuries associated with household chemicals. Over 900,000 accidental ingestion exposures involving children under age five were reported to Poison Control Centers in 1989; in 1988 there were 42 deaths of children under age five from accidental ingestion of household chemicals.

Consumers are interested in using their purchasing power to protect the environment. Accurate labeling can help them do that. But a purchasing decision is a complex one that must balance many "needs" - including cost, the appropriateness of the article for the task, and the safety of the product in use.

If the prominence of environmental labeling causes consumers not to notice a safety warning label, then increased injuries and deaths may be the result. If changes are made in a familiar product that make it more environmentally appropriate, but more hazardous for the consumer to use, "green" claims should not be allowed to detract from the hazard warnings.

The Environmental Protection Agency's current position is that the front panel (principle display panel) should be used for the ozone depletion warning statements required by the new Clean Air Act. The placement of the full text of that label on the front panel presents the potential for interference with health and safety labeling for hazardous consumer products.

The label reads as follows: "Warning: Contains [name of substance], a substance which harms public health and environment by destroying ozone in the upper atmosphere."

It will require the thoughtful analysis and full cooperation of business, government, consumer and environmental interests to implement environmental labeling in a way that truly improves the safety and health of the American public.

Thank you. I will be pleased to answer any questions you may have.

Remarks by Lars E. Peterson
Senior Government Relations Representative
Food Marketing Institute

National Environmental Labeling Conference, October 1, 1991
Workshop: In-Store Labeling — What's In-Store for the Consumer?

Thank you for the opportunity to be here today. My name is Lars Peterson and I am Senior Government Relations Representative for the Food Marketing Institute. FMI is a trade association representing the retail and wholesale grocery industry. We have 1,500 members; one half of them are single store owners, two-thirds operate ten or fewer stores, and one third have eleven or more stores. Our members operate a total of approximately 19,000 stores, which account for half of the nation's grocery sales.

What is the role, what should be the role, of the retailer in the environmental area, and what is happening regarding in-store labeling?

The grocery industry recognizes that supermarkets are a very visible part of the product/package supply chain. We see that we have a responsibility to play a constructive role in the solid waste issue — a problem we all share. We all have to change our habits and ways of doing things — as individuals <u>and</u> as businesses, communities.

A fundamental premise of the grocery industry is that we see ourselves as the purchasing agent for the consumer. This perspective is the first tenet set forth in FMI's mission statement. This is only natural. Consumers visit grocery stores an average of 2.3 times a week. Retailers hear about suggestions and complaints — what consumers like and want or do not like — and try to respond.

The fact is, the environment has become a <u>consumer</u> issue. Shoppers want to be responsible environmentally so they want to know about the environmental impact of the things they buy — what is recyclable, what products and packages contain recycled materials, what can be reused, is a paper, plastic or canvas grocery bag best?

And what does this mean? Like <u>other</u> consumer issues, it means that consumers have a right to accurate and usable information and that industry — manufacturers and retailers — has an obligation to provide it. With usable, clear information consumers will be empowered to make sound environmental purchasing decisions.

So, what's in store? More environmental information, more involvement at the community level.

FMI maintains a compendium of environmental programs that our members are undertaking. It is called our Member Company Environmental Directory and it is updated every few months as we learn of new programs.

> Several stores are shelf labeling environmental information — telling shoppers such things as what is recyclable in the store or community or what is source reduced.

Other shelf signing programs provide general environmental information, for example, about the SPI plastic coding symbols or about specific materials.

Cents-off programs offering a discount to shoppers who take their shopping bags back to the store for reuse.

Brochures and general information programs about community environmental activities, in other words, the store acting as a source for useful community information about recycling centers, collection programs, etc.

These kinds of efforts show how the setting — the point of purchase — presents a unique opportunity for the public to gain environmental information.

It is important to keep in mind that local conditions are not always the same, and this means there is not total unanimity within the grocery industry on environmental programing. In some areas, for example, in-store plastic and paper grocery bag collection programs for recycling work very well. In other areas a lack of space makes such programs impossible.

If you would like a copy of the Directory, please let me know. I would be happy to send it to you.

In addition to in-store programs designed for the shopper, retailers are looking at the operations side of their business to see where in-store and office waste can be reduced and recycled more, and they are educating their employees on the solid waste issue. They are also working with local communities to advance comprehensive solid waste planning, and with manufacturers and suppliers to encourage source reduction and recyclability.

Now, all this sounds just terrific, but let me douse it with some cold reality. Is there a potential for confusion in this new arena of environmentalism? Yes, not only is there a potential, there <u>is</u> confusion. Polls show the public wants to be environmentally responsible but that it is confused. Are products really recyclable if there is no collection system in a community? What does "environmentally friendly!" mean on a label?

With the realization that being environmentally correct is not as straight forward as first thought, and in light of some manufacturers being taken to task for using terms like "biodegradable," some manufacturers and retailers have backed off from environmental programs. Not only do they want to avoid legal problems, but there is a recognition that if environmental labels and claims cannot be understood or turn out to be hollow, there is the risk that cynicism will turn the consumer off — even to valid and useful environmental messages.

That is why we need the Federal Trade Commission to issue guidelines for the use of environmental claims. I was happy to hear Commission Chairman Janet Steiger in her luncheon speech to us today voice her personal support for the Commission issuing guidelines. They are critically needed for eliminating the ambiguity and uncertainty that presently exists. Guidelines would create a level playing field for marketers so that there will be less chance of consumers being confused and turned off.

The national grocery distribution system is a vast, integrated mechanism. One of the needs for guidelines is to establish uniformity. A patchwork of different states' definitions of environmental terms would impose such significant labeling problems that manufacturers would likely stop making claims, or wholesalers -- many of which are multi-state suppliers -- would stop carrying items with claims.

But let me again complicate things. While we need uniformity, national guidelines cannot be so rigid that they stifle local initiatives or cannot accommodate local conditions.

If national guidelines prescribe that a packaging material cannot be labeled as "recyclable" unless it has achieved a 25 percent recycling rate (this has been proposed), then the grocery stores in a community that is just starting a curbside collection program cannot put up shelf tags in the stores informing shoppers about the packaging materials that are now being collected for recycling!

This would be a classic Catch-22. Grocers could not shelf label recyclable items exactly when the public needs the information, when the community's recycling rate is zero. They would have to wait until a 25 percent rate has been achieve, when the lesson has already been learned. What a wasted educational opportunity this would be! Needless to say, FMI is making sure that the retailer's unique perspective is kept in mind at the Federal Trade Commission as well as in Congress.

This concludes my remarks, which are meant as an overview of how the food distribution industry — and grocery retailing in particular — is responding to the solid waste problem facing our nation. My fellow panelists will now provide some company-level perspectives on what the industry is doing.

Thank you for the opportunity to be with you today.

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U.S. EPA CONFERENCE ON ENVIRONMENTAL LABELING

IN-STORE LABELING - WHAT'S IN-STORE FOR THE CONSUMER

MICHAEL REILLY - MANAGER OF ENVIRONMENTAL AFFAIRS

WAKEFERN FOOD CORPORATION

Good afternoon everyone, its a pleasure to be here. First, I would like to thank the Pennsylvania Resources Council for inviting Wakefern to this important conference and giving us the opportunity to share our views on in-store enviro labeling.

WFC/ShopRite is the largest retail owned cooperative in the United States. We operate 180 supermarkets in Connecticut, Delaware, Massachusetts, New Jersey, New York and Pennsylvania. We serve over 3 million customers each week. The environmental affairs department that I'm responsible for was formed in June of 1991. It came about because of a need our Board of Directors saw in taking a consistent and comprehensive approach to environmental issues facing their companies. The Board established an Environmental Committee which is comprised of Board Members (ShopRite owners) and WFC Staff. This committee reviews, evaluates and recommends all environmental programs and presents them to the Full Board of Directors for their endorsement and recommendation, for implementation. This afternoon I would like to share with you our reasons for not implementing enviro labeling at the shelf, what we think as retailers our roles should be in regards to this area and the enviro programs we have implemented and finally, how we stand on uniform labeling standards.

As we began establishing environmental objectives for our companies, our most important criterias were that they were factual, educational and did not add to the confusion that our customers were already dealing with in regards to environmental issues. When we explored the possibility of implementing some shelf labeling, the programs did not meet the criteria we had set for ourselves. For example, if we were to place signs that showed a particular product was recyclable, the first thing we would need to do is clarify where its recyclable. One store serves numerous communities. What may be recyclable in one community may not be recyclable in a neighboring town. What happens when a community stops recycling a material. No, the shelf is not the appropriate place or time for the customer to be making an environmental choice. The majority of customers don't have the time to read enviro shelf labels and make an informed decision at the point. The most important information for our customer is the shelf tag, informing the customer of the product's price, unit value and any added savings they may be offered on an item. Adding more information, environmental or nutritional, on signs, tags or shelf talkers would just confuse customers further.

Our company believes that all environmental issues must be addressed with educational and factual information. One or two word pronouncements such as, reduce, reuse, recycle, reusable, recyclable, biodegradable, ozone friendly, etc. really benefit no one. We believe that our customers want more information and a better understanding of what the environmental issues are and what they can do so they can make an informed decision on not only the products they purchase but also other things they can do that are environmentally responsible.

To begin this educational process we created a series of full page ads in our market area newspapers as well as our customer circulars which addressed different environmental topics such as, waste reduction, recycling and energy conservation. In these ads we briefly discuss the problem, explain some things that ShopRite has done and then suggest what the reader may do to help. We also have available in our stores Environmental Consumer Brochures that customers can take home and read at their convenience. This year's series included "Seasons Greetings", holiday ideas that respect our earth, "Outdoor Environmental Actions", tips to help us enjoy and preserve our parks and beaches and "Reduce, Reuse, Recycle", which is an excellent brochure developed by the Food Marketing Institute and which we added a few points specific to our market area. Customers are asked to question themselves on their purchases. Is the product durable or reusable, or is it recyclable in my community? Is the packaging reusable or refillable, or is it recyclable in my community? Are manufacturers' claims in line with the best scientific evidence? Are claims clear and specific? Are claims being made for the product its packaging or both? Does the manufacturer provide a full address or an "800" telephone number to answer product or packaging questions? Ask yourself if you are opting for speed and convenience or acting just out of habit, instead of buying a practical alternative that is better for our environment. Think twice before making a purchase. The other program we introduced this past year is our bag reuse program that asks our customers to use a permanent canvas or mesh bag or reuse their paper or plastic bag. Two cents is refunded to the customer for every bag that is reused - no matter what type it is.

must be implemented. Our industry through 11 national trade associations, along with the Attorneys General from 11 states and the E.P.A. have endoresed the idea of national guidelines and presented their various petitions this past July to the F.T.C. All parties agreed that claims must be specific and inform consumers rather then confuse them. If national labeling standards are not adopted, I'm afraid that the opportunity to present clear factual environmental information on product packaging will be lost. National manufacturers and distributors will not be able to provide specific product packaging for one particular state or individual community.

In summary, I would like to say that retailers can play an extensive role in helping a community resolve its solid waste and other environmental problems. However, it must be done cooperatively and with all parties understanding what the issues are. As retailers we can voice your concerns to manufacturers and all work in partnership to try to resolve them. Your local supermarkets can be a clearing house for clear, factual environmental information. I'm very proud to be part of an industry that has demonstrated that we are very serious about helping resolve our environmental problems. There are no magic wand answers to these often complicated problems. But as our ShopRite Environmental Logo states, "Together we can make a difference".

Thank you for your time and interest.

For the first full year of the program, over 5.2 million bags were reused clearly telling us that our customers are willing to help reduce waste in their communities. This past year we also funded a Municipal Compost Management Course developed by the Cornell University Waste Management Institute. The Food Industry feels composting of organic waste can be a major component in a communities overall solid waste management program. The course addresses the basic science of composting, how to properly site a location and finally how all segments of a community need to work together to make composting of organic wastes succeed in their community. The course work is completed at home, the waste institute grades the work and a certificate is awarded on completion. Our initiatives go beyond solid waste. Through full page ads our organization had a Call for Action printed in the major newspapers in our market area. We asked our customers to ask the President and Congress to put in place a "real" National Energy Policy with conservation and increased fuel standards for automobiles. Thousands of customers mailed in their ballots, many included personal letters besides. Again, another example of consumers willing to act to improve our environment.

These types of programs are very effective! What else can be done for our customers? The product package can be a valuable tool in presenting clear, factual, environmental education for the consumers. The problem lies in that we have a national food distribution system and the enviro claims that products make may be regulated at the state or local level. If product packaging is going to be effectively used, national uniform labeling standards

EDDIE G. POWERS
U.S. EPA NATIONAL ENVIRONMENTAL
LABELING CONFERENCE
OCTOBER 1, 1991

GOOD AFTERNOON AND THANK YOU FOR JOINING US. IT IS A PLEASURE TO PARTICIPATE ON THIS PANEL.

IN THE NEXT FEW MINUTES, I WOULD LIKE TO PROVIDE YOU WITH BACKGROUND INFORMATION ON KMART ENVIRONMENTAL PROGRAMS. THIS WILL GIVE YOU AN IDEA ABOUT OUR PHILOSOPHY ON THE ENVIRONMENTAL PACKAGING & LABELING. LET'S BEGIN THE DISCUSSION OVER ONE OF THE MOST IMPORTANT ISSUES OF THE '90's.

MANY CONSUMER EXPERTS BELIEVE THIS DECADE WILL BE THE EARTH DECADE.

A 1991 GOLIN/HARRIS AND ANGUS STUDY REPORTED THAT 76% OF RESPONDENTS WOULD PAY 10% MORE FOR A "GREEN" GROCERY PRODUCT. A 1991 GERSTMAN-MEYERS SURVEY FOUND THAT 83% OF PARTICIPANTS CHANGED BRANDS AS A RESULT OF ENVIRONMENTAL CONCERNS; ALMOST EIGHT OUT OF 10 ALSO SAID THAT A COMPANY'S ENVIRONMENTAL RECORD AND IMAGE INFLUENCED THEIR PURCHASING DECISIONS.

IN FACT, THE GORDON S. BLACK CORPORATION BROKE ENVIRONMENTALISTS INTO FIVE CATEGORIES. THEY ARE:

ROCK & RECYCLE. SMALL TOWN FOLKS, 18 TO 34 YEARS OLD WITH NO CHILDREN, FORTY PERCENT WITH INCOMES OVER $30,000. THEY USE PAPER TOWELS AND PLASTIC WRAP BUT ARE WILLING TO CHANGE. (IN FAVOR OF MANDATORY RECYCLING AND OTHER ENVIRONMENTAL MEASURES WHICH WILL DIRECTLY AFFECT THEIR COMMUNITIES.)

BACH & BACKPACKERS. SUBURBAN MIDDLE-AGED PROFESSIONALS, WELL EDUCATED WITH INCOMES OVER $30,000. THEY SPEND THE MOST TIME OUTDOORS - HIKING, FISHING, CAMPING. THEY VOTE AND BUY PRODUCTS BASED ON ENVIRONMENTAL CONCERNS. (THEY USE THE LEAST AMOUNT OF PAPER TOWELS, PESTICIDES, CHEMICALS, AEROSOLS AND PLASTIC FOAM CUPS.)

SEDANS & SKEPTICISM. GENERALLY RETIRED PERSONS - AGE 46 AND ABOVE, WITH A RANGE OF INCOMES FROM $15,000 TO $50,000. ABOUT SEVENTY PERCENT DO SOME RECYCLING; TWO-THIRDS USE PUMP SPRAYS VS. AEROSOLS; HALF AVOID PLASTIC FOAM PRODUCTS.

POP & PAYCHECKS. THIS GROUP CONTAINS THE SMALLEST PERCENTAGE OF PERSONS EARNING MORE THAN $30,000 AND THE CHANGES THEY MAKE MUST BE AFFORDABLE. MOSTLY CITY PEOPLE AND BLUE COLLAR WORKERS. THEY FAVOR MANDATORY RECYCLING. MOST AVOID AEROSOLS AND PLASTIC FOAM GOODS.

DON'T WORRY BE HAPPY. MOSTLY MALES, 18 TO 34 YEARS OF AGE LIVING IN THE SOUTH, THESE INDIVIDUALS DO NOT WISH TO COMPROMISE CONVENIENCE OR COST FOR ENVIRONMENTAL CONCERNS. (THEY ARE THE LEAST LIKELY GROUP TO EXERCISE OR SPEND TIME OUTDOORS. IN SPITE OF THIS ATTITUDE THEY DO SUPPORT MANDATORY RECYCLING.)

MANY OF THESE ARE KMART TARGET CUSTOMERS.

VIRTUALLY ALL OF OUR CUSTOMERS ARE AWARE OF THE PROBLEMS OF THE ENVIRONMENT. THUS, ALL BUSINESSES NEED TO BE COMMITTED TO HELPING THE ENVIRONMENT TO BE SUCCESSFUL. IF BUSINESS DOES NOT RESPOND, OUR CUSTOMERS WILL. THEY TAKE THEIR BUSINESS TO OUR COMPETITORS.

