

26 February 2016

NSW Environment Protection Authority (EPA)  
Container Deposit Implementation Team,  
Waste and Resource Recovery Branch  
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SYDNEY SOUTH NSW 1232

The Australian Sustainable Business Group (ASBG) has prepared this submission on [NSW Container Deposit Scheme Discussion Paper](#).

ASBG is a leading environment and energy business representative body that specializes in providing the latest information, including changes to environmental legislation, regulations and policy that may impact industry, business and other organisations. We operate in NSW and Queensland and have over 120 members comprising of many of Australia's largest manufacturing companies. Members were fully involved in the development of this submission and ASBG thanks them for their contribution.

ASBG strives to assist Government to prepare more efficient regulatory process, with the outcome of achieving practical, efficient, low cost solutions to achieve high environmental outcomes consistent with sound business practices.

ASBG has summarised its key issues on the proposed Container Deposit Scheme (CDS):

- Acceptance of the cost of a CDS
- Minimising the undermining of kerbside collection
- An independent oversight of the scheme

## 1 CDS and its Costs

ASBG accepts the general thrust of the NSW Government to introduce a Container Deposit Scheme (CDS) for NSW. ASBG notes that similar proposed moves in Queensland are in place. This and considering the existing schemes in South Australia and the Northern Territory, it is likely that CDS will become a national program. If a national approach is likely then the state systems need to be somewhat aligned with a common basic structural design.

It should be clearly identified the main reason for the application of the CDS is to minimise litter, and hence such a scheme should only focus on containers that represent a considerable portion of litter. It should not extend beyond this area, largely due to the high costs associated with a CDS. The discussion

paper cites increased resource recovery as a secondary reason; however this approach may permit the dominance of CDS and the demise of kerbside collection.

ASBG also notes the NSW EPA has been running separate Litter Reduction grant programs to assist Councils deal with the broader litter problem. Litter is also addressed by other schemes such as influencing consumer behaviour and other schemes such as Keep Australia Beautiful, Clean up Australia campaign. In this context CDS is one of many tools used for minimising litter.

Overall using CDS to reduce litter is an expensive approach for NSW and Australia if a national scheme were adopted. Critical to the success of CDS is to reduce its costs and in particular its impacts on kerbside recycling.

The Report Packaging Impacts Decision Regulation Impact Statement made by the COAG Standing Council on Environment and Water (SCEW) states in its report:

*The CDS options incur the greatest net cost to the community. They are substantially less cost effective than other options, with net economic costs greater than \$3 billion [ranges -\$3.78b to -\$4.54b] in all three models examined.*

These costs are based, Australia wide and over a ~25 year period. Option 4a in the SCEW report is similar to the Option 2 Refund CDS scheme including the use of Reverse Vending Machines and providing a 10 cent refund amount. It does differ in that it includes containers up to 3 litres, but containers > 1 litre represent less than 5% of the beverage container stream according to Figure 16 in the report. Other differences are the locations of collection points and use of retailers, which is not finalised with the NSW model. Option 4a is seen to eat substantially in to kerbside collections. To compensate it proposes redemption payments (10 cents per container on a weight based formula) for old container collected by kerbside recycling.

With NSW representing 32% of Australia's population on a per capita basis this represents a cost of \$1.2b to -\$1.45b over this period. As a consequence, the costs of the scheme will be passed on to consumers via higher prices. Much of this cost is the competitive impact it has on kerb side recycling.

Given the policy position is to introduce a CDS into NSW, the cost analysis provided by the SECW is concerning. As a consequence, considerable effort should be made to increase the efficiency of NSW CDS to minimise costs and maximise efficiency of the scheme. Minimising the impact on kerbside, an existing and extensively invested infrastructure is critical to minimising its costs on the NSW public.

**ASBG recommends:**

- ***An NSW CDS to be properly modelled prior to implementation to optimise the methodology used and minimise its costs and impact on kerbside recycling.***
- ***Streamlining of the flow of moneys collected and owing from deposits will be crucial to improving efficiency and lowering costs.***

## **2 Minimising Impact on Kerbside Collection**

The Report Packaging Impacts Decision Regulation Impact Statement made by the COAG Standing Council on Environment and Water (SCEW) states in its report:

*The high costs stem from the need to roll out purpose-built infrastructure nationwide to manage item-by-item refund payments for over 12 billion beverage containers each year. Approximately 73 per cent of these containers would otherwise have been recycled via kerbside and other (base case) recycling systems. This re-routing of material into an alternative recycling system adds significant costs and generates minimal benefits; especially since three quarters of the beverage container recyclate targeted is glass.*

Disturbingly, the SCEW report considered CDS would, due to its deposit, economically undermines kerbside collections to the point they would need to receive the equivalent of the deposit back on what they collect. Even then use of kerbside would cut out any benefit to the householder. Users of kerbside recycling have to be reassured its use will offer them a reasonable benefit expressed a financial manner in order to compete with deposits. Perhaps Councils can place in their contracts and advertise that recycling with kerbside does result in lower rate costs to residents to prevent kerbside being too by-passed.

