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Companies save money through waste reduction

By Sonia Kolesnikov-Jessop

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SINGAPORE: As commodities prices soared last year, the U.S. company General Mills, which owns brands like Cheerios, Trix and Wheaties, shrank the size of its cereals boxes - a way to increase prices per ounce without customers noticing. It also re-engineered the noodles in its Betty Crocker Hamburger Helper meals to make them fit into a smaller carton.

The changes, General Mills said, saved it 890,000 pounds, or more than 400 metric tons, of paper fiber and cut transport costs by the equivalent of 500 truckloads a year.

In Taiwan, AU Optronics recently redesigned the packaging of its 32-inch, or 80-centimeter, TV screens, reducing packaging material by 11 percent.

"Waste reduction can save natural resources, decrease environmental impact and save money," said Wells Lin, manager of the company's environmental safety and health department. "Recycling is a business of possibilities."

International companies are increasingly recognizing that waste management can save them money.

"I think we're seeing an increasing understanding that, often, the waste that leaves the plants is dollars leaving the plant, and a more mature, creative approach can actually yield considerable value," said Adrian Hodges, managing director of the International Business Leaders Forum, a British organization created by the Prince Charles to promote responsible business practices.

Aron Cramer, president and chief executive of Business for Social Responsibility, a corporate social-responsibility research firm in San Francisco said, "There are a lot of low-hanging fruits in terms of reduction of inputs and reduction of packaging that can easily help reduce costs."

Winners in the 2008 DuPont Awards for packaging innovation, an international competition for the food-packaging industry, included a redesigned Kraft Salad Dressings bottle, that allowed a weight reduction of nearly 19 percent in packaging material, increasing shipping efficiency by 18 percent and saving 1,360 tons of plastic annually. Other awards went to a biodegradable flexible pack for Jordans Organic Cereals, and a recyclable bag in a box for a Brazilian water company, Lindóya Vida,

said to cost nearly 40 percent per liter less than most rigid plastic water bottles and to be less energy-intensive to produce.

"With commodity prices exploding, economics have changed very rapidly, so the economic benefit to accelerate dematerialization is growing," Cramer said.

"Every day you pick up the paper and you see higher costs for raw materials, which is bad news," he added, "but if that creates new incentives for us to use less material, that could be a huge silver lining."

Much of the waste reduction in packaging has been driven by large retailers, like Wal-Mart in the United States, which has a goal of a 5 percent packaging reduction by 2013. Wal-Mart has been "pushing its vendors, which are very large companies in their own rights, to make changes in how they package their products," Cramer said.

The store giant earlier this year introduced a packaging scorecard to rate suppliers on their progress toward developing sustainable packaging. Shoppers can also use the card to guide their purchasing decisions.

Green consumer activists have particularly focused on unnecessary food packaging, Cramer said. Marks & Spencer, the British store group, is one of the retailers that has responded, introducing a five-year, £200 million, or \$396 million, "eco-plan" last year. Among other things, Marks & Spencer aims to stop sending waste to landfill from its stores, offices and warehouses and to cut its use of packaging by 25 percent. The company says that from April to December 2007 it reduced the use of carrier bags by 11 percent across its business, giving out 37 million fewer bags. It also changed the plastic packaging of some ready meals, with a 20 percent weight saving.

Marks & Spencer is also increasingly using recycled plastic and cardboard. The company will be one of the first clients of Closed Loop, a recycling plant in Dagenham, east of London, which is to open June 26.

Closed Loop will be the first food-grade plastic bottle recycling plant in Britain, processing about 35,000 tons a year of mixed plastic bottles, said Chris Dow, managing director of Closed Loop Recycling, the plant's operator.

Using technology developed by United Resource Recovery, a recycling company based in Spartanburg, South Carolina, it will shred, wash and decontaminate the used bottles, reducing them to a plastic-chip raw material from which new containers can be molded. There are only six similar plants around the world, in Austria, Germany, Mexico, Switzerland and the United States.

Nampak Plastics, the largest milk-bottle supplier to Dairy Crest, a leading British dairy-food vendor, will be another Closed Loop customer, Dow said.

According to Kenny Tang, chief executive at Oxbridge Climate Capital, an environmental investment advisory firm in London, the stage could now be set for a major advance in recycling. In a book published this month, "WASTEnomics: Turning Waste Liabilities into Assets," Tang urges companies to advance from what he calls "down-cycling," in which materials are passed through a limited number of cycles before being dumped, to "up-cycling," in which an increased use of biomaterials permits continuous, sustainable recycling.

"In terms of recycling plants, part of the issue is getting a critical mass," said Hodges of the Business Leaders Forum. "But we're beginning to see conversations between companies, which on their own might not produce enough waste to make it economically viable to treat it, but by sharing waste and forming consortia could."

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