IT WAS OBVIOUS TO US WE COULD HAVE A POSITIVE IMPACT ON OUR ENVIRONMENT THROUGH OUR PROGRAMS, EMPLOYEES, VENDORS AND CUSTOMERS.

IN LATE 1989 WE BEGAN A PROGRAM IN COOPERATION WITH OUR VENDORS, THAT WILL HAVE LONG TERM CONSISTENCY AND COMMITMENT. AS A PART OF THIS ENVIRONMENTAL PROGRAM, WE DEVELOPED A MISSION STATEMENT: KMART CORPORATION IS COMMITTED TO PROVIDING A HEALTHIER ENVIRONMENT FOR AMERICA.

WE DEVELOPED THREE OBJECTIVES FOR OUR ENVIRONMENTAL ACTION PLAN. THEY ARE:

1. TO EDUCATE EMPLOYEES AND CUSTOMERS ABOUT PRODUCTS KMART SELLS AND THEIR EFFORTS ON THE ENVIRONMENT.

2. TO IDENTIFY AND MODIFY, WHERE POSSIBLE, PRODUCTS SO THAT THEY HAVE A POSITIVE IMPACT ON WASTE DISPOSAL.

3. TO PROMOTE THE SALE OF ENVIRONMENTALLY RESPONSIBLE CONSUMER PRODUCTS.

ONCE WE HAD CAREFULLY RESEARCHED THE ENVIRONMENT AND KMART'S ROLE, WE KICKED OFF OUR PROGRAM AT STORE LEVEL IN MARCH OF LAST YEAR.

SIGNS, BANNERS, AND ENVIRONMENTAL TIPS PASSOUTS WERE DEVELOPED FOR STORES TO INFORM OUR CUSTOMERS OF OUR PROGRAM. PRIOR TO STORE LEVEL ACTIVITIES, BUYERS MEETINGS WERE HELD AND OUR CEO, JOE ANTONINI, GAVE A PRESENTATION ABOUT THE ENVIRONMENT AND ITS IMPORTANCE TO KMART. WE DEVELOPED A VIDEO TAPE TO INFORM OUR EMPLOYEES AND VENDORS ABOUT OUR ROLE IN THE ENVIRONMENT.

TO MAKE THIS PROGRAM AN EFFORT THAT ALL DEPARTMENTS OF THE COMPANY CAN SUPPORT, WE HAVE INITIATED A COMMITTEE OF ASSOCIATES FROM MARKETING, PUBLIC AFFAIRS, SALES, LEGAL, CORPORATE SAFETY, AND OTHER AREAS. THAT OPENS COMMUNICATION CHANNELS BETWEEN THE COMMITTEE, THE BUYERS AND THE VENDORS ABOUT THE ENVIRONMENT. OUR COMMITTEE HELPS TO INITIATE OR REVIEW ALL KMART ENVIRONMENTAL PROGRAMS, AS WELL AS REVIEWING HOW ENVIRONMENTAL ORGANIZATIONS IMPACT OUR CUSTOMERS AND COMPANY.

AT THIS TIME I WOULD LIKE TO INTRODUCE A VIDEO THAT WILL HELP EXPLAIN OUR PROGRAM.

VIDEO

WE BELIEVE OUR VIDEO SHOWS WE ARE COMMITTED TO BEING MORE ENVIRONMENTALLY SENSITIVE. WE WANT EVERYONE TO BE A PART OF THIS COMMITMENT TO THE ENVIRONMENT.

THE INCREASING INTEREST IN ENVIRONMENTAL CONSEQUENCES OF PURCHASING DECISIONS HAS NOT BEEN LOST ON THE RETAILING COMMUNITY. A QUICK TRIP DOWN THE AISLE AT THE LOCAL KMART STORE MAKES THIS CLEAR. MANY COMPANIES NOW CLAIM THAT THEIR PRODUCTS PROVIDE BENEFIT TO THE ENVIRONMENT OR ARE LESS HARMFUL TO THE ENVIRONMENT THAN OTHER COMPETING PRODUCTS. THIS MARKETING STRATEGY, WHICH INCLUDES PACKAGING AND LABELING IS "GREEN MARKETING". IT CAN BE INFORMATIVE TO CONSCIENTIOUS CONSUMERS WHEN USED HONESTLY. UNFORTUNATELY, ATTEMPTS TO TAKE ADVANTAGE OF THE CONSUMER INTEREST IN THE ENVIRONMENT ARE LEADING TO A NUMBER OF ENVIRONMENTAL CLAIMS THAT ARE TRIVIAL, CONFUSING AND EVEN MISLEADING. RETAILERS AND THEIR VENDORS MUST WORK TOGETHER TO PREVENT MISLEADING CLAIMS. CERTAINLY THE GROWING INTEREST IN THE IMPACT OF LIFE CYCLING WILL HAVE A DIRECT BENEFIT.

A GRATIFYING PROJECT MENTIONED IN THE VIDEO IS THE CONSORTIUM WE HAVE FORMED WITH MICHIGAN STATE UNIVERSITY AND COALITION TECHNOLOGIES, A TECHNOLOGY-RICH MICHIGAN CORPORATION, TO DEVELOP USEFUL PRODUCTS OUT OF OUR TRASH. KMART'S PART IN THIS GROUP WILL BE TO FURNISH USED TIRES, PLASTIC, ETC. WHATEVER RAW MATERIALS (SOLID WASTE) ARE NEEDED FOR THE RESEARCH EFFORT. WE WILL FURNISH INPUT INTO THE DEVELOPMENT PROCESS THROUGH OUR BUYING DEPARTMENTS. WE WILL HELP IDENTIFY AND TARGET MINORITY COMPANIES FOR PRODUCTION AFTER PRODUCTS ARE READY FOR MANUFACTURING AND WE WILL REVIEW PRODUCTS TO DETERMINE IF WE WANT TO BUY FOR OUR USE OR SALES.

KMART LOOKS ON THESE EFFORTS AS A NATURAL THING TO DO. WHO BETTER TO WORK WITH TOWARD DEVELOPMENT OF NEW PRODUCTS THAN THOSE WHO DEAL WITH CUSTOMERS ON A DAILY BASIS. MORE IMPORTANTLY, FROM THE ENVIRONMENTAL POINT OF VIEW IT IS THE RIGHT THING TO DO.

ONE OF THE FIRST RESEARCH PRODUCTS MADE FROM MIXED WASTE PLASTIC FOR KMART, AS MENTIONED IN THE VIDEO, WAS A PALLET USED TO DISPLAY AND TRANSPORT MERCHANDISE, IS ALREADY BEING USED IN MANY OF OUR STORES AS A REPLACEMENT FOR TYPICAL WOODEN PLATFORMS. OTHER RETAIL COMPANIES ALSO ARE INTERESTED IN THE PALLET, TIRE SHREADING AND PLASTIC RECYCLING.

THERE ARE ALREADY MANY INTERESTING THINGS HAPPENING ON THE MERCHANDISING FRONT. KMART HAS BEEN APPROACHED BY MANY OF OUR VENDORS WISHING TO DO JOINT PROMOTIONS WITH US. AND WE ARE ALREADY SELLING A VARIETY OF PRODUCTS WHICH ARE ENVIRONMENTALLY SAFE. WE ARE TESTING A PROGRAM WHICH DISPLAYS PRODUCTS THAT ARE PERCEIVED TO BE ENVIRONMENTALLY SENSITIVE IN A SPECIAL "KMART CARES" PRODUCT CENTER.

- -- THE CLAIM OF THESE PRODUCTS ARE SUPPORTED BY MANUFACTURERS INFORMATION & ACCOUNTABILITY
- -- AT RANDOM TESTING
- -- MANUFACTURERS ACCOUNTABILITY
- -- WE ALSO ENCOURAGE EXPERIMENTATION THROUGH OUR BUYING OFFICE

WE HAVE DEVELOPED A NEWSLETTER THAT KEEPS OUR BUYERS UPDATED ON NEW PROCESSES AND PRODUCTS. THIS IS BEING DONE ON A BIMONTHLY BASIS. OUR BUYERS WILL TAKE ADVANTAGE OF THIS INFORMATION TO WORK WITH US AND DEVELOP CROSS-MERCHANDISING PROMOTIONS.

THE KMART AND EXIDE BATTERY RECYCLING PROGRAM WAS A MERCHANDISING AND MARKETING PROGRAM WITH VERY SUCCESSFUL RESULTS. OVER 2 MILLION BATTERIES WERE TURNED IN DURING 1990 AND A HIGH SINGLE DIGIT INCREASE IN EXIDE BATTERIES WAS SEEN. KMART AND EXIDE ALSO RECEIVED OUTSTANDING MEDIA COVERAGE ON THIS JOINT ENVIRONMENTAL EFFORT.

AS MENTIONED IN THE VIDEO, IN 1991 THIS PROGRAM MADE AVAILABLE $100,000 IN CONTRIBUTIONS TO NATIONAL NONPROFIT ENVIRONMENTAL PROGRAMS. ONE OF THESE GROUPS, KEEP AMERICA BEAUTIFUL (KAB) WAS THE FOCUS OF OUR COMMUNITY SERVICE PROGRAM THIS PAST APRIL DURING EARTH WEEK. STORE MANAGERS SELECTED AN ELEMENTARY CLASSROOM AND ADDRESSED THEM ON THE ENVIRONMENT, UTILIZING SPECIAL EDUCATIONAL MATERIALS DEVELOPED BY KAB.

WE ARE LOOKING INTO DEVELOPING SIMILAR GRASSROOTS PROGRAMS WITH OTHER NONPROFIT ORGANIZATIONS.

HOWEVER, FOR OUR ENVIRONMENTAL EFFORTS TO BE CREDIBLE WE NEED TO DEVELOP STANDARD DEFINITIONS AND TERMS. IT'S IMPORTANT FOR US TO DEVELOP TO HELP OUR CUSTOMERS AND OURSELVES--WHETHER MERCHANDISE LABELING OR RESEARCH PROJECTS ARE IMPLEMENTED. THE INTERNATIONAL MASS RETAIL ASSOCIATION AND THE NATIONAL RETAIL FEDERATION, TWO OF THE RETAIL ASSOCIATIONS WE BELONG TO ON THE FEDERAL LEVEL, ARE PETITIONING THE FEDERAL TRADE COMMISSION TO HELP DEVELOP THESE CONSOLIDATED DEFINITIONS AND CRITERIA ON THE ENVIRONMENT. THESE DEFINITIONS WILL ASSIST BUSINESS IN DEVELOPING ENVIRONMENTAL POLICIES. WE ARE COMMITTED TO WORKING WITH GOVERNMENTAL BODIES TO PROVIDE FAIR ENVIRONMENTAL RULES, REGULATIONS AND LAWS WHERE NEEDED.

WE AT KMART REALIZE THIS IS A LONG-TERM COMMITMENT AND WE ARE NOT GOING TO ACCOMPLISH EVERYTHING OVERNIGHT. WE ALSO REALIZE IT WILL TAKE AN INDUSTRY-WIDE EFFORT TO EXPLAIN WHAT RETAILING'S ROLE IS AND WHAT IS REALISTIC. TO THAT END, WE WILL REMAIN ACTIVE WORKING WITH OUR EMPLOYEES, CUSTOMERS, VENDORS AND GOVERNMENTAL BODIES TO DEVELOP AN INDUSTRY-WIDE MISSION AND STRATEGY. THE ENVIRONMENTAL ISSUE IS HERE TO STAY AND WILL REQUIRE ALL OUR EFFORTS.

"Blue Angel" a label of orientation for consumer, trade, industry and administration

by Manfred Eihoff,

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U.S EPA Conference on Environmental Labelling, Oktober 1-2, 1991 Baltimore, Maryland

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First of all I would like to thank the management in the name of my institute that we, the authorized office for issuing the "Blue Angel" in Germany, may report about our experience in handling the "Blue Angel".

Before going into details on the subject I would like to make a few remarks about the institute RAL:

RAL German Institute for Quality Assurance and Certification e.V. is a private institution in form of a registered society. RAL was founded in 1925. According to its constitution, the goal of RAL is the propagation of the quality idea and in this connection the regulation of the organization of the distinguished quality marks in the economy, including agriculture. RAL is engaged in the promotion of "quality associations", attends to them, as well as to circles of the economy. RAL accepts quality marks and their

guidelines. Furthermore it produces and administers marking systems, for example "RAL-TESTATE" (dealing with product info) etc.

Quality assurance by quality mark is the main object of the different tasks of RAL, as the guarantee of quality has a special significance for the quality of a product and quality of performance.

In order to achieve this, RAL has produced an instrument that helps economy, consumers, commerce and the state to find an orientation for reliable quality of product and performance. There are quality marks in all different areas (construction, food and custom-goods). At this time there are 142 quality marks. Admittance to this quality - associations are open to every one - also to any foreign manufacturers, if they comply with the technical requirements of corresponding quality assurance.

<u>This short exposition will have to suffice as the time alloted to me for my lecture is limited.</u>

In 1978, according to an agreement with the German Federal Environmental Agency (UBA), RAL was authorized to confer the environmental label "Blue Angel" in keeping with existing regulations with manufacturers in conformity with contracts of environmental label users.

The environmental label was introduced in the Federal Republic of Germany in 1977 by the Federal Minister of Interior, who was at that time competent for environmental protection, and the Ministers for Environmental Protection of the Federal States. The original goals of the programme were to reduce pollution in the

environment by means of technological innovation, to provide accurate information in guiding consumer devices, and to create an economic incentive for producing products that are environmentally sound. Labelled products should be exceptionally beneficial for the environment in comparison with other products serving the same purpose, without signifcantly impairing their primary function of safety.

The programme started with retreaded tires, returnable bottles, low waste hairsprays, deodorants and shaving foams, glass collection bin compaign, sanitary crepe papers made from recycled paper, low-noise lawn mowers.

The environmental label in the Federal Republic of Germany is called "Blue Angel". The designation "Blue Angel" is not an official name which is obviously deviced from the blue figure with its outstretched arms in the center of the label. It is the symbol of the United Nations Environmental Programme (UNEP) together with the word "Umweltzeichen" (environmental label) above, the explanatory phrase, starting with "weil..." ("because...") below, and the words "Jury Umweltzeichen" (Environmental Label Jury). Permission to use the U. N. logo was granted by the United Nations within the scope of the environmental labelling scheme and for environment-related public relation works undertaken by the Federal Government, the Federal States and the communities.

The environmental label is the property of the Federal Minister for the Environment, Nature Conservation and Nuclear Safety and therefore he is obliged to protect the "Blue Angel" label. In the performance of this task, RAL supports the Minister by preventing

the misuse of the "Blue Angel" by a party with a RAL-contract, for example: Using it for a product not included in their RAL contracts, or for advertising purposes.

Before I speak about the various stages of award procedure, the participants and the development of the special criteria for getting the "Blue Angel", I would like to tell you about the philosophy of the "Blue Angel":

The environmental label is itself a market-oriented instrument of environmental policy. It fits into the competition incentives for products with the best possible environment-related properties. The environmental label should encourage the industry to produce products friendly to the environment and should be a signal for the consumers to purchase such products. The environmental label is one of the so called "soft instruments" of environmental policy, as it is a voluntary product identification. It cannot establish binding requirements or industry wide standards. It relies instead on information and motivation, on conviction and the environment-conscious thinking and acting of manufacturers and consumers alike.

And that is in my opinion the main point, as this "Blue Angel-System" is in the meantime so successful and there is no need for having governmental regulations. Legal regulations cannot be as flexible as voluntary guidelines. Since technologies and standards change in product categories with time, sometimes as a result of the "Blue Angel", the basic criteria are only valid for a period of three years and in principle, once the basic criteria have become the industry norm, the criteria should be raised

again or the basic criteria will not be prolonged for three more years as the basic criteria has served its purpose. For example: Environmental compatible buses and trucks, low-noise vacuum cleaners and auto gas installations have been cancelled. Depending on changes in product norms, particular criteria may also be eliminated. Thus the CFC-free requirement for hairsprays, deodorants, and shaving foams has been eliminated since so many of these products are now CFC-free.

In connection with these remarks let me tell you that a product can only be called "environmental friendly" in a relative sense, because entirely environmentally sound products do not exist. As the original inscription of the environmental label ("environment-friendly because ...) has been misunderstood by some groups in the society - in particular, it was sometimes mistakenly understood to denote a product as having no harmful effects at all on the environment - the original inscription was replaced in 1988 with a neutral statement ("environmental label because..."). Regarding this point I want to emphasize that this change was not based on a court decision.

<u>As to the requirements and criteria on which the environmental label is awarded, I would say the following:</u>

The criteria that a product must fulfill in order to obtain the environmental label are outlined in the "Basic criteria for the award of the environmental label". It can only be awarded to products with a high degree of environmental soundness, compared with other products fulfilling the same function. The assessment considers the product in its entirety, taking into account all

aspects of environmental protection, including the economical use of raw materials. Heretofore an environmental label test chart has been used, in which the necessary requirements were stated.

A product is judged on two aspects:

a)

the various "phases" in the life of a product cycle (for example from manufacture to use and consumption to disposal), in the sense of the "cradle-to-grave principle" and

b)

the environmental damage caused by the product on the various environmental sectors (for example, hazardous substances, emissions into air, water and soil, waste aspects).