Additionally, there is problem of scavenging kerbside bins which already commonly occurs when old products, metals especially, have a spike in their prices. Control of scavenging prior to collection can further undermine kerbside recycling schemes, making the overall cost of waste services to residents and businesses more expensive. As a consequence, limiting the undermining of kerbside recycling is not be straight forward and may over the longer term make kerbside collections economically unviable to Councils. .

The discussion paper presents good evidence to support the CDS being limited to beverage containers between 150 ml to 1 litre maximum, which is based on litter types found. This is good research and supported for limiting the application of a CDS to those ranges of containers. This may permit a small <5% of the beverage containers, to continue to use kerbside recycling. Further research could find a more surgical split which could permit better use of existing kerbside recycling. As kerbside offers recycling for containers outside the CDS, ceasing of kerbside may increase waste to landfill and possibly littering of larger containers.

The SCEW report also states:

*ABS statistics also show strong household engagement with kerbside recycling with this being the most common way for households to recycle paper, cardboard or newspapers (94 per cent), glass (94 per cent), aluminium cans (91 per cent), steel cans or tins (96 per cent) and plastic bottles or containers (93 per cent) (ABS 2012a).*

*... These services [kerbside] provide convenient recycling to 94 per cent of residences in Australia (ABS 2012a) and allow for substantial economies of scale for recyclate value to be captured, largely addressing market failures in this sector.*

*... However other analyses indicated that a CDS would result in an overall loss of revenue due to the reduced overall volumes of beverage container recyclate in kerbside bins. A study prepared for and submitted by the National Packaging Covenant Industry Association concluded there will generally be a negative overall impact for metropolitan/urban local councils and generally a positive overall impact for regional local councils (Equilibrium 2012).*

A poorly performing CDS may result in the cessation or limitations of kerbside collections (less frequent pickup), which will also affect the collection of other used recyclate such as newspapers, paper and cardboard, and other containers and materials not captured by CDS.

A method to prop-up kerbside is to offer alternative financial incentives, either directly or less effectively, indirectly. Some ideas to support kerbside include:

- Directly offer the potential for overall rate or waste service fee reductions. This could be in the form of “recycle at your kerb to get your deposit working...”
- An indirect method would include promoting kerbside recycling as assisting Council’s waste or environmental programs or improving your services or helping the environment.

ASBG notes that Councils can find dealing in a market place foreign to their normal practices. It must be recognised that CDS exposes kerbside recycling to a *competitive market*. As a consequence, market forces will dominate where currently there is a single service. If kerbside is not promoted with some positive financial outcome in competition to CDS, its use will taper off and its costs increase considerably. The issue then becomes a difficult one for Councils; do they go to their residents with a proposal to remove or reduce kerbside collections or carry on with high costs and subsidies? Both appear difficult and unpopular political decisions.

**ASBG recommends that:**

- ***The CDS be carefully designed, and permitted to change to ensure economics of kerbside remain viable where its use is determined to be environmentally useful.***
- ***Councils to develop promotional schemes, with possible financial incentives to residents that assist kerbside recycling to compete with the CDS in the new competitive market***

### 3 Independent Oversight

Governance of a NSW CDS appears to breakdown into three basic alternatives:

- Control by a Government Agency
- Control by industry
- Control by a independent third party

In considering the options, control by a third party provides scope for generators of containers to be represented is preferred. However, ASBG is concerned that a 3<sup>rd</sup> party approach can result in an empire building bureaucracy under the Governing body. Nevertheless, certain constitutional arrangements and choice of stakeholder representatives can limit such concerns. If necessary controls such as permitting a board member or minority of members to trigger an independent review or a review by for example IPART. Additionally, the constitution of the controlling body could also include considerations to minimise the impacts on kerbside recycling.

To maximise efficiency and lower costs the oversight body should be an independent body comprise of stakeholders including those from producers and consumers and generators of old beverage containers and those impacted by the scheme, as well as the EPA, Councils, retailers and the waste collection sector.

- ***Overview and management of the scheme should be from an independent body with major stakeholder representations including representations of generators of old containers.***

Overall the choice by the Government of having a CDS will introduce a second infrastructural arrangement which competes with kerbside recycling. Only very careful planning and controls will prevent reductions and higher costs from being imposed on Councils and consumers. The outcome is less litter by a selected portion of containers.

Should you require additional information on the content and issues raised in this submission please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read "Andrew Doig". The signature is fluid and cursive, with a large, sweeping "D" and "G".

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