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Bernhard Borgardt
President of European Plastics Converters (EuPC

A 64-year-old veteran of plastics, Bernhard Borgardt has been working in the plastics packaging industry since the early 60s. He has played a leading role in the German plastics and packaging industry for many years, and last year took over as President of EuPC.

As we approach the final quarter of 2009, are there any signs of the global financial crisis lightening for the European plastics converting industry?
In general, the second quarter saw little improvement compared to the start of the year but the depth of the crisis is very much dependent on the sector you’re supplying. For example packaging is suffering – with business down in money terms by around 20% year-on-year in the German market. But in volume terms the loss will be more and for other sectors the downturn has been even greater. In cosmetics and luxury goods we have seen a very strong impact, but food packaging has not been affected as much. In the automotive industry the downturns are in the range of 30 – 40%. The building industry is somewhere in the middle between those two segments but the effects will be alleviated by the measures being taken by the government, with investment plans to build schools and so on…so people making pipes and profiles will be better off than you would expect.
We are seeing an increasing number of insolvencies in Germany which are certainly related to the downturn in the economic activity. These insolvencies are being compounded by the credit crunch which is going to prevent businesses from taking advantage of any upturn in economic activity – you need extra cash and that is not easily available at the moment. Besides, credit insurance companies are not very helpful in this situation either. So the risk, even if we see a small upturn in activity, is that the worse is yet to come in terms of insolvencies. People have to rebuild stocks, they have to build up working capital and it is very tough for people in a period where you have the worst balance sheet you may have had in the last ten years.
I am working on other industries, as well as in plastics, and the plastics industry is certainly in crisis, with good reason to complain, but I can tell you if you talk to people in the automotive industry or the paper industry – you will hear worse.

Do you think that there is anything else that the industry can do to help itself recover?
EuPC and PlasticsEurope are both making efforts in talking to authorities in Brussels

but, as the industry is very fragmented, it is very hard to come up with a simple plan that will help the industry. I think that we have to work on credit insurance, we have to work on the banks, we have to make capital available – may be by a direct influx through bodies like KFW, the state bank in Germany, which transfers money coming out of the investment programmes. But this is going via the banks and there is a lot of talk in Germany, and other countries, maybe direct state loans should be made, bypassing the banks. That would certainly be very helpful to overcome the financial obstacles to rebuilding the industry.
Clearly there is also a direct relationship between manufacturers and converters. We have to find agreements in terms of payments and, whilst may be the medium-sized players are limited in what they can do, some of the larger groups with stronger backgrounds could be helpful, as has happened in the automotive industry. Companies need to try to keep their supply base by helping out on the cash side.

And are the European government's doing enough?
Well the car subsidies in Germany are coming to an end and I understand that other nations are following this example …there's a programme at the US market, the French and the UK have done the same. But in principle I object to these subsidies. If you look beyond the direct result of more car sales there's a very strong knock-on impact in other business areas. If you look at the second hand car market, the steel market…we have to see the secondary effects of a measure like that. I think they are too often forgotten with the net result that the outcome is not positive. Now that the subsidy is running out we're going to see a steep drop and there are already talks in Germany, for a new, slightly different sort of subsidy to cope with this. You can see that once you've started to interfere in the markets you create more problems. I can see why there is a need to support some banks to safeguard the economy where the problem is systemic, but I wonder if the same is true for car suppliers – where the normal capacity in car manufacturing is 50% or 40% - the big question is will what they're doing now save the situation? The damage to the global economy of a bank going broke could be immense but if a car manufacturer went bust there'll be no shortage of supply.

You have spoken often about the importance of the image of plastics to the long term health of the industry. How should we promote the image of plastics?
You have to understand that, as in every PR exercise, you have to constantly work maintaining your reputation. We can't just do one campaign and hope to keep that position for a very long period. You require a long-term commitment to improve your image and I think that it is very important that we focus more and more on the benefits of plastics. That's something that EuPC are working on together with PlasticsEurope. Plastic has always been seen as a problem at the end of its life cycle and we're trying to re-focus away from the waste problem and much more on the benefits of plastic materials in areas like packaging and building construction throughout their lifecycle.
An interesting opportunity is to perhaps use an event like the upcoming InterPack in 2011 to promote the overall benefits of intelligent packaging with other materials - not only plastics but also in glass, metal and wood. By explaining what packaging does to safeguard the food supply in underdeveloped countries - taking the aspects of food waste and the benefits of efficient logistics, transport and packaging, plastics will benefit. This is a major issue which we can promote together with UN bodies to

convince consumers that our material is helping their lifestyle instead of causing problems in terms of littering and waste.

But how do we address the problem of the negative image of plastics caused by society's inadequacies in being able to manage its waste?
I have often defended the German system– but I admit that I didn't like it very much in the early days, back in 1990, when we first got the packaging regulations with a very costly system. But 20 years on I can see that the system led to educating people to look at materials in general, and plastics specifically, as valuable materials which have to be sorted and collected. And that certainly has led to a totally different view in terms of littering and the handling of materials. So the relatively positive image of plastic materials in Germany is strongly related to that long term commitment to see this material as a valuable resource which should be collected and handled properly and not discarded. As I described it, it's a long term thing and you need a lot of education to go with it.
In the future, I think we will have an increasing use of homogenous material types and we will become a recycling society in plastics and that the levels of recycling will increase drastically. But that depends very much on the quality of materials we are able to achieve. I think that technology will eventually make it possible to gain close to virgin materials out of post-consumer waste. This will be very important for the image of plastics, in terms of sustainability and in society's long term commitment to plastics. At the moment we're trying to promote the recycling of plastics but we do have a lot of problems. The market prices for recycled materials have dropping drastically and there are marked regional differences in legislation and waste management practices. These are significant problems but once we have overcome them we will on our way to a very strong recycling society.
We still have significant issues like marine litter to tackle where society doesn't have a solution, but again that is education – you find the 'plastic soup' not only in the Pacific, but also in the North Sea and every other place where people just dump their waste. It's no different to the problem with oil when operators clear their tanks and vats. There have to be fines, there has to be legislation to prevent people from doing that and we must find ways and means to collect waste that is coming from ships and coastal areas where the education is very poor. This is in Europe too! If you look at some beaches around the Mediterranean in Spain, France or Italy, you will find a lot of plastic littering and this is just a question of education.

Is the converting sector as concerned about the potential impact of ETS (Emissions Trading Scheme) as the rest of the plastics industry?
Carbon emissions/carbon footprint is something that will keep us busy for a long time. We have a lot of pressure to reduce CO2 from our customers' sides. The big companies – Unilever, Kraft, Nestle and the large retail chains, especially in the UK - Tescos, Sainsburys etc., have been trying very hard to bring into focus the CO2 issue. Greenhouse Gas will be a major issue for the foreseeable future, so, from that point of view we will have a hard time to escape from any political movement that is trying to tackle greenhouse gases. My view is that we have to be pro-active and prove the benefit of our materials on the positive side to reduce greenhouse gas emissions.
One thing that we have been discussing with PlasticsEurope takes us back to the recycling issue. It would be interesting to see if emission trading could be seen as a positive way of promoting the recycling of materials and create a system where carbon certificates could be used to promote the use of recyclates.