The "Basic criteria for the award of environmental labels" demand, that these aspects, too, are to be considered. Therefore they are always taken into account when developing the "award criteria". Nevertheless, the environmental aspects will always have priority, because it is an environmental label. The consideration of safety and fitness for use will therefore on the whole be oriented on minimum or average requirements, like those specified in technical guidelines or standards. Health protection is considered likewise, as environmental protection and health protection are in most cases inseparable. Proposals for the "award criteria" can be done by anyone, manufacturers, consumers and their associations or environmental groups. They can submit new proposals to the Federal Environmental Agency (UBA). In practice, however, most proposals come from manufacturers. These new pro-

posals are investigated by the UBA, whether they are significant for the environment. After consideration, the proposals are brought, with a votum by the UBA, into the Environmental Label Jury for decision. Should the Jury decide in a positive way, the UBA get orders to stipulate, what kind of criteria are required for a new environmental label. Further details about this I will tell you later on.

Three bodies administer the "Blue Angel" programme:

- Federal Environmental Agency
- Environmental Label Jury
- RAL German Institute for Quality Assurance and Certification e.V.

The Federal Environmental Agency is the government's environmental protection agency, providing support to the Federal Minister of Environment, Nature Conservation and Nuclear Safety. The Environmental Label Jury is a 14 member non-governmental body. It is independent and takes its decisions on the basis of regulated standing orders. Members of this Jury are representatives from the German protestant church, environmental organizations, consumer associations, the Federation of German Industry, the Confederation of German Trade Unions, the federal states - extended by the new federal states - and a journalist. Furthermore, no voting representatives are the Federal Environmental Agency, the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety and RAL. The jury members are appointed by the Federal Minister for Environment, Nature Conservation and Nuclear Safety. They do not get a salary for their work.

The decision-making process comprises the following two steps:

Step 1:

a)

collection and reviews of applications by the Federal Environmental Agency,

b)

forwarding to the Environmental Label Jury, which, twice a year makes a preselection of those product groups warranting closer scrutiny.

c)

organisation of expert hearings by RAL for the preperation of the final decision by the Jury. In expert hearings, all factual matters in connection with the possible labelling of the relevant product group are discussed, based on the proposed "award criteria" submitted by the Federal Environmental Agency. In order to maintain a balance of news, experts are invited from the Federation of German Industrie (representing manufactures supplies and the suppliers) and the Association of Consumer Organizations representing consumer and environmental associations, and trade unions. Each group may appoint up to four representatives. The Federal Environmental Agency and RAL can invite other experts to these hearings, if it is necessary for the subject-matter. The expert hearings are not conducted in public, so that all factual questions may be discussed openly and without being unduly influenced by anyone. The results of the expert hearings are minuted by RAL, who send the minutes to the participants of the hearing.

The minutes on the expert hearings serve the Environmental Label Jury as basis for their decision making.
Twice a year the Environmental Label Jury decides on the product groups that may be given the environmental label and furthermore it decides about prolonging, changing or striking off existing "award criteria".
Voting of the Environmental Label Jury takes place, on principle, on the majority principle. The decisions of the Jury are regularly published in a press bulletin of the Federal Ministry for Environment, Nature Conservation and Nuclear Safety.

After that RAL and the Federal Environmental Agency draw up the "award criteria" for the "Blue Angel", on which the applicants can get the label.

Step 2

If a manufacturer is interested in getting the "Blue Angel" he has to send his application to RAL, for approval. If the documents are in order RAL forwards the application to the Federal Environmental Agency and the Federal State in which the product is manufactured. Even though the product may meet the award criteria, the label still will not be granted if the manufacturer has a poor record of environmental protection. In the case that Federal Environmental Agency and the Federal State don't have any objections against the application, a contract on the use of the environmental label is completed between RAL and the applicant. The environmental label may only be used on the product itself and for advertising this product after such a contract has been completed - and not while it is being processed.

The costs for the applicant are:

A one-time fee of DM 300,-- is charged for a product's initial application. The annual contract fee is based on the estimated annual turnover of the product identified with the environmental label. The annual contributions at this time are:

Annual turnover in Mio	Annual Contribution in DM
up to 0.5	350,00
from 0.5 to 2.0	700,00
from 2.0 to 5.0	1.400,00
from 5.0 to 10.0	2.750,00
over 10	3.980,00

In addition to this every label user is required to contribute to an "advertising fund". The contributions payable into the advertising fund amount to 20% of the annual contribution paid to RAL. The advertising fund is used to finance public relations work in connection with the environmental label. The "Environmental Label System" is, as I told you, voluntary and is avaible to foreign manufacturers subject to the same conditions applicable to German companies. Therefore it is not surprising that approximately 13% of all contracts completed with RAL on the use of the label were signed by foreign companies, for example, Austria, Belqium, Denmark, Finland, France, Great Britain, Italy, Lichtenstein, Netherlands, Spain, Sweden, Switzerland.

As I told you, the "Environmental Label System" started 13 years ago with 6 product groups. Nowadays contracts for the use of the environmental label with RAL can be concluded for individual pro-

ducts on the basis of 71 "award criteria". Up till now 3672 invidual products have been awarded an environmental label. Corresponding contracts permitting the use of the environmental label have been concluded with a total of over 770 firms.

These are the facts of the procedure of the "Blue Angel Programme". It took a long time until the "Blue Angel" was accepted by the industry and the consumers. In the beginning it was an indeficit system for RAL, but had its breakthrough with the introducing of the "Blue Angel" for lacquers. Today the "Blue Angel" is a self financing system. With the increasing environmental thinking of the society it now has its steady place as well as in the future. The environmental label is the only secure label in a number of selfmade "Environmental-Logos". The "Blue Angel" is the leading system and an example for other national systems for the environment as in Canada, Japan and Austria. Similar thinking takes place in Great Britain, the Netherlands, France and in the Nordic Countries.

Talking about the ECO-Label would mean a second speach. Therefore I only want to say that the Federal Republic of Germany has chosen detergents as a pilot for an ECO-Label. The talks about establishing an ECO-Label by the commission which is definitely much more complicated, because of the different attitudes in the EEC-Countries, still continue. Therefore the Blue Angel will definitely carry on with its successful way and increase its acceptance in the public. For example 85% of the people in the Federal Republic of Germany know the "Blue Angel".

I thank you very much for your attention.

LABELLING: A GLOBAL CONCERN

Presentation to
U.S. EPA NATIONAL ENVIRONMENTAL LABELLING CONFERENCE
October 1, 1991
HYATT REGENCY, BALTIMORE

by
Graham Hardman, Director,
Environmental Choice Program
Environment Canada

Introduction.....

The title of this session conference is particularly a propos as one of my colleagues on this panel, Jim, and I have just attended a conference held in Greece for representatives of national environmental labelling programs. Environmental labelling is, indeed, a concern for many countries including, I am delighted to say, ones that used to be behind the Iron Curtain and those that are sometimes referred to as LDCs, lesser developed countries, as
well as the European Community, some of its members, India, Chile, Czechoslovakia and many more.

Today it will be my pleasure to brief you on Canada's Environmental Choice Program. Normally I would give what amounts to a crash course, ECP 101. Today, however, you will be spared this because of time limitations so I will cut out some of the detail. Instead, I would like to give you a quick overview of the Program and a progress report,

noting some of the interesting issues that have arisen especially on the international scene.

First, a bit of background. Polls tell us that consumers are increasingly seeking products that have lower impacts on our natural environment. At the same time they are in danger of becoming confused by a proliferation of symbols and advertising claims.

This is exactly where Canada's Environmental Choice Program fits. It is a practical initiative of our federal government, designed to raise consumer awareness so as to change consumer behaviour. The Program deals directly with the environmental potential of changing individual purchasing decisions and actions in the stores -- where it counts.

Canada was the second country in the world to instal such a program. It was announced in June 1988 at the Changing Atmospheres Conference in Toronto, ten years after Germany's Blue Angel program got under way.

A similar approach to ours has been adopted in New Zealand, the Nordic Countries and by Green Seal here in the United States. As I said earlier, many other countries are struggling with the political and practical realities of setting up labelling programs.

Let us turn to an overview of the Program.

** LOGO SLIDE

The goal of the Environmental Choice Program is to ease the burden on the environment, not through regulation, nor through taxation, but simply through the operations of the marketplace. It uses the "carrot" of compliance with voluntary guidelines rather than the "stick" of regulations.

** Our focus is on the consumer and the growing demand for products that ease the burden on the environment. We seek to harness this shift in consumer preferences, this "green purchasing power", to pull industry towards the production of goods that are environmentally less harmful.

** The other side of the equation, therefore, is industry, always eager to supply consumer demands including, these days, those for environmentally sounder products.

But who identifies environmentally sounder products? Consumers are sometimes sceptical about environmental claims respecting things they buy. Therefore there is a need for unbiased, credible information regarding which products would make good environmental choices.

Our government, through the Environmental Choice Program, has filled the gap. Both consumers and producers need this information. By providing it we can put the supply-demand equation to work for a healthier world through EMPOWERING the CONSUMER to make an INFORMED CHOICE.

** Products and services are identified as being a good environmental choice through our symbol, the EcoLogo. It is licensed for use on products and services that meet environmental criteria that we establish. This means that, when making their buying decisions, consumers can rely upon the integrity of our easily recognizable symbol.

Through this voluntary program we aim to steer consumers towards the use, and suppliers towards the supply, of products and services that meet our Program objectives. These cover:

** The reduction, re-use and recycling of waste;

- The management of renewable primary resources (to increase availability for future generations);
- The management of non-renewable resources (to minimize our dependence on them);
- The development of transportation systems which minimize energy consumption, land use, and harmful emissions;
- The management of energy generation (to reduce consumption and maximize the use of renewable energy sources);
- The protection of ecosystems and species diversity.

Let's now look at **credibility**. Clearly, if we expect to motivate business to provide environmentally less harmful products and services, three prerequisites must be met:

. the EcoLogo must have meaning for consumers;
. it must be relied upon as having integrity; and
. it must be credible.

** The EcoLogo's meaning for consumers is partly a function of how well we market the Program; of that, more later. Regarding the EcoLogo's integrity and credibility, I believe that the EcoLogo has six points in its favour:

1. It is backed up by **guidelines** that set the criteria that must be met for licensing. Note three things: (1) the criteria are designed to promote incremental change at the margin, (2) they are technically or scientifically based; and (3) they are specific to each product category. Anyone can find out our criteria - they are <u>not</u> secret.
2. The guidelines are developed by an **independent Board** and, it should be noted, involve a great deal of consultation.

3. The Board requires a product to deliver an environmental benefit, taking into account its entire life cycle. Do understand, however, that our criteria may reflect only some of the life-cycle components.
4. We use the Canadian Standards Association, an independent organization, well-experienced in the setting of standards and testing of products.
5. The fifth aid to the credibility of the EcoLogo is a final check on the quality of the guidelines through a 60-day period of public review built into their development. This is the Program's opportunity to hear from environmentalists, industrialists, consumers and anyone else with ideas on how to improve the substance of any guideline.

6. Of course, a guideline can be based only on the best information available at the time of its development. So, as new information appears or as technology evolves to allow the setting of more stringent criteria, the guidelines will be upgraded to be stronger.

** We want to set criteria that produce environmental benefits, but this is pointless unless the criteria are achievable by industry. Setting criteria that are unattainable obviously would not result in less harmful products or services. This, in turn, would not lead to a decrease in the burden on the environment.

** It would be useful briefly to review the roles of the five main participants in the Program.

Since it is a government program, the Minister is ultimately responsible for the Program under CEPA (the Canadian Environmental Protection Act). In this capacity he also appoints the Chairperson and the members of the Board and approves the final guidelines before publication in the Canada Gazette.

The 15-member, independent, volunteer **Board** is responsible for the overall effectiveness of the Program. This covers the development of policies on the Program's design and operation. The Board also determines the product categories and approves the environmental criteria. Of course, it also monitors the implementation of the guidelines and the operation of the licensing and certification activities.

The **Chair of the Board** is Pat Delbridge, a well-known environmental and public policy consultant. Its members are experts in such fields as environmental assessment, law, business, scientific research, and manufacturing.

Environment Canada must get the credit for setting up this Program and funds it. It also provides strong support on environmental, technical and policy issues and, of course, is our liaison with the Minister. Funding needs should reduce as licence revenue increases.

The **Secretariat** is part of Environment Canada and our staff manages the Program on a day-to-day basis. This includes marketing and ensuring that environmental and technical issues are dealt with properly. We co-ordinate the work of the Technical Agency with the Program and are the Program's main point of contact with the public.
Our **Technical Agency** is currently the Canadian Standards Association. It is under contract to do the detailed work on the preparation of our guidelines, under Program supervision. Its staff work with an excellent volunteer technical committee made up of technical and environmental experts. This committee, in turn, forms task forces when necessary to cover special product categories.

The CSA also is contracted to act as our independent testing and certification agency. The CSA has to see that the licensed products meet our criteria not only upon initial licensing but also on a surprise basis during the life of the contract.

** Today I will not describe the guideline development process in detail. We have just decided to revise it and it makes no sense to give you information that will be out of date before too long.

Nevertheless, it would be useful to outline some of the basic assumptions underlying the process; these will not be changed:

. The Program should be **rooted in public need.** We have dealt with this so far by encouraging business and the public to send us suggestions for environmentally better products and services.

. It should be **consultative.** We want to involve all types of stakeholder -- industry, governments, environmentalists and the public -- in developing the environmental criteria.

. Criteria must be **scientifically or technically based.** As such they should be subjected to outside scientific or technical review. We have been using an excellent volunteer technical committee to do this.

. **Public input** into proposed criteria is invaluable. A sixty-day public review period has enabled us to receive useful information from those who have not participated in the more formal parts of the process.

. The guidelines must be kept **current.** They will not be of much use if developments outstrip them for too long.

** Final guidelines have been issued for eighteen product categories: re-refined lubricating oil; cloth diapers; water-based and oil based paints; zinc-air batteries; heat-recovery ventilators; cellulose insulation; products from recycled plastic; three recycled paper categories: fine paper, newsprint, and miscellaneous products; composting systems for residential use; ethanol-blended gasoline; reusable shopping bags; energy-efficient light bulbs; water-conserving products; and non-rechargeable batteries.
We have over 80 licensees with more than 500 products with the logo on them. Guidelines for compost and energy-efficient appliances will be published soon. Well-known names are licensees: du Pont, Water Pik, Esso, Noranda, major retailers and small companies.

Still in process are different types of detergents, dry cleaning, paint removers, compost, energy-efficient appliances and many others.

We want to have our products in different types of locations -- hardware stores, decorating shops, grocery outlets, stationery stores -- so that all types of consumer will see and buy EcoLogo products.

** Now for some particularly good news! Until now we have been described as Canada's best-kept environmental secret. We have not had enough products on the shelves to make mass marketing worthwhile. This has now changed: the Environmental Choice Program is now being promoted more aggressively.

The TV advertisements, which started at the beginning of September, are designed only to promote the EcoLogo, to ensure that it will be more recognisable. The print ads appearing in two national magazines, Macleans and l'Actualite, will emphasize the EcoLogo's credibility and integrity and explain what is behind it. Also, I hope it is reasonable to expect to see our campaign reinforced by advertising by our licensees. We expect that awareness of the Environmental Choice Program and the EcoLogo will increase substantially over the next few months.

** Let me next note some of the **challenges** we have had to deal with, the **opportunities** that are ahead and some **lessons** learned.

The **challenges** have been particularly interesting because there has been almost no one else in the world to consult. The Germans have been most helpful in areas in which they have experience, but our process and approach is different from theirs, so it has been very much a learn-as-we-go experience.

Let me pick a couple of areas to illustrate the point. Take the life-cycle review that we do as part of our product assessment. In looking at a potential product category we review its life-cycle to determine where the environmental gains can be made. We do not, at this stage, expect to set criteria for all stages of the life-cycle -- it is far too complex; we pick the one or two where the greatest gains can be made.

Even now, as many of you know and have learned today, the science is still being developed. Thus in some areas difficult judgements are required weighing one environmental factor against another.
Indeed, we have avoided the issue completely for the time being on fluid food containers. Who can provide the definite reading on which is better for the environment: reusable/refillable, recyclable, or certain one-use containers, and made of which material, steel, aluminum, plastic, glass, or laminate?

Another challenge has been to ensure that our criteria are not so high that they are unattainable nor so low that they are meaningless. Our approach, as I have noted, is to use an extensive consultative process. We have also tried to ensure that a "threshold" level of between ten and twenty percent of an industry can meet the criteria when first promulgated. This seems to have worked so far but we are looking at ways to improve the process and are making the threshold percentage more flexible, depending upon the product category.

We have also faced some interesting criticisms. For example we have been criticised a little bit for having standards that are too loose. This would be bad except that the same standards also have been criticised as being too tight. Our defence is that we aim to set standards that are achievable by some members of an industry in the early days of a guideline. There should then be enough of an incentive for others to comply in order to compete. The standards will be raised every three years or so as to ensure that environmental gains will still be made.

Let me illustrate the point. In our fine paper guidelines, in specifying criteria for post-consumer recycled waste content we had to recognize that the infrastructure to collect waste paper was not fully in place. So, as more paper can be collected, our criteria will be tightened. The trick is for us to be ahead of the changes so that we can provide an incentive.

Regarding the future corporate structure of the Program, since its inception it has been a candidate to be spun off in some form. This is the subject of discussion now within the Department and we hope to see a decision made fairly soon.

This presentation has been a little parochial so far, so now it is time to cover off a couple of the points that have arisen on the international scene.
The first concerns information exchange. As long there have been only a couple of programs this has been manageable. We have spent many hours giving information to those looking at setting up similar schemes -- and this has helped us. But, as more and more programs begin to take shape, the nature of the information that we will all need will change.

For example, take product lifecycles: the application of lifecycle reviews in determining environmental criteria is still developing, so countries can save time, money, and grief by exchanging information in this area.

The trick will be to do this (a) without tying up limited resources in unnecessary data-gathering and distribution exercises; (b) without having to depend on international bureaucracies with mandates that don't fit with ours; and (c) while recognising that we do not all have the same needs. Some solutions were discussed in Greece and we will be working on them over the next few months.

Another area is harmonization of criteria among labelling programs. If this means that all labelling programs should now use the same criteria for a given product category, I would find it difficult to advocate harmonization at this point.

Another point of interest relates to the licensing of imported products. Our Program does not restrict licences to domestic producers; this would not be desirable and, in any case, would be almost impossible to do. However, if we license a producer from a country that has less stringent environmental regulations than ours, are we in effect exporting pollution?

Conversely, if we try to restrict imports from such countries on environmental grounds, are we guilty of what some call environmental imperialism? We are working on a sensible permanent solution to this and, in the meantime, have been doing our best to ensure that foreign licensees have high environmental standards.

So that covers my remarks for today. As you can imagine, it has been a stimulating experience for the past two years, demanding and most rewarding. I have enjoyed working on this program and working with such supportive and bright people in the Department and on the Advisory Board. I look forward to the next era as we become better known and as we adopt some of the excellent ideas we have been given, and adapt to the changing times.

The International Aspects of Environmental Labelling Programmes

Jim Salzman, OECD[1]

Introduction

The international growth of environmental labelling programmes over the last few years has been truly dramatic. Just three years ago, only Germany was issuing labels. By the end of 1992, as many as 21 countries could have products with environmental labels on their market shelves. This growth has been global, as well. Programmes will soon be issuing labels in the Americas, Europe, Asia, Australia and New Zealand. These programmes offer an exciting new instrument for environmental protection from the demand side, and, at the request of its Member countries, the OECD Environment Directorate has been examining national environmental labelling programmes for the last two years.[2] The findings have recently been derestricted by Member countries and published in the book, Environmental Labelling in OECD Countries. This book represents the most comprehensive assessment of labelling programmes to date. This paper is drawn from OECD research and addresses the following questions: why have labelling programmes become so popular in the OECD, how much do environmental labels cost for business, how are programmes financed, and what are the opportunities for harmonisation?

The rise of eco-labelling

The idea of environmental labelling, of putting labels on products in order to inform consumers of their environmental impacts, is a relatively recent phenomenon. Today we accept as a matter of course the government's requirements to label products with consumer information such as the carcinogenicity of cigarettes, nutritional content of foods, or toxicity of chemicals. These regulations are important because they permit the consumer to make an informed judgment regarding the product's effect on his health. It is quite different, however, for the government or the manufacturer to label a product solely on the basis of its effect on the environment (e.g. "ozone-friendly") rather than on its immediate impact on the consumer. The widespread desire to be informed of the environmental aspects of a product represents a real change in consumer tastes and may be attributed to the recent rise in environmental consciousness. Indeed, while one can point to examples of environmental labels in the 1970s describing appliances' energy consumption and "organically-grown" foods, even here, the emphasis was often more on how the product directly affected the consumer rather than how the consumer indirectly benefitted by a cleaner environment. While an appliance's energy use does reflect its demand for natural resources, it is also a direct index of the appliance's cost of use; and organically-grown food (grown without pesticides or chemical fertilizers) is as much a health issue as an environmental one.

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[1] The views presented in this paper are solely those of the author and not necessarily those of the OECD or its Member countries. Application for permission to reproduce or translate all or part of this article should be made to: Director of Information, OECD, 2 rue André-Pascal, 75775 PARIS CEDEX 16, France.

[2] The Organisation for Economic Cooperation and Development (OECD) is an international diplomatic organisation which grew out of the institution originally charged with administration of the Marshall Plan after World War II. The OECD is based in Paris and has 24 Member governments. These include all of Western Europe, Australia, New Zealand, Japan, Iceland, Turkey, Canada, and the United States.

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The difference today is that consumers want to act to protect the environment, and are willing to use their purchases as an environmental protection tool. Manufacturers are well aware of this trend, and have sought to identify their products with the increasingly-common "phosphate-free" and "biodegradable" labels as a prominent part of their marketing strategies. And it works.[3] Recent polls throughout the OECD area have clearly demonstrated consumers' willingness to pay a premium for "environmentally-friendly" goods. In a nationwide poll in Canada, for example, 80% of those polled stated they were willing to pay up to 10% more for environmentally less harmful products. Public opinion polls in Austria and Sweden show similar results. The British paperback, The Green Consumer's Guide, published in September, 1988, topped the bestseller's list for 9 months and has sold over 300 000 copies. It is being introduced in 10 foreign editions.

One reason for the tremendous success of these shopping guides is that, while the consumer can judge for himself the validity of manufacturer claims concerning longer-lasting sponges or brighter-cleaning laundry powder, the consumer may find it difficult to assess the validity of manufacturer's claims regarding environmental impact. In the search for means to better inform concerned consumers and to improve the state of our natural surroundings, a number of governments and private organizations have thus turned to environmental labels in guiding the marketplace toward environmental protection.

The Federal Republic of Germany issued its first environmental label in 1978. The programme now has over 3 600 labelled products in 64 product categories. Canada and Japan commenced their programmes in 1988. Norway, Sweden, Finland (in a harmonized Nordic Council Programme), Austria, Portugal, and France intend to start issuing labels in 1991. Programmes are now under consideration in the European Community, Netherlands, Australia, and New Zealand. By 1992, as many as 21 OECD countries could have products with environmental labels on their market shelves.[4]

Depending on one's perspective, environmental labelling can accomplish a number of goals, including:

i. Improving the sales or image of a labelled product

This goal is actually a necessity, for if the use of environmental labels does not increase sales or improve the product's or company's public image, then the labelling programme is doomed to failure. As a voluntary market-based instrument, environmental labelling will only be effective if it is accepted and used by manufacturers as a marketing tool. And this will only occur if consumers accept and respect the objectivity and goals of environmental labels.

ii. Raising the awareness of consumers

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[3] A recent study in the United States concluded that "green" products constituted 0.5% of all new products introduced in 1985. In the first half of 1990, 9.2% of all new products were marketed as "green," an increase of almost twentyfold.

source: Green Marketing Alert, October 1990.

[4] This refers only to government-sponsored labelling programmes. Retailers, manufacturers, and nongovernmental organisations have established their own labelling systems in a number of countries, but most do not attempt to be as comprehensive as the existing government-sponsored programmes.

iii. Providing accurate information

iv. Directing manufacturers to account for the environmental impact of their products

If the entire life cycle of a product is considered in awarding labels, then manufacturers vying for the label should have an incentive to reduce depletion of natural resources, reduce the burden on waste disposal, and reduce the accumulation of polluting substances. In short, if the criteria for obtaining an environmental label are set at high standards throughout the product's life, then manufacturers will be encouraged to produce increasingly more environmentally benign products, perhaps moving closer to state-of-the-art cleaner production processes. Moreover, even if some products will not qualify for the label, they may have to raise their environmental qualities just to stay competitive. Eventually, programmes should encourage manufacturers to incorporate environmental concerns into their entire product development process, much as product quality has now become an integral aspect of manufacturer decision-making.

v. Protecting the environment

Directing consumers to favour less environmentally harmful products in their purchases should reduce the net environmental impact. This is, after all, the ultimate benefit of labelling programmes.

While all these goals are present in a labelling programme's aspirations, individual programmes stress particular goals over others. Thus, for instance, one programme might place particular emphasis on labelling's role as an economic instrument while another programme would stress the consumer information aspect.

Label costs

For American businesses wishing to sell their products in foreign markets, environmental labels may provide a useful marketing tool. Provided the product satisfies the label requirements, the costs to put the label on the product or its packaging is quite small compared to other advertising media. In order to make the label available to small and medium sized enterprises (often the very firms with innovative products which could benefit from the label), the fees for the use of the label are kept down. All programmes, except the Japanese, charge a one-time application or certification fee to cover application costs. As Figure 1 illustrates, there is a wide range of application fees among national programmes, from none in Japan, to $190 in Germany, to $1 727 in Sweden.[5] The application fees in Sweden, Norway, and Finland are intentionally set at a similar price to prevent manufacturers who wish to introduce their product into the harmonized Nordic system from choosing among national programmes on the basis of initial cost. The Canadian and French application fees are variable, depending upon the complexity of the manufacturing process and the number of plant sites requiring visits. The Canadian fee also includes a charge for surprise testing by the technical agency. In all programmes, the testing costs associated with a product's application for a label are paid by the manufacturer.

[5] The exchange rates are those of September 5th 1990.

Programmes also charge an annual contract fee for the use of the label (Austria charges a biennial fee). With the exception of Japan, the annual fees are determined by the volume of product sales. As Figures 1 and 2 demonstrate,[6] for a product with low sales, depending on the nation, the fees may range from $259 in Canada to $1 382 in Sweden. The fee for a product with high sales may range from $700 in Japan to $26 000 in Norway. Unlike all of the other programmes, Japan charges an annual fee based on product price, irrespective of total sales. In many cases the Japanese programme will have the least expensive charges, particularly because it has no application fee.

The German programme levies an annual 20% surcharge of the contract fee for label publicity costs. The other programmes presumably incorporate promotional costs into the annual contract fee. Despite the differences in fees among countries, however, all of them are relatively inexpensive when compared to conventional forms of marketing such as radio, newspaper and television advertisements.

[6] The sums in the figures are accurate as of May 1991.

Figure 1. **The costs of using an environmental label. All amounts in table are in U.S. dollars, currency exchange rates as on the 5th September, 1990.**

Annual Product Sales	Total annual contract fee for use of label				
	Germany[1]	Norway	Austria[2]	Sweden	Canada[3]
$100 000	$267	$400	$450	$1 382	$259
250 000	267	1 000	1 350	1 382	1 294
500 000	532	2 000	1 350	4 145	2 155
1 000 000	532	4 000	2 700	6 460	2 155
2 000 000	1 066	8 000	2 700	9 520	4 310
3 500 000	2 094	14 000	2 700	9 520	4 310
5 000 000	2 094	20 000	4 050	9 520	4 310
6 500 000 and above	3 030	26 000	4 050	9 520	4 310
One-time application fee	$190	$1 641	—	$1 727	$690+

Japan:	Product Price	Annual Fee
	$0 - $7	$278
	7 - 70	417
	70 - 700	556
	above 700	700

[1] The German programme levies an annual promotional charge of 20% of the contract costs. The table figures include this fee.

[2] The Austrian contract fee covers 2 years. The fee includes the application fee (approximately 25% of the total).

[3] The application fee depends upon the complexity of the manufacturing process and the number of plant sites requiring inspection.

Figure 2. **National programme fee structures (in local currency):**

Germany (DM): Certification fee: 300; annual advertising fee: 20% of annual fee; annual fee: 350 for product sales up to 500,000; 700 for sales up to 2 000 000; 1 400 for sales up to
5 000 000; 2 750 for sales up to 10 000 000; 3 980 for all sales above 10 000 000.

Sweden (SKr): Certification fee: 10 000; annual fee: 4 000 for product sales up to 500 000; 8 000 for sales up to 1 500 000; 14 000 for sales up to 2 500 000; 24 000 for sales up to
5 000 000; 38 000 for sales up to 8 000 000; 56 000 for sales up to 17 000 000; 78 000 for all sales above 17 000 000.

Norway (NKr): Certification fee: 10 000; annual fee: 0.4% of product sales, with minimum fee of 2 400.

Austria (Sch): Biennial fee*: 5 000 for product sales up to 2 000 000; 15 000 for sales up to 10 000 000; 30 000 for sales up to 50 000 000; 45 000 for sales up to 50 000 000.

Canada (C$): Certification fee: 800+ (depending upon the complexity of the manufacturing process and the number of plant sites requiring inspection); annual fee: 300 for product sales up to 100 000; 750 for product sales up to 250 000; 1 500 for product sales up to 500 000;
2 500 for product sales up to 1 000 000; 5 000 for product sales over 1 000 000.

Japan (Y): Annual fee: 40 000 for product price up to 1 000; 60 000 for price up to 10 000; 80 000 for price up to 100 000; 100 000 for price above 100 000.

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* Approximately 25% of the biennial fee is considered as a certification fee. This is forfeited if the applicant product does not qualify for the label.

Programme financing

The idea of a labelling programme paying for itself seems very attractive. It helps ensure independence, efficient management of resources, and does not draw on the government's budget. While a number of national programmes have stated that they intend to become self-financing within two to five years after commencing, these claims must be viewed with some caution. None of the existing programmes are self-financing. While Germany's certification and contract fees do pay for the costs of the programme's administration (by the non-governmental certification organisation, RAL), the initial screening of product category proposals and much of the product research (a very resource-intensive activity) are performed by the government, which is financed by the taxpayer. The Japanese programme is entirely government-funded. Neither the German nor the Japanese programmes have any intention of becoming self-financing. The Canadian programme, originally hoping for total self-sufficiency within 2-5 years, is also government funded at this time. It should become increasingly self-sufficient as product license fees grow.

Figure 3. **The initial government-borne costs to establish labelling programmes.**

Country	Funding (US$)	Funding (local currency)
Austria	$721 370	Sch 8 000 000 (for 3 fiscal years)
France	$283 983	FF 1 500 000
Norway	$98 457 (fiscal 1989) $656 383 (fiscal 1990)	NKr 600 000 (for fiscal 1989) NKr 4 000 000 (for fiscal 1990)
Sweden	$967 185	SKr 5 600 000 (provided as a loan)

Indeed, self-financing could be poor strategy, because there may exist a basic conflict between self-financing and an effective environmental labelling programme. There are three ways to raise additional funds for a programme outside of government grants: the application fees must be high, a large number of different products must be labelled, or the labelled products must have a high sales volume. A high application fee, however, may make the label inaccessible to small and medium-sized enterprises (often the very firms with innovative products which could most benefit from the label). Expanding the number of products labelled may compromise the goal of high threshold criteria, and favouring products with high sales volume may run contrary to the goal of selecting products with a small market share. If the experiences to date are any guide, partial government funding is necessary, at least in the short term, to ensure a comprehensive labelling programme.

The Nordic programmes, which all have a stated goal of self-sufficiency, do not rely on any government personnel. As a result, their overall budget requirements should be even higher than the German or Canadian programmes because none of the personnel costs will be absorbed by government payrolls. This larger budget necessitates larger revenues, hence higher fees, which are evident in figure 1. Over time, programmes' fee structures should change since it is not yet clear what a fair market price for the label should be.

Harmonisation

To date, while there has been a good deal of discussion over harmonising labelling programmes, there has been little progress. In large part this is due to the fact that only three programmes are actually issuing labels. Given the increasingly international aspects of trade, the rise of "green consumers" throughout the OECD, and concerns over non-tariff barriers to trade, however, the harmonisation of national labelling programmes will remain an important issue. With the basic similarity of labelling programmes to date, limited harmonisation of programmes might be possible in the short term. Indeed, by the end of 1992, the Nordic Council harmonised programme will encompass four countries and the European Community environmental label, if adopted, will include another twelve. Nonetheless, the there exist significant obstacles to achieve harmonisation.

Two basic factors weigh in favour of harmonisation: consumer confusion and economic efficiency. If the European Community's plan for an environmental label does not come to pass, one might expect to see three or more different national environmental labels on a European nation's market shelf. The consumer cannot realistically be expected to know the various national criteria for products and thus be able to gauge the relative worth of one country's label versus another. In this setting, it is only natural for the consumer to favour his country's national label. Knowing this, the manufacturers will apply separately for each country's label, as well. Presently, outside of the Nordic Council programmes, to obtain a label a manufacturer must apply separately to every country's programme, submit the product and the required tests, and pay the certification and contract fees. This is economically inefficient if the national criteria for products are similar.

The two models harmonisation might follow would be a supra-national decision-making process and mutual recognition. The supra-national plan would give an international body the power to approve product groups and criteria, and the actual certification and awarding of labels could take place, for example, at the national level. In the Nordic Council, for example, product categories and criteria are developed at the national level and then forwarded, after consultation with member countries' labelling programmes, to the Nordic Council Coordinating Body on Environmental Labelling. Each labelling country has two representatives on the body, and consensus must be reached for approval. Once the product has been approved, manufacturers may apply for labels in countries where they wish to sell their goods. The proposed European Commission's plan is similar, with decision-making power vested in an EC body and criteria originally developed by the European Environment Agency. The EC plan also has an appeal process in case a country wishes to challenge another country's decision to award a label.

No programmes presently contemplate mutual recognition of labels. Such a system would be one of reciprocity, where country X would automatically award labels to products

which had qualified for labels in country Y, and vice versa. This is analogous to technical certification and product safety programmes which recognise the validity of results from standardised tests.

Both of these harmonisation options pose significant problems. For mutual recognition to have any appeal, the countries' criteria must be very similar. It makes no sense for country X to award its national labels to products from country Y if country Y's criteria are set at a much lower level. And national criteria may well be set at different levels. The environmental label should be awarded to goods with higher than average environmental standards in their product category. Since this is a relative measure, the particular product criteria will depend upon the national market for that good, which may vary from country to country. For example, the criteria for scrap paper content in recycled fine paper is 50% in Japan and Canada, and 100% in Germany. The criteria may also be set differently because the severity of environmental problems vary from nation to nation. Thus a country with an efficient water treatment system may place more emphasis on the bulk filler of detergents rather than their phosphate content.

This concern over differing national criteria is also relevant to a supra-national system. Given different composition of product markets and the varying environmental concerns in countries, the final product criteria established in a supra-national system may be either too high or too low from a member country's perspective. Hence a number of countries have expressed concerns that harmonisation could lead to a general lowering of standards. Other countries have expressed concern that programmes will favour national industries in the awarding of labels and that the bureaucratic apparatus necessary to handle such a programme may prove unwieldy. The ongoing negotiations within the European Community to approve a Community-wide label for the Single Market in 1993 have had to confront directly such concerns. In accounting for national favouritism in the awarding of labels, for example, the Commission has proposed an appeals process to challenge the improper awarding of a label.

The problems associated with harmonised labelling programmes warrant serious consideration, but they should not be taken as an indictment of harmonisation. After all, despite differences in structure, the existing programmes do share the same basic principles and goals; and industry groups and a number of countries have voiced strong support for further harmonisation. Indeed, it is not a foregone conclusion that harmonisation will lead to a general lowering of standards, nor is it inevitable that countries will manipulate a harmonised label as a tool to favour local industries. The initial guidance toward the course of harmonisation will come from the Nordic Council programme's experience. If the European Commission's labelling plan meets with success, then it too will provide a powerful impetus for increasing harmonisation efforts.

"LABELING: ENVIRONMENTAL FRIEND OR FOE?"

Remarks of
Minnesota Attorney General
Hubert Humphrey III

EPA National Environmental Labeling Conference
Baltimore, Maryland
October 2, 1991

Thank you very much for allowing me to join you at what is truly an impressive conference. I have had the privilege of attending a number of outstanding seminars on these environmental labeling issues. But I can tell you that the program for these three days takes the cake. By the time you leave this afternoon, you will have heard from a virtual "who's who" of the people influencing the most important marketing development of the decade. Ed Erickson, the EPA, and the Pennsylvania Resources Council all deserve our hearty congratulations for having assembled such an outstanding program.

The only problem with such an all-star line-up is that it leaves me feeling a little like Johnny Carson on the Tonight Show, when Ed McMahon turns to him and says: "Well, there you have it! We now know absolutely everything anyone could ever want to know about environmental labeling! No one could possibly have anything further to say on the subject!"

And, so I debated a little about how to use my time this morning.

You certainly don't need the kind of pep talk I found myself giving a year or two ago, when business leaders and public officials alike had to be convinced that the green revolution was more than a passing fad. After this week's presentations, any of you who weren't already "green revolutionaries" are surely ready to run out and enlist by now.

Nor do I propose to talk with you about the nuts and bolts of today's hottest environmental labeling issues. After all, how much can I add about the current state of federal regulatory efforts, when you've already heard from Janet Steiger, from senior officials of the EPA, and from Senator Lautenberg's key staffer? How much more do you need to know about state initiatives, when you've already heard from a distinguished panel representing four of the most active states? And, what insights can I add on environmental seals of approval, when you will soon hear from representatives of Green Seal, Green Cross and ASTM?

Rather than a sermon, then, or a lecture, I'd like to take a few minutes this morning to share some thoughts that are, perhaps, more in the nature of a benediction: to acknowledge just how far we have already come, and to share some thoughts about where we are going.

This conference marks an appropriate time for us to pause briefly, catch our collective breath, and take stock of how much we have achieved in only a couple of years. Actually, events are racing so swiftly that we probably don't have the luxury of catching our breath -- it's all we can do just to keep up -- but let's look for a moment at the profound changes that have already taken place.

It was only two years ago that my wife came home with a package of those now-notorious so-called "degradable" trash bags. (You know who I mean.) And, the Humphrey household was briefly proud of itself for taking one small step to better the environment -- that is, we were proud until we began thinking about just where those trash bags would really end up, and about the fact that when we put them in the trash, they headed off to landfills and incinerators where they would never have a chance to degrade.

I had been reading about the emerging trend in Europe to market products on the basis of their environmental impacts. And we knew the phenomenon was headed toward our shores. But, it was the irritation of having been bamboozled myself that first brought home to me what a few alert environmentalists had already begun pointing out: without safeguards to ensure that green claims are accurate, consistent, and forthright, the green revolution could easily be subverted.

By late 1989, I was sounding an alarm among my friends in the business community, and with my colleagues, urging that we do our level best to get ahead of the curve, and to see that this once-in-a-lifetime opportunity was not squandered.

By the end of 1989, we had formed the Task Force of Attorneys General that has been mentioned by some of the previous speakers. Acting in our traditional law enforcement role, we began investigating suspicious product claims and advertisements.

In this, our traditional role, we have already concluded cases involving several manufacturers of those plastic bags with the trashy claims, as well as a case involving so-called "degradable" plastic diapers.

Most recently, we have reached settlements with a major manufacturer of hair-care products (Alberto-Culver), for claims about the effect of its aerosol sprays on the atmosphere, and with the manufacturers of cardboard "juice boxes" for what we felt were misleading claims about the extent to which the boxes are currently recyclable. The many cases still under investigation include issues of degradability, air pollution, composting, energy saving, and source reduction.

But, it did not take our Task Force long to realize that case-by-case enforcement is, at best, a stop-gap solution. The real solution, we believe, must take the form of federal standards and definitions, from both the FTC and the EPA.

The first step must be the prompt adoption of FTC guides, hopefully along the lines we proposed in our Green Report, in which we summarized the lessons we learned in our public hearings and investigations. FTC guides offer the speed and flexibility that are so critical in this arena.

Farther down the road, we look to Congress to enact the Lautenberg/Sikorski legislation, under which the EPA would promulgate substantive rules, specifically defining each of the critical terms of environmental labeling. Unlike FTC guides, the eventual EPA rules would have the full force and effect of law.

In practice, we see the two federal agencies working in tandem, with the guides and definitions being developed collaboratively by the staffs of the two agencies, with input from our Task Force.

In the meantime, our Task Force is holding the line with case-by-case litigation. So far, we are hanging on, and we haven't lost the opportunity to make green marketing a permanent part of environmental protection. But, in all honesty, I'm not sure how much longer we can hold things together with the hit-or-miss approach of occasional lawsuits and settlements.

The situation today is a little like what happens when the traffic lights go out at a major intersection. Federal standards are the traffic lights -- the rules of the road, if you will -- that we need for commerce to flow smoothly. Unfortunately, through most of the 1980s, Washington suffered a major power failure. Power is being restored, but for now, the traffic lights are still down.

You know what happens when traffic signals go out. For a while, drivers can rely on each others' sense of fair play and common courtesy to keep traffic moving. Before long, though, traffic jams up. Drivers get angry and reckless. They start to cut each other off and to drive off the road.

That's about where we are today in environmental labeling. And our Task Force is a little like the Good Samaritan who steps into the middle of the intersection and starts directing traffic to keep things moving in an orderly fashion.

I don't know how much longer we can keep it up. I urge my friends at the FTC and the EPA to get those federal rules of the road and traffic signals hooked up and operating. I can tell you that the drivers are getting surly, and I am reminded that in some parts of the country, freeway commuters are known to shoot one another. So the time for action is definitely now.

That's why the announcement by Chairman Steiger yesterday, that she will support the adoption of FTC guides, and expects them to be completed within six to twelve months, represents a major milestone. This is the signal our Task Force and the business community have been waiting for. Of course, I would still hope that by keeping this issue a top priority, the Commission can shorten even the six to twelve month timeline suggested by the Chairman.

All the evidence says that we have not lost the opportunity to make every consumer a frontline environmental activist. The latest Gerstmann and Meyers poll shows that the percentage of consumers who prefer environmentally superior products has actually inched up, in the last year, by one percent, to eighty-three percent. In addition, seventy-nine percent of consumers say they are influenced not only by the environmental merits of the product, but also by the environmental reputation of the companies that make and sell the product.

Unfortunately, the same polling data shows that consumers' desire to "do the right thing" is still far ahead of their understanding of how to achieve that goal. The fact remains that, on many of these issues, consumers are confused and cling to perceptions that are simplistic or, in some cases, just plain wrong.

We shouldn't be surprised by this type of oversimplification, when we consider how complicated the issues are, and how quickly the technology is moving. Add to this the use of terms that are vague, ambiguous and confusing, along with the reckless use of misleading claims by some marketers, and you have a real recipe for consumer frustration. That frustration, too, is beginning to appear in survey results that show consumers growing skeptical of advertisers claims, and looking for greater regulation by government.

Many businesses are just as frustrated, as they try to chart a course through this whirlwind of change. Trying to design tomorrow's products and to anticipate changing customer expectations is challenge enough. When you factor in uncertainty about federal regulations, and the knowledge that, without a federal framework, states and cities may move off in different directions, you can understand why some businesses feel they are caught up in something like the game of croquet in Alice in Wonderland, where the rules changed arbitrarily at every step of the way.

Amid all this confusion, it would be easy to miss the real story of the last two years. That story, I suggest, is extraordinarily positive. The green revolution has stumbled here and there, and it will undoubtedly continue to go off course from time to time, but that should not obscure the extraordinary changes taking place every day. Everywhere we look, we see profound changes. Exciting changes. It would be hard to find another arena in which we have come so far, so fast, on so many fronts.

We have seen changes in products. Changes in packages. Changes in marketing techniques. And, changes in our solid waste disposal system. But the most profound changes are the changes in our attitudes and perceptions. It is these changes that are the true cause for celebration.

The critical change, of course, was the sudden emergence of the willingness on the part of ordinary consumers, to shop with the environment in mind. Just where this commitment came from, we still don't know. But we know it's here, and we know it's real. And that's an exciting change.

Second, look how much we have already learned. The business community has learned how important this revolution is, and has moved to meet it in a thousand ways. One tracking service tells us that, during the first half of this year, an astounding forty-four percent of all new household products featured environmental claims of one sort or another.

As this number suggests, in the space of just a couple of years, the entire business community has mobilized to respond to consumers' new preferences. That's an exciting change.

Third, in the same short period of time, we have achieved a near-consensus about the need for some form of regulation to ensure that this unique opportunity is not undermined by meaningless and dishonest claims. We are quickly developing the will to put those regulations in place. And, those are exciting changes.

Public perceptions and attitudes are evolving with the same astounding speed in dealing with the specific issues of environmental marketing.

Consider degradability. Two years ago, "degradability" was perhaps the single buzzword uppermost in the minds of consumers. They weren't sure just what it meant. But, they had a vague notion that degradability was a magic bullet that would somehow make environmentally troublesome products disappear.

How far we have come! In less than two years, the public has largely awakened to the fact that degradability is of no environmental benefit, and may even be harmful. for the vast majority of our trash that ends up in sanitary landfills. We are well on the way to understanding that degradability has a place, but only in limited applications.

For products that end up as litter in our lakes and oceans, or for specialty products destined for composting facilities where they will truly degrade, there may be important benefits. But, after only a couple of years, the public has figured out that we cannot simply degrade our way out of our solid waste problems.

Second, look at the issue of recyclability. Here, the public has been victimized by products promoted as "recyclable" when the recycling has been theoretical, at best. Some products and packages that suffer from an environmental stigma have been especially quick to claim that they are "recyclable" when, in fact, the only recycling being done was in a few isolated pilot programs, usually subsidized by the manufacturers.

The predictable result, of course, has been that consumers simply toss the products into their local recycling stream, where they promptly contaminate the materials that actually are being recycled in that community.

Look what progress we've made. With pressure from our Task Force and others, manufacturers are changing their advertising to make clear that their products are recyclable only in limited areas, and have begun offering 800 numbers and other resources to help promote the expansion of recycling.

Even more important is the fact that the growth of our recycling infrastructure has been explosive. Although the economic viability of recycling some materials is still unproven, we are moving quickly toward universal access to convenient recycling for a growing list of materials.

Consider, too, how far we have come on the emerging issue of compostability. The movement toward composting -- admittedly still in its infancy -- is gathering speedy quickly. For example, in Minnesota we now ban all yard trimmings and leaves from our landfills, and are either leaving them on our lawns, composting them at home, or diverting them to commercial yard-waste composting facilities.

More challenging is the effort to bring on-line full-scale facilities for composting general municipal solid waste. Even here, events are racing forward. With encouragement from the state, and with support from private corporations, pilot facilities are already operating, and half a dozen municipal facilities are in the planning or construction stages in Minnesota alone.

Each of these changes is exciting in its own right. Together, they represent an astounding metamorphasis in the way we do business. And, it has all taken place in the blink of an eye, by historical standards.

As exciting and hopeful as these changes are, I believe they are but symptoms of a larger shift in our public ethic. Just as, a generation ago, we changed our attitude toward littering; just as we are changing our attitudes about smoking and drinking; I believe we are in the process of changing our attitudes toward consumption that is environmentally irresponsible.

If we can maintain the momentum of this green revolution just a little longer, I believe we will soon reach a point of no return -- a critical mass -- beyond which the change in our attitudes will be irreversible.

If we can achieve such a change, it will have significance far beyond issues of degradability, recyclability, compostability, or other issues of the moment. Those are passing problems, and in a few years we will have laid them to rest.

The true promise of the green revolution, is that it holds the potential for a paradigm shift -- a shift to an enduring public ethic that demands responsible, sustainable consumption. An ethic that expects products to be designed, produced, and disposed of to minimize their environmental impacts.

We can detect the first signs of such a shift in the phenomenon of source reduction, which will be the next, and most important, of all the trends of environmental marketing.

Today, the term "source reduction" is virtually unknown among consumers. But, it is just over the horizon. And, it has vast implications for the way we do business.

Packaging will be first to come under scrutiny. To take two small examples, consider the way the recording industry packages its compact discs, in that awkward cardboard package known as the "long box," that we all promptly discard once we get our new disc home. Or, consider the way in which many deodorants are packaged: not only in the plastic dispenser stick, but also surrounded by an unnecessary, bulky cardboard overwrap.

As the public looks with an increasingly skeptical eye at packaging materials, needless waste will soon be viewed with the same scorn we now apply to someone who tosses trash out the window of a car. In fact, I am willing to predict this morning that, within two years, both of the packages I mentioned -- the long box for compact discs, and the cardboard box surrounding deodorant sticks -- will be history, and will have disappeared from our shelves.

From excess packaging, public scrutiny will move on to products themselves. Consumers will increasingly ask whether it makes sense to use flashlight batteries that are discarded after a few hours, or a throwaway camera, or a throwaway plastic razor, or a throwaway cigarette lighter. Increasingly, they will question the throwaway mentality that today drives so much of our consumption.

To underscore just how fundamental this change will be, I encourage you, as you fly home from Baltimore, or the next time you are on an airplane, to notice the way an airline meal is served today. Notice the polystyrene coffee cup, the clear plastic drink cup, the plastic cutlery, the tray liner, the individual containers for salt, pepper, butter, salad dressing, breadsticks, peanuts, and so on.

Think about the throwaway mentality they reflect, and what it means for our environment. Because that mentality is about to change. The writing is already on the wall. And, when we begin to look at our product choices with different eyes -- when we begin to consider the cradle-to-grave environmental implications of our product choices, then the changes we see will be exciting indeed. And when we put those changes into practice, we will truly be able to say that the green revolution has succeeded.

Thank you very much.

Environmental Labeling

Tom Rattray, Procter & Gamble
EPA Environmental Labeling Conference
October 2, 1991, Baltimore, MD

Good morning. It is a pleasure to be here and talk to you about environmental labeling. It's a very hot and dynamic topic these days.

I'm glad you all came, but actually, I always want to talk to the people who didn't come, the one's who don't think there's anything wrong, environmental issues are a passing fad like pet rocks, or for some reason they won't be affected. But, they didn't show up (they never do), so I ask you to carry the message to them.

I assume that we're here today because in one form or another we've got a problem.

Our basic problem at P&G is that our customers want to know all sorts of things about the environmental qualities of our products and packages, and we're finding it increasingly difficult to tell them. In fact, are having a very hard time making some sense out of the growing maze of state environmental labeling regulations and legislation.

You may not know that almost everything we produce is made at a few national locations, and we often don't even own the product after it leaves our warehouse. We literally do not know, and cannot control where our products are ultimately sold. So, we have to do nationally acceptable labeling. Unfortunately, we have temporarily removed some of our environmental information until their fate is clarified.

I've got to tell you that this is a very unfortunate situation. People want to know what they're buying. We want to tell them. And state after state is trying to facilitate this process. But instead of getting easier, we're approaching grid lock.

Therefore, we strongly support a unified national plan for environmental labeling, and have played an active role in the NFPA petition to the FTC for national labeling guidelines.

However, before I get to the details of that, I'd like to look at a few labeling basics.

This is a very controversial area, for a number of reasons. In my observation of the debates around environmental labeling, I find that there are two philosophies being espoused. In addition, there are endless arguments about what 'truth' means, and the use of logos or seals.

First, let's look at the philosophies. The first I would call information/education. It's simply telling people what the product or package is - like a net weight or ingredient statement.

The second I would call a Reward for Achievement. This philosophy says that producers can only label those items that have achieved some fairly high standard for their particular product or package.

A good way to think about it is when you go shopping. The average supermarket has about 30,000 items. Using the informational/educational approach, I would expect that many if not most of the items there would have some sort of environmental information on them over time. Using the second approach, only a few items would be labeled.

We have become advocates of the information/education approach. Thousands and thousands of people call our 800 numbers every month asking all kinds of things about many, many products. People want to know what they're buying. Some of the questions, like "Can I water my garden with the wash water from Camay soap?", we'll never put on the label. But others, like recycled content or compatibility with recycling systems are of very broad interest.

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I'd also like to touch on the subject of seals or logos. As you know, there are at least two organizations in the U.S. that are offering their services to producers to certify that their products or processes are environmentally okay. Once this certification is confirmed, the label can carry the organization's seal.

The theory is that consumers will see the seal, know that the product is environmentally okay, and prefer it. However, we have strong reservations about this. First, let me show you some of the good-guy seals you can find in today's supermarket. Each one of these is supposed to signify some sort of goodness about the particular product or package. Incidentally, you can find the two environmental seals I mentioned if you know what to look for. You can also find three recycling symbols, and a number of others that all mean that the product or package is somehow better than the average bear.

We conclude, as does almost everyone who gets involved in this area, that to make major changes in our resource utilization/disposal systems everyone will have to be involved, including the general public. Therefore, we're very concerned that yet another seal system that supposedly does the thinking for the public will, in fact, let them off the hook - let them simply pick up a 'good-guy' seal package once in a while and otherwise not change their habits. Remember, Americans are the people that drink Diet Coke with their Haagen-Daz ice cream - we want it all.

So, we're not in favor of seals or logos as substitutes for telling people the truth about what they're buying. A logo may be useful to flag the part of the package that carries the environmental information, but not as a substitute for the information.

So, now let's look at truth. What is environmental truth? There are a few things that everyone agrees about, and many things that will be researched and debated for a long time to come.

One of the givens of environmental truth is that less packaging going to disposal is good. There are several ways to reduce the packaging to disposal, and I'll get into these in a minute, but essentially everyone agrees that less disposed packaging is good.

The second is that reducing toxic disposal is also good.

That's it. End of truth. At least, end of uncontroversial truth. Everything else is being debated.

I'd like to deal with these in reverse order.

The primary target for environmental packaging toxic reduction is heavy metals. As you probably know, CONEG drafted a model heavy metals reduction bill for packaging in 1989. It is now the law in 10 states, and will probably be law in another ten or so by the end of 1992. It says you must reduce the levels of lead, mercury, cadmium, and hexavalent chromium to 100 parts per million per component over a 3 year period. This has been P&G policy and practice for at least 15 years, and is being accomplished across the packaging industry with little disruption.

The question of reducing packaging to disposal is a bit more complex.

We're all familiar with the EPA hierarchy of waste management options. I have become a strong believer in the value of source reduction, and have been with the CONEG Source Reduction Council since it's inception. By the way, it has resumed operation and is doing some very exciting projects.

CONEG defined source reduction thusly:

> Source Reduction - The elimination of packaging or reduction of the weight, volume and/or toxicity of packaging.

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In addition, they produced a set of guidelines for packagers to help them understand how to achieve source reduction. These are as follows:

CONEG Preferred Packaging Guidelines

1. No Package
2. Minimal Packaging
3. Refillable/Reusable Packaging
4. Recyclable, Recycled Content Packaging

When we first think about total package elimination, a lot of people think that nothing would be packaged if it didn't need to. But that's not true for basketballs, or a sauce pans. They're sold in boxes, and without. So are a good number of other things. In other words, there is potential to eliminate some packages entirely. In addition, there are major reductions possible through material optimization, concentrates, refills, combination products, and larger sizes.

Here are a couple of examples. We are now producing 8 Enviropacs in Canada, for a variety of products. These are plastic pouches that are to refill the original plastic bottle. They represent 70 to 85% less packaging for the same amount of end product. In the U.S., we put the Downy fabric softener refill concentrate in a carton because it was strongly consumer preferred to the pouch. This is a 75% reduction in packaging for the same amount of dilute Downy.

Here's how we label these:

"75% Less Packaging"
"Less packaging to throw away."

Both are clear, simple statements. Both are intuitively obvious to the public. Incidentally, so far there's little indication that putting down the precise % reduction has much impact on the public. It's obvious that both of them represent a heckova lot less packaging, and that's what's important.

The American favorite is recycling. As you may know, in 1988 we announced the development of a 100% recycled plastic bottle for Spic & Span Pine cleaner. And in May, 1989, we announced that we could now put 20 to 30% of recycled plastic in our HDPE bottles for a variety of laundry products.

Here's how we label these:

"Bottle made from 100% recycled plastic."
or
"Bottle contains at least 25% recycled plastic."

These have been incredibly well received by the public. When we first started labeling the Spic and Span bottle the level of voluntary testimonials went up over 100 times the normal. I mean, when's the last time you wrote anybody about a floor cleaner? The public really wants to know about these things, and appreciates it when you tell them.

Lastly, we're now up to about 80% of our cartons being made with recycled fiber, usually close to 100% recycled content. Until recently, we were using the standard API labeling format for all of our fiber packages. Now we're having to change due to state specific regulations.

This brings us to the most controversial category - recyclability. We've got the message and are working hard on a number of fronts to get as many of our packages included in municipal recycling programs as possible. Until recently, we've been making a conditional statement for our glass, steel, aluminum, PET and HDPE packages.

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- "This (can, bottle,) may be recycled where (steel, aluminum, plastic) recycling facilities exist. Support recycling in your community."

Today, we've stopped. There's simply no way we can tell people about recyclability without running afoul of someone's regulation. Once again, people want to know. I got a call last week from a woman in central Arkansas wanting to start recycling of almost everything - plastic, cans, glass - you name it. The public wants to recycle. We need to tell them in as many ways as we can how they should think about it, what can be done.

So, as I said, we're strong supporters of national guidelines for environmental labeling, and a process to manage those guidelines. As a result, we were active participants in the process that led to the petition to the FTC by 11 trade associations. Ron Smithies has given you the background on the NAD, and how it works, so I'd like to take a few minutes to tell you what the petition is asking for, what we think the right answer is.

First, the petition asks for guidelines, not hard and fast rules at this point. The whole environmental arena is extremely dynamic. A few years ago it was big news if you took the CFC's out of your foam packages. Today, it's old news. I fully expect that in the next few years that the recycability of all common package forms will also be old news. Everyone will know it because everyone will be doing it.

So to get started we are hopeful that we can all at least agree on the principles that should be used. We need a system that lets producers and the public change and mature as we move toward more environmentally benign products and packages. In addition, the system proposed to the FTC lets whole new technologies like life cycle analysis be readily added as it becomes mature and relevant to consumer products.

And as Ron told you, the NAD/BBB already has in place a well tested and experienced mechanism to resolve conflicts. They use the same case-by-case method that the FTC favors, and any number of entities can start the process.

Let's start with the toughie - recyclability. The petition clearly recognizes that unqualified statements can be deceptive and should be avoided. It further recognizes that access to collection is the key quality for a package to be considered recyclable. Some packages, such as glass bottles or tin cans, are recycled widely. However, the access to such systems will be vastly different in rural Montana than suburban Cincinnati, for instance. Similarly, milk and soft drink bottles are already collected in several thousand towns, so it is reasonable to expect that they could, or should be collected broadly. Therefore, a qualified recyclability statement for them would be reasonable. However, a child's plastic toy would be scrap almost everywhere, and a recyclability statement for that would not be reasonable.

The guidelines for recycled content are less controversial. First of all, they state that recycled content labels should apply to the primary package, unless otherwise clearly stated. This has not been a problem.

They also say that they should either state the recycled content level, or be "substantially" all of the product or package material. What is "substantially"? It depends on the circumstances. Some materials, like clear glass, are essentially mono-materials. Others like papers or plastic have colorants, surface treatments, stabilizers, and other modifiers to help the recycled material perform acceptably. The NAD process lets each of these be determined on a case-by-case basis.

As I'm sure you know, there are endless debates about 'what counts' when you keep score on recycled materials. The petition treats it simply. Everything that would have gone to the dump that now winds up in a product or package counts - regardless of the source.

Environmental Labeling
EPA Environmental Labeling Conference
October 2, 1991, Baltimore, MD

Time doesn't permit me to go into this much detail for all of the other items in the petition, but I'd like to hit them lightly. They treat source reduction much as P&G does - factual statements of reduction, with supporting documentation to establish the claim. The standard of comparison is always the immediate preceding product or package, unless clearly stated otherwise.

Compostability claims need to be qualified, with supporting evidence available that all elements of the product or package will either be biologically broken down to soil-like elements, or screened out of the compost end-product by a MSW composting process.

Refillable/Reusable claims should only be made when there is an actual system to refill or reuse them. These can be at-home refills like our Downy Fabric softener, or distributor or manufacturer refill systems like the old beer and soft drink systems, or milk crates.

Terms like "Friendly", "Green", or "Safe" should not be used. They simply are not specific enough. Remember, people want to know what they're buying. They want the facts - not the producer's conclusions.

"Ozone Safe" is very tricky. It's much safer to say that you contain no CFC's than to document that what you do have poses no threat to the ozone.

So that's the petition to the FTC. I've spent a lot of time on it because it represents a very concerted attempt to put together a set of principles of reasonableness that producers should use. To me it also represents something else that's very important. It's a good way to break the log-jam. It's ironic in a way, almost everyone wants environmental labeling to happen some way. But in our respective zeals, we've almost brought it to a complete stop. This is the wrong answer for everyone, particularly the group we're all trying to serve - the American public.

Do you remember two years ago all the controversy about the SPI codes for plastic bottle resins? We've gotten past that - and it's working.

Towns are now telling their residents to turn in their 1's and 2's. So I take heart that we can work through our current controversies.

I believe this because we all have the same objective - to minimize the impact on the environment.

For us the key interaction takes place here - at the checkout stand. Our customers are telling us again and again that they are worried about the environment and want to know what they're buying. We want to tell them, and to continue to give them the very best products and packages we know how.

It's going to take all of us, working together to figure out how to do this best. The issues are too big and too complex to leave to our normal adversarial instincts. P&G is committed to collaborating with state and federal government, public interest groups, and the American public at large to develop strategies and plans for long term, self sustaining systems of integrated waste management, and we hope you are as well.

Thank you very much.

ADVERTISING AND ENVIRONMENTAL CLAIMS

Remarks of JOHN F. KAMP

Vice President, American Association of Advertising Agencies

at

US EPA National Environmental Labeling Conference

October 2, 1991

Thank you for inviting me to appear today on behalf of the American Association of Advertising Agencies.

As many of you know, I have great faith in the good sense of the American people to make good decisions so long as they have unrestricted access to information. Similarly, I believe in the power of advertising, not only to sell products and services -- but also to stimulate competition, to lower prices, and enable marketers to bring new, improved products to consumers.

I know that many of you share these convictions, and thus I am pleased that you asked me today to discuss how advertising itself can become a part of the solution to many of the environmental issues that confront us.

The A.A.A.A. is the national trade association for the advertising industry. Our more than 700 members create and place over 80% of all national advertising and over 50% of local and regional advertising.

We stand today at a point of great opportunity for industry because of the currency of the environmental issue and consumers' desires to be part of the solution rather than the problem.

Many consumers are thinking about the environment. They are concerned. They are worried about the future. They are looking for ways to help.

Consider for a few moments the results of a major study by the J. Walter Thompson advertising agency, the Greenwatch Report. The J. Walter Thompson study found that more than 4 of 5 U.S. consumers feel that protection of the environment is a very serious problem.

Although still concerned with pollution, consumers are increasingly paying attention to the disposal of hazardous waste and the build up of solid waste. That is, they are worried about the accumulation of garbage, trash. They are worried about all the trash we create.

Although they don't consider themselves experts, more than 60% take personal responsibility for environmental problems. More than a third hold the government responsible.

Most important for us here today, U.S. consumers have expressed a willingness to pay more for environmentally friendly products and to pay higher taxes for tough environmental controls.

Consumers are willing to do these during a recession marked by sluggish consumer spending, and at a time when incumbent politicians have been called home for merely mentioning increased taxes.

With no experience in politics, I'll pass on the appropriate political response, but I know that no savvy manufacturer or marketer would lightly ignore such an expression of consumer sentiment.

But consumers are not hearing about green products as much and as often as they should.

Recently in a presentation on this subject at the Federal Trade Commission, Paul Mulcahy, the marketing chief of the Cambell Soup Company showed a number of print and television ads highlighting the environmental aspects of products. Many were hard hitting; all were effective at getting across the message that there was something that consumers could do to improve the environment.

Unfortunately, only three of the television spots were examples of domestic U.S. advertising -- even though most of the products were available in America. A study by the Opinion Research Organization backs up Paul Mulcahy's informal finding that the United States falls well behind Europeans and other major consuming countries in the development of effective environmental advertising.

To date, the most effective environmental advertising in the United States has come in two forms.

First, general public service campaigns typified by the famous tear in the eye of a Native American who urged us to Keep America Beautiful. By the way, that campaign was created by one of our member agencies. The Marsteller advertising agency launched that nationwide anti-pollution effort over 20 years ago.

Second, institutional campaigns typified by the energy conservation messages sponsored by public utility companies. Product advertising clearly lags behind in these efforts.

I do not pretend to know all the reasons for this, but I know one very important reason and it brings us all here in this room. Currently, manufacturers face a crazy quilt of advertising restrictions dealing with environmental claims.

Many of these definitions are designed by state agencies with scientific or technical expertise in solid waste management but no understanding of the value and potential of advertising. Others are the result of lawsuits brought by state Attorneys General with insufficient regard for the problems caused by inconsistent action in other states.

Moreover, none of these regulators have either the national jurisdiction of Federal Trade Commission nor the sophisticated expertise necessary to develop regulations that would unleash the power of product marketers to enable consumers to become a part of the solution to environmental problems.

Regardless of the good intentions of many state and local regulators, the net result has been a disaster for marketers of national products who have attempted to communicate to consumers about the environmental aspects of their products.

Let me just give you one example that came up in our office recently. It involved a member that would otherwise be invisible to you because no federal or state regulator ever heard of the situation, much less brought a case. But the mere threat of legal action squelched what we would all agree would have been an environmentally positive consumer communication.

A small direct marketing agency member located in Ohio called with a question about the use of a small note at the bottom of mailing pieces stating correctly that they were printed on recycled paper. Until then he had accepted his paper supplier's guarantee that the paper was recycled. He did not know his supplier's definition of the term recycled, much less the percentage of the paper's content of so-called post-consumer and pre-consumer waste. He had heard that both California and Rhode Island had passed laws limiting the use of the term recycled and was particularly concerned about proposed definitions by other regional, state and municipal bodies.

After consultation with our office, review of several statutes, consultation with his various suppliers and consideration of other complications, he determined that he could not afford the time and expense involved to stay in compliance in every jurisdiction.

Thus, he decided that his direct mail pieces would no longer contain a line noting that they were printed on recycled paper.

In an attempt to deal with this dilemma, the American Association of Advertising Agencies joined with 10 other associations on February 14 of this year in the joint industry petition to the Federal Trade Commission. That petition specifically requests that the FTC develop guidelines for environmental claims in advertising, and provides several examples of what those guidelines might entail.

Some FTC Commissioners have expressed a preference for accomplishing the same end by announcing a succession of case decisions that would give clear guidance to marketers. In fact, one such case was handed down by the FTC in a disposable diaper case late last September. Regardless of the regulatory means chosen by the agency, my association considers it paramount that the Federal Trade Commission become the prime regulator of environmental claims throughout the United States.

The FTC guidance must give renewed incentive to the manufacturers of products with positive environmental attributes to advertise those goods nationally.The FTC guidance must enable manufactures to develop new products with better attributes by giving those manufactures an ability to tell consumers that the products are available. The FTC guidance must be so pervasive, persuasive, and clear that the FTC totally inhabits the area of environmental claims throughout the nation.

The FTC guidance must, as a practical matter, eliminate the inconsistent regulation and adjudication that is crippling national environmental marketers in the United States.

In the meantime, as the representative from the Better Business Bureau will fully explain, we have asked all of our more than 700 agencies nationwide to comply with the guidelines set forth in the joint industry petition and to fully participate with the BBB in its use of the petition to guide its case decisions.

Thank you for your attention on this long third day of presentations. As always, I will be glad to answer any questions now, or to pursue these issues with you later at your convenience.

INDUSTRY'S RESPONSE TO GREEN CONSUMERISM:

WHAT IT HAS DONE, WHAT MORE IT CAN DO

Remarks of CARL FRANKEL

Editor and Publisher, Green MarketAlert

at

US EPA National Environmental Labeling Conference

October 2, 1991

I appreciate the opportunity to address this group today. In my remarks, I will focus on some of the specifics of mainstream business's response to green consumerism. I will then turn to additional steps which industry might consider taking.

I have divided my discussion of businesses' response to green consumerism into five sections: (1) the energy level of the response; (2) the psychological tenor of the response; (3) the functional orientation of the response; (4) the depth of the response; and (5) green product performance as reflected in the marketplace.

Energy Level. Overall, industry has responded to green consumerism very energetically. The movement has triggered activity at many levels and across many functions throughout corporate America. In a business study entitled "*Businesses' Strategic Response to Green Consumerism*" which I wrote a year ago for a New York City-based research company called FIND/SVP, I surveyed major U.S. corporations and came up with the following indicators of corporate "energy levels." Executives were asked to rate the importance of green consumerism for their businesses two years ago and presently, on a scale of 1 to 10, with 10 for most important. Responses indicated that two years before, the average score, or "energy level," had been 4.63. For the present, the score was 8.02. When asked what the importance would be in ten years, the rating came in at a still higher 8.27.

Psychological Tenor. To date, the response of business and industry to green consumerism has been largely reactive. That is, it has been driven largely by consumer demand and by regulation, most of which has come from the state and local levels.

One refrain that we at Green MarketAlert continually hear from consumer goods companies is that they are, in essence, finely-tuned mechanisms for responding to consumer demand. If demand is there, they develop and market product.

If it's not there, they don't. But that image tells only one side of the story. If the history of American marketing teaches anything at all, it's that industry can and does create demand. Perhaps you can't sell ice to Eskimos, but where there's some demand, savvy marketing can always turn the volume up. It's perhaps a bit misleading for the majors to present themselves as basically Pavlovian in nature -- they have more free will than that. In my opinion, their response to green consumerism could be more pro-active than it has been.

There's also been some defensiveness in the corporate response. This is inevitable and indeed necessary when you're under attack, but some of the defensive strategies have to my mind been problematic.

Let's take, for example, the strategy that has the following universal formulation: "Why is everybody picking on our product [aseptic packaging, plastic, disposable diapers, etc.] when it only constitutes a tiny percentage [.1%, 2%, 6%, etc.] of the solid waste stream?" On the surface, this may appear to be a powerful argument -- but what if one took the same physical material and described it in terms of tonnage rather than as a percentage of the total solid waste stream? In that case, a quite different impression would be created. The problem with this argument is that it involves image-making more than it does truth-seeking. As such, it does not improve the overall quality of the critically important dialogue about environmental issues that is currently taking place -- and our environmental future depends on this debate's being conducted at the highest possible level.

Environmental image advertising too often provides additional examples of how the corporate response is sometimes problematic. I daresay we have all seen ads which take a corporation's environmental good deed -- say, rerouting a pipeline to preserve a species habitat -- and

turn it into a symbol of that corporation's environmental commitment.

The standard environmentalists' objection to these ads is that they are hypocritical, that corporations don't really care about the environment. I do not share that perception. Corporations are complex organisms with often conflicting goals. They are dominated by the profit motive, yet the great majority also evince genuine concern about environmental and social issues. Greed and caring live side-by-side in corporations, just as they do in people. My problem with this sort of advertising is that it selects one corporate face and presents it as the only corporate *persona*. This is why such advertisements are misleading.

I don't hold individual corporations responsible for this so much as a corporate culture which has been with us for much of this century. In an article I wrote for the National Association of Professional Environmental Communicators, I called this the "John Wayne" model of corporate identity. This name is appropriate because the model is characterized by an unyielding sense of one's own infallibility as well as by a felt need to project decisiveness and unswervable self-assurance. Self-questioning and the admission of fallibility are not part of this model. However, I believe that we are currently in an interregnum, that a new myth of corporate identity which allows for a more flexible type of communication is emerging.

As a footnote to my remarks about the psychological tenor of the corporate response, I should also note that corporations have also done much that's first-rate. One can see the glass as half-full or half-empty. In these last remarks, I've been directing my attention to the empty half of the glass.

Functional Orientation. A recently published study by the management consulting firm Booz Allen & Hamilton indicates the functional areas into which businesses have

been putting their energy. The Booz Allen study segmented businesses into environmental "leaders" and "non-leaders" based on what Booz Allen called the "apparent progress made in installing ... comprehensive risk management program(s)." The study then examined the extent to which leaders and non-leaders had developed programs to manage potential environment-related risks in specific functional areas. I will not burden you with the details of the study's findings. However, for the purposes of this discussion, two findings were particularly significant.. First, contrary to the widespread public perception, green consumerism-related marketing and public relations programs are actually less widespread among both leaders and non-leaders than programs in less visible areas such as R&D/product development. This suggests that the response of mainstream business and industry to green consumerism may be more across-the-board than some cynics might be inclined to believe.

Second, it's in the area of marketing where the widest discrepancy between leaders and non-leaders emerges. This tells us that, while green consumerism is generating activity across the board, it's in the area of marketing that leaders are responding most aggressively.

The Depth of the Response. In its few years of existence, the green products industry has evolved into two distinct segments -- "mainstream" and "environmentally and socially responsible" businesses, respectively. In saying this, I don't mean to suggest that mainstream businesses are neither socially nor environmentally responsible. I use "socially and environmentally responsible" as a term of art to describe a fundamental shift in corporate values that characterizes many young, often small, "eco-preneurial" companies.

Businesses have three basic agendas. The first is economic -- turning a profit. The second is product-oriented -- producing a high-quality product. The third is more values-related -- behaving in an environmentally and

socially responsible manner. In the traditional business configuration, the economic agenda is paramount -- it is the economic agenda, for instance, which provides much of the incentive to produce high-quality products. In the "socially and environmentally responsible" company, the three agendas are parallel -- genuinely parallel, and not just public relations-parallel.

While mainstream businesses have done a great deal over the last few years to get greener, one thing they have not by and large done is shift their philosophical underpinnings from "economic agenda-first" to "values parity."

At the same time, however, there has been a quite extensive implementation of programs across the board to address environmental issues.

From a "socially/environmentally responsible" point of view, what we have is an image of symptom after symptom being addressed -- but not the "disease." Green issues are being addressed extensively, but not holistically.

Benchmarks. Now let's briefly consider the extent to which green products have made their mark on supermarket shelves. If we look at "deep-green" products, i.e., at products which build their very identities around their claimed environmental virtues, market share is modest at best. Deep-green bath tissues and towels have only 2% of the market -- and they are a relative success story. Biodegradable and compostable diapers have less than 2% of the market. Household cleaners have 2% -- and that's if you count products which some deep-green product suppliers suggest aren't really all that green.

There are exceptions to the general rule that deep-green products' share of market comes in at 2% or less. Unbleached coffee filters, for instance, have a 12% market share. In addition, selected deep-green companies are having a transformative effect on their industries that goes beyond their market share -- Anita Roddick's The Body Shop and Earth's Best baby foods are two prominent examples.

It's also important to note that these modest market share figures do not accurately reflect green consumerism's overall market impact. While these figures are only for "deep-green" products, the lion's share of the market activity is coming from the "greening up" of established product lines. Procter & Gamble's Downy Refill, for instance, which is perhaps the quintessential "greened-up product," now accounts for about 40% of all Downy sales. This product "greening-up," which has been spearheaded by the major consumer goods companies, has led to noteworthy source reduction gains as well as to other significant environmental improvements.

It's also worth noting that these same majors have without exception shied away from developing and marketing "deep-green" products in the U.S. There are excellent business reasons for their having done so, including: (1) the risk that existing products will be cannibalized; and (2) the "slippery slope" danger that these products will invite closer scrutiny of existing product lines. Still, the blunt fact is that the majors have cast a cold eye on deep-green products and have chosen to green up their established product lines instead.

I would like to conclude my discussion of the nature of mainstream business's response to green consumerism with several summary points.

(1) The response has been energetic -- but reactive.

(2) The response has touched on virtually all key functional areas -- but it hasn't generally led to drastic overhauls of the underlying corporate culture. The machines are being re-tooled but they're basically the same old engine.

(3) Long-established and not necessarily constructive modes of communication are still being relied on to deliver corporate environmental messages.

(4) In terms of product, green consumerism has caused companies to dedicate significant resources to improving

their product/packaging combinations. However, it has not inspired those same companies to develop deep-green products. We have greener products but we do not have, as it were, "greenly-inspired products."

Let me now close by suggesting some additional steps that mainstream businesses might consider taking.

First, the majors might give thought to updating habitual modes of communication so that they are more in tune with the emerging myth of corporate identity that permits statements of imperfection and that leaves room for complexity. Such a strategy would increase credibility and upgrade the overall quality of the dialogue.

Second, the majors might consider responding more pro-actively to green consumerism. Conceptually, this would involve abandoning the model of "business-as-machine-for-responding-to-consumer-demand" and replacing it with the model of "business-as-machine-for-shaping-consumer-demand." Specifically, this could involve such measures as the development and marketing of deep-green products. I understand that there are many compelling arguments against doing so. Still, aggressive entry into the deep-green products marketplace by one of the majors would signal consumers and others that the environment is not only to be upgraded in significance, but that it is to be treated as a matter of the highest significance. Such a step would in addition help to mobilize the millions of consumers who are waiting for one of the majors to come forward with a loud, no-bets-hedged declaration of environmental commitment. Finally, it would also allow that same major to lay claim to a true leadership position in the green marketplace of the '90s -- and as several studies have shown, that leadership position is a vacuum that is waiting to be filled.

Thank you.

GREEN MARKETALERT
The newsletter that analyzes the business impacts of green consumerism

PUBLICATIONS ON GREEN CONSUMERISM BY CARL FRANKEL

ARTICLES

Green Marketing: Leading the Eco-Pack -- *Natural Foods Merchandiser*, April 1991

Thinking Like an Earthworm -- *Buzzworm* magazine, May/June 1991

When Myths Collide: Corporate Identity and the Emerging Green Myth -- *NAPEC Quarterly*, June 1991

The Hot Pursuit of Irrelevancy -- *Buzzworm* magazine, July/August 1991

BUSINESS STUDIES

The Green Consumer -- FIND/SVP (New York, NY), 1990
Businesses' Response to Green Consumerism -- FIND/SVP (New York, NY), 1990

OTHER PUBLICATIONS

Green MarketAlert -- a monthly newsletter tracking the business impacts of green consumerism

345 Wood Creek Road, Bethlehem, CT 06751 Tel: 203/266-7209 Fax: 203/266-5049

recycled paper

QUESTIONS & ANSWERS

What is Green Seal?

Green Seal is a national, independent, nonprofit, environmental labeling and educational organization. It issues environmental seals of approval to consumer products that meet strict environmental standards. Green Seal has the support of a broad cross section of the leaders of major national consumer and environmental groups. The renowned Underwriters Laboratories Inc. is responsible for the majority of Green Seal's product testing and factory inspection.

Why was the Green Seal developed?

American consumers are looking for help in reducing their impacts on the Earth, particularly through purchasing environmentally responsible goods. Green Seal was developed to give consumers clear, expert advice about which products are less harmful to the environment.

Green Seal offers unbiased environmental analyses to enable consumers to "vote with their wallets" for the Earth. When enough people choose products bearing the Green Seal, manufacturers will increasingly alter their product lines to meet this consumer demand for environmentally responsible products.

Who runs Green Seal?

Green Seal is led by President and Chief Executive Officer Denis Hayes and Executive Vice President and Chief Operating Officer Norman L. Dean. Author and environmentalist, Hayes is best known as Executive Director of the first Earth Day in 1970 and as International Chairman of Earth Day 1990. A long-time environmental researcher, manager, and attorney, Dean most recently served as Director of Environmental Quality at the National Wildlife Federation.

Green Seal's diverse and distinguished Board of Directors is composed of business-people, public figures, and leaders of major national environmental, consumer, and other public interest organizations.

How does Green Seal maintain its independence?

Green Seal is the only national, nonprofit, independent, environmental labeling organization. It has no financial interest in the success or failure of any consumer products. Its standards are developed in an open process with the active participation of the public, and overseen by the Environmental Standards Council, composed of noted scientists and other experts. Most product testing is conducted by Underwriters Laboratories Inc., known for nearly a century for its reliability and independence.

Green Seal staff and board members must sign a detailed Code of Conduct that prohibits financial conflicts of interest.

Why do manufacturers want the Green Seal?

Independent research found that 4 out of 5 consumers are more likely to purchase a product with the Green Seal when choosing between products of equal quality and price. Also, in a Gallup survey conducted for *Advertising Age*, consumers said that Green Seal would have more impact on their purchase decisions than government guidelines.

Green Seal is the independent, authoritative, credible source for the environmental product information that consumers seek. Products bearing the Green Seal will enjoy a strong marketing advantage with the growing numbers of consumers concerned about the environmental impacts of their purchases.

How will consumers learn about the Green Seal?

Television and print public service announcements will generate awareness and educate consumers about the Green Seal. Green Seal's educational campaign also includes distribution of fact sheets, brochures, and outreach to the media.

In addition, Green Seal will publish a consumer-oriented description of the standard for each product category, a list of certified products, and an explanation of the environmental impacts reduced by using products bearing the Green Seal. These will be widely distributed to retailers, businesses, and schools, among others.

Will products bearing the Green Seal be "Environmentally Friendly?"

No product is environmentally friendly. All consumer products have some impact on the environment. Green Seal's objective is to identify those products that are less harmful to the environment than others in their category.

How does the labeling process work?

Environmental standards are set on a category-by-category basis. Industry and the public are invited to suggest product categories for review. Once Green Seal selects a category, an Environmental Impact Evaluation of the product is conducted. It identifies the characteristics of the product and the points in the manufacturing process that cause significant environmental harm. Based on this information, an environmental standard is developed that focuses on those factors that provide significant opportunities to reduce or eliminate pollution or other impacts on the Earth.

In some cases, advisory panels composed of representatives from business, government, academia, and the public interest community may be formed to assist in the development of specific standards.

The proposed standards are released for public comment. Manufacturers, trade associations, environmental and consumer groups, government officials, and the public are encouraged to comment on the proposal. After reviewing the comments, Green Seal releases a final standard and notifies appropriate manufacturers.

The Environmental Standards Council, composed of independent scientists, academicians, and other experts, acts as an appeals board for manufacturers and others who disagree with Green Seal's technical judgments.

What environmental impacts do Green Seal's standards address?

Green Seal's standards seek to reduce significant environmental impacts of products. Depending on the product, a Green Seal standard will address one or more of the following impacts: toxic chemical pollution; energy consumption; depletion and pollution of water resources; harm to fish, wildlife, and natural areas; waste of natural resources; destruction of the Earth's atmosphere (including its protective ozone layer); and global warming.

Will the standards be revised?

Green Seal's environmental standards are reviewed at least every three years. Periodic review and revision ensures that criteria keep up with changing technologies and consumer needs. The Green Seal process gives companies continuing incentives and opportunities to improve products and benefit the Earth.

Does Green Seal evaluate companies as a whole?

Green Seal evaluates only the environmental impacts of specific consumer products, not the environmental practices of companies as a whole. Green Seal does not evaluate unrelated corporate behavior.

Who tests and certifies the products?

Underwriters Laboratories Inc. (UL) is Green Seal's primary testing and factory inspection contractor. For the majority of product categories, UL will test products to determine whether they meet Green Seal's environmental standards. UL will also be responsible for conducting follow-up inspections at the manufacturer's facility to determine continued compliance with Green Seal standards. Where UL has expertise, it will also assist Green Seal in the development of product standards.

In many cases, product testing may require a manufacturer to share sensitive or confidential information. For almost a century, UL has handled such documents responsibly and earned the confidence of industry.

What are the guidelines for use of the Green Seal?

When awarded the Green Seal, manufacturers may use it on the product, its packaging, as well as in product specific advertising and promotional materials. A company cannot, however, use the Green Seal for general corporate advertising.

Do manufacturers pay a fee for the Green Seal?

Manufacturers pay a testing fee when they apply for the Green Seal. If the product meets Green Seal's standard, the company pays an annual fee for monitoring continuing compliance. The fees reflect the actual costs to both Green Seal and UL for time and materials. The amount will vary with the specific product category and the manufacturing plant.

What if a product does not meet the Green Seal standard?

Should a product fail to meet Green Seal's standard, the manufacturer will be informed of the reasons, encouraged to make the changes necessary to meet the standard, and to reapply for the Green Seal. Results of all tests are kept strictly confidential.

How are manufacturers represented in the Green Seal process?

At present, business people, but not consumer products manufacturers, sit on Green Seal's Board. Manufacturers are represented on an Advisory Committee and are strongly encouraged to get involved in the standard setting process by commenting on proposed standards. Green Seal actively solicits comments from the business community, among others.

How is Green Seal funded?

Start-up costs for Green Seal are being provided by foundations and individual donors. Eventually, Green Seal will be self-sustaining.

How can the public get involved?

Green Seal's process is open to the public. Individuals are invited to participate by suggesting product categories and by commenting on proposed standards. Advice is formally solicited from manufacturers, trade associations, environmental and consumer organizations, government officials, and others.

In addition, Green Seal maintains a list of individuals who are interested in the progress of the labeling program and in receiving educational materials. To be included, individuals should write to Green Seal. Ultimately, of course, the most important way for consumers to get involved is to buy and use products bearing the Green Seal.

How can I contact Green Seal for more information?

Call or write our Washington office: Suite 300-A, 1875 Connecticut Avenue, NW, Washington, DC 20009-5818. Phone: 202-986-0520, Fax: 202-328-8087.

Printed on 10% recycled post-consumer waste paper 10/91

Green Seal

Why Environmental Labeling?

- 4 out of 5 People Want to Buy "Green"
- Last Year, 10% of New Products Were "Green"
- $8.8 Billion in "Green" Sales by 1995
- Success of Environmental Guides and Magazines
- Market is Flooded with Environmental Hype

Green Seal Program

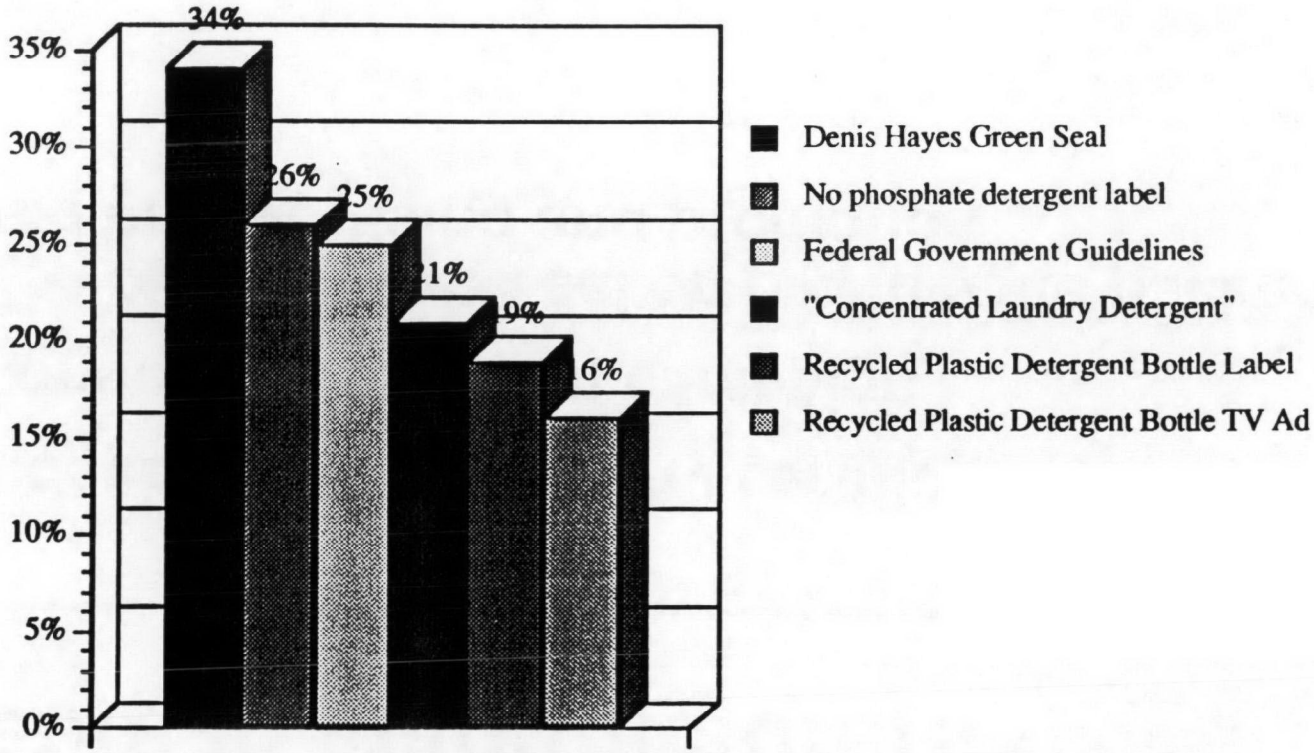
- Consumer Education
- Product Certification

Consumer Education Programs

- Public Service Ads
  - TV & radio
  - Print
- USA Weekend Sunday Column
  - 34 million readers
- Fact Sheets
- "How To" Brochures
- Point of Purchase Info

What Consumers Believe

Please rate the following on how much impact they would have on your purchasing decisions.



Graph shows those who answered "great impact"

Source: Gallup Poll, Advertising Age, 1/29/91

Benefits to Manufacturers

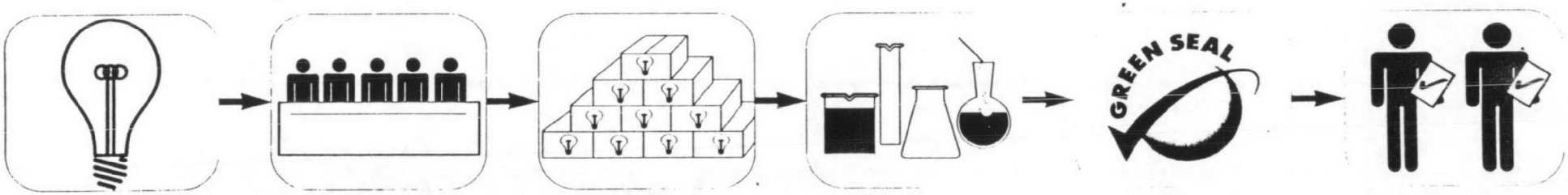
- Independent, Third party certification
- Consumer education campaign
- Use of the Green Seal on product, its package, and in advertising and promotion

Environmental Goals

- Reduce toxics
- Improve energy efficiency
- Protect water quality & quantity
- Halt damage to natural areas
- Eliminate waste of resources
- Protect atmosphere
- Save fish & wildlife

AN ALLIANCE FOR THE EARTH

1	2	3	4	5	6
Product Selection & Study	Standard Setting	Product Submission	Product Testing & Factory Inspection	Green Seal Award	Monitoring for Continued Compliance
Green Seal	Green Seal UL Manufacturers The Public	Manufacturers	UL	Green Seal	UL Green Seal



THE GREEN SEAL ENVIRON ENTAL LABELING PROCESS

Proposed Standards Issued

- Toilet tissue
- Facial tissue
- Re-refined motor oil

Categories Under Review

- Light Bulbs
- Stationery
- Copy Paper
- Coffee Filters
- Showerheads
- Aerators
- Toilets
- House paints

How Green Seal is Different

- Open, public process
- Leadership includes environmental & consumer leaders, and business people
- Multiple environmental criteria
- Financially Independent
- Non-profit

U.S. EPA Conference on Environmental Labeling

October 1-2, 1991

Baltimore, MD

Overview of ASTM and Committee D10 on Packaging's New Activity: Environmental Labeling for Packaging and Packaging Materials.

Robert J. Morgan

Director, Technical Committee Operations Division

As many of you are aware, ASTM (the American Society for Testing and Materials) is one of the largest voluntary standards development systems in the world. ASTM's mission is to

DEVELOP VOLUNTARY FULL CONSENSUS STANDARDS FOR PRODUCTS, MATERIALS, SYSTEMS, AND SERVICES AS WELL AS TO PROMOTE RELATED KNOWLEDGE.

ALTHOUGH ASTM HAS A STAFF OF OVER 200 IN PHILADELPHIA, IT IS THE ASTM VOLUNTEER MEMBERSHIP THAT MAKES ASTM WHAT IT IS. ANYONE WITH AN INTEREST IN THE DEVELOPMENT OF A PARTICULAR STANDARD IS WELCOME TO PARTICIPATE IN THE STANDARDS DEVELOPMENT PROCESS. CURRENTLY THERE ARE OVER 34,000 MEMBERS IN ASTM. 20,000 OF THESE SERVE ON STANDARDS WRITING TECHNICAL COMMITTEES. THEY REPRESENT INDUSTRY, GOVERNMENT, ACADEMIA, REGULATORY AGENCIES, TESTING LABORATORIES, CONSUMERS, AND ENVIRONMENTAL

ORGANIZATIONS. ASTM STANDARDS ARE DEVELOPED VOLUNTARILY AND USED VOLUNTARILY. THEY BECOME MANDATORY ONLY WHEN ADOPTED OR REFERENCED BY A GOVERNMENT AGENCY OR USED IN CONTRACTUAL AGREEMENTS.

ASTM HAS 134 STANDARDS WRITING TECHNICAL COMMITTEES. ASTM TECHNICAL COMMITTEE STRUCTURE IS MADE UP OF MAIN COMMITTEES, SUBCOMMITTEES, AND TASK GROUPS. THESE TECHNICAL COMMITTEES DEVELOP STANDARDS IN SUBJECT AREAS RANGING FROM MATERIALS, SUCH AS PAINT, STEEL, CONCRETE, PETROLEUM, PLASTICS; ENVIRONMENTAL CONCERNS, SUCH AS WASTE MANAGEMENT, ANALYSIS OF ATMOSPHERES, WATER, RECYCLING AND DEGRADABILITY OF VARIOUS PRODUCTS, AS WELL AS; SERVICES AREAS

SUCH AS HEALTH CARE SERVICES, EMERGENCY MEDICAL SERVICES, SEARCH AND RESCUE, ETC.. THE LIST OF TECHNICAL COMMITTEES IS TOO NUMEROUS TO MENTION.

ASTM CURRENTLY PUBLISHES 8500 STANDARDS IN A 68 VOLUME ANNUAL BOOK OF ASTM STANDARDS. THE WORD "STANDARD" IS USED TO IDENTIFY A DOCUMENT THAT HAS PASSED THROUGH THE RIGOROUS ASTM CONSENSUS DUE PROCESS SYSTEM FOLLOWING THE REGULATIONS GOVERNING ASTM TECHNICAL COMMITTEES. ASTM IS NOT AN ACCREDITING AGENCY; HOWEVER, MANY AGENCIES USE ASTM STANDARDS IN THEIR CERTIFYING AND ACCREDITING PROCESSES.

AS I MENTIONED EARLIER, ASTM HAS 134

TECHNICAL COMMITTEES, ONE OF WHICH IS COMMITTEE D10 ON PACKAGING. D10 STARTED ITS STANDARDS DEVELOPMENT ACTIVITY 77 YEARS AGO AND HAS DEVELOPED STANDARDS RELATING TO VARIOUS AREAS OF PACKAGING INCLUDING PAPER AND PAPERBOARD PRODUCTS, LABELING, CHILD RESISTANT PACKAGING, AND CONSUMER PACKAGES.

LAST YEAR COMMITTEE D10 DISCUSSED THE NEED FOR ENVIRONMENTAL LABELING STANDARDS. ASTM WAS ALSO CONTACTED BY THE COUNCIL OF PLASTICS AND PACKAGING IN THE ENVIRONMENT (COPPE), AND OTHER ORGANIZATIONS AND COMPANIES, TO EXPLORE THE ESTABLISHMENT OF A NEW ACTIVITY IN THIS AREA. IT WAS SUGGESTED THAT STANDARDS WOULD BE BENEFICIAL FOR ENVIRONMENTAL LABELING, WHICH PROVIDE

CONSUMER INFORMATION EXPLAINING CHOICES, CRITERIA, PACKAGING FUNCTIONS, ETC.. IT IS IMPORTANT TO DEVELOP NATIONAL AND INTERNATIONAL STANDARDS FOR ENVIRONMENTAL LABELING, AND IT IS BENEFICIAL TO DO THIS THROUGH A CREDIBLE CONSENSUS ORGANIZATION.

AFTER ASTM RECEIVED THIS REQUEST, THE ORGANIZATIONAL PROCESS BEGAN. ASTM STAFF CONTACTED INDIVIDUALS, COMPANIES, AND ORGANIZATIONS INVOLVED IN THE FIELD TO ASSESS THE LEVEL OF INTEREST AND THE NEED FOR THE PROPOSED ACTIVITY. SINCE THE RESPONSE OF THIS PARTICULAR ACTIVITY WAS POSITIVE, ASTM CALLED A PLANNING MEETING IN APRIL IN CONJUNCTION WITH THE COMMITTEE D10 MEETING IN COLUMBUS, OHIO.

There were 75 individuals at the Planning Meeting who unanimously agreed to proceed with this standardization effort under the auspices of ASTM.

The participants discussed an appropriate title for this activity and agreed on:

"Environmental Labeling for Packaging and Packaging Materials"

In July, two ad hoc working groups met to address terminology and a scope statement. The ad hoc working group on scope development proposed the following scope and activities of the group:

"THE PROMOTION OF KNOWLEDGE AND THE DEVELOPMENT OF STANDARDS (TEST METHODS, SPECIFICATIONS, PRACTICES, GUIDES, CLASSIFICATIONS, AND TERMINOLOGY) FOR LABELING OF PACKAGING WHICH RESPONSIBLY COMMUNICATES ENVIRONMENTAL ATTRIBUTES TO THE CONSUMER. THIS WILL INCLUDE CONSIDERATION OF THE DISPOSABILITY AND RESOURCE ASPECTS OF THE PRODUCTION AND USE OF THE PACKAGING."

THE WORK OF THIS GROUP WILL BE COORDINATED WITH OTHER ASTM COMMITTEES AND OUTSIDE ORGANIZATIONS HAVING RELATED INTERESTS.

PROPOSED ACTIVITIES OF THIS GROUP MAY INCLUDE:

- DEVELOPING TERMS AND DEFINITIONS
- DEVELOPING STANDARDS TO BE UTILIZED TO SUPPORT LABEL CLAIMS
- CLARIFYING THE USE AND APPLICATION OF LIFE CYCLE ANALYSIS IN THE PROCESS
- EXPLORING THE USE AND APPLICATION OF ENVIRONMENTAL EMBLEMS/SYMBOLS

THE AD HOC WORKING GROUP ON TERMINOLOGY DETERMINED THE INITIAL FOCUS ON THE GROUP AND SET PRIORITIES.

IT WAS THE CONSENSUS OF THE GROUP THAT A STANDARD BE DEVELOPED ON ENVIRONMENTAL LABELING AND THAT THE STANDARD INCLUDE TERMS AND DEFINITIONS PERTAINING TO ENVIRONMENTAL

LABELING FOR PACKAGING AND PACKAGING MATERIALS.

THE GROUP DISCUSSED TERMS THAT NEED TO BE DEFINED AND AGREED ON 13 TERMS THAT ARE THE GROUP'S INITIAL PRIORITY. THESE TERMS ARE: SOURCE REDUCTION, RECYCLABLE, REFILLABLE, REUSABLE, RECYCLED, POST CONSUMER MATERIAL, RECYCLED CONTENT, COMPACTION RATIO, PRE-CONSUMER, RETURNABLE, BIODEGRADABLE, DEGRADABLE, AND COMPOSTABLE. THE GROUP ALSO DEFINED SEVEN OF THESE TERMS AT ITS MEETING.

AT THE NEXT ORGANIZATIONAL MEETING WHICH IS BEING HELD SEPTEMBER 29-OCTOBER 3 IN CONJUNCTION WITH THE COMMITTEE D10 MEETING, THE PARTICIPANTS WILL REVIEW THE TITLE,

SCOPE, TERMINOLOGY, AND DIRECTION OF THE COMMITTEE. THE PARTICIPANTS WILL VOTE ON ACCEPTING THE TITLE AND SCOPE AS WELL AS MODIFYING SOME OF THE TERMINOLOGY. THE PARTICIPANTS WILL ALSO IDENTIFY SPECIFIC AREAS FROM THE LIST OF PROPOSED ACTIVITIES, AND THEY WILL FORM LOGICAL WORKING GROUPS SO THEY CAN ADDRESS EACH AREA IN DETAIL.

ALTHOUGH THIS NEW ASTM VOLUNTARY STANDARDS DEVELOPMENT ACTIVITY ON ENVIRONMENTAL LABELING FOR PACKAGING AND PACKAGING MATERIALS IS IN ITS ORGANIZATIONAL STAGE, MUCH PROGRESS HAS BEEN MADE TO DATE. I WOULD LIKE TO INVITE YOU OR AN INTERESTED PARTY THAT YOU KNOW TO PARTICIPATE BECAUSE IT IS THE MEMBERS WHO DEVELOP THE FULL

VOLUNTARY CONSENSUS STANDARDS IN ASTM!

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