



**ILLAWARRA PILOT JOINT ORGANISATION
SUBMISSION TO NSW EPA ON NSW CONTAINER DEPOSIT
SCHEME**

Date 25 February 2016

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INTRODUCTION

The Illawarra Pilot Joint Organisation (IPJO) is the peak organisation representing Local Government in the Illawarra and South Coast regions. Member Councils include Kiama Municipal, Shellharbour City, Shoalhaven City and Wollongong City Councils.

The area extends from Helensburgh in the north to Durras Waters in the south, a distance of approximately 230 kilometres.

The IPJO has developed a *Regional Waste Avoidance and Recovery Strategy*. The development of the strategy was funded through the NSW EPA under an agreement between IPJO and the EPA for a *Regional Coordination Support Package* on behalf of the Wollongong, Shellharbour, Kiama, Shoalhaven, and Wingecarribee Councils.

This submission has been prepared in consultation with and on behalf of Wollongong, Shellharbour, Kiama, and Shoalhaven Councils. The Councils support the introduction of a container deposit scheme consistent with the existing South Australian scheme. We understand this is also the position of Local Government NSW. The alternative industry proposal "Thirst for Good" is not supported.

IPJO Council's support for the introduction of a container deposit scheme is based on the following considerations:

- Despite the success of kerbside recycling, return rates for beverage containers in NSW are still low, in the order of 40 per cent for some plastics. CDS has demonstrated return rates for the same containers in the order of 85 per cent, representing a much better environmental outcome.
- CDS address away-from-home consumption, thereby reducing litter and associated clean-up costs.
- Current kerbside recycling is extremely costly. CDS may provide a significant cost saving for councils and their communities and will deliver better resource recovery outcomes.
- A CDS shifts the responsibility (both financial and physical) onto the producer and the consumer, rather than spreading that cost across all ratepayers.
- CDS also imparts social benefits to community groups such as the Scouts, who can raise valuable income from the collection and redemption of containers.

Research indicates there is overwhelming community support for the introduction of a Container Deposit Scheme in NSW. A News poll carried out by the Total Environment Centre in 2015 revealed that 90% of NSW residents support a CDS. The results of the South Australian CDS that has been operating since 1977, shows that it has been effective in terms of both litter reduction and resource recovery. Currently, 79% of drink containers are collected; this is above the national average. South Australia also has low levels of drink container litter. Matching the South Australian scheme and incentive level would help to manage the risk of cross-border arbitrage between NSW and South Australia.

We note that the discussion paper does not provide details on the operation of the proposed CDS. Accordingly the comments offered are based on a number of principles and should not be taken to endorse the detailed operating arrangements that may be developed to establish a CDS in NSW. These arrangements should not impose net additional costs on Councils.

Scheme Design Element 1 - Incentives

Key questions

- What type of incentive do you think the CDS should have?

A scheme that provides a refundable deposit (financial incentive) on a range of specified containers.

- Do you think the financial incentive should be consistent with the ones in South Australia and the Northern Territory?

Yes. The level of the monetary reward may need to be reviewed from time to time to ensure that it continues to provide sufficient incentive for the community to return containers taking into account inflation and the decline in the real value of the \$1. Any changes should be made in collaboration and consultation with the other participating jurisdictions to ensure consistency across all Australian CDS, as far as is possible and practical. It will be important to keep the schemes simple and consistent to make it easy to use and simple to understand. A common scheme will make the scheme easier and less costly to introduce and administer.

- If you think the scheme should be based on a financial incentive, what format would you prefer the reward to be in (e.g. cash, credit or your choice)?

Cash initially - 10 cents per container. Once the scheme is established it may be possible to introduce credit options in addition to cash. The deposit amount should be reviewed periodically to ensure it continues to offer an adequate incentive.

- If you think the scheme should offer a non - financial incentive, what sort of rewards do you think should be offered?

The installation of the Reverse Vending Machine at Stockland Shellharbour was one action Shellharbour City Council took in support of a proposed Container Deposit Scheme. The RVM currently offers non-financial incentives (in the form of discount offers from the retailers within the centre) for recycling aluminium cans and PET bottles and is currently considered highly successful. Since September 2014, a total of 35,500 cans and bottles have been recycled. This equates to 780 cans and 1300 PET bottles per month. It is agreed that a financial incentive would greatly increase the participation in such a scheme.

It is assumed that Stockland would appreciate the increased traffic to their centre but would not appreciate residents walking through the centre with a bag full of cans and bottles. It is therefore likely that the role of RVM will be to accommodate beverage containers purchased and consumed in situ. Other convenient container deposit redemption facilities / depots would need to be established to receive bulk quantities of containers.

Council Resource Recovery Centres provide facilities for residents to drop off their excess recycling. These bins are heavily utilised and are always full when serviced. It is expected that an RVM in place of these bins (with a financial incentive) would be heavily utilised and reduce contamination currently experienced in these bins (recycling in plastic bags). The ownership, operation and maintenance of RVM located in a Council Resource recovery Centre / Community Recycling Centre would need to be determined on the principle that there would be no net cost to Local Government.

- Do you support the idea of providing a choice in the type of reward at the point of refund (e.g. cash or a charitable donation)?

No, not initially. It will be important to get the scheme implemented before introducing this option. The discussion paper does not make it clear how the charity would be selected and whether the community would have a limited or an open choice on the charity the funds could be directed to. While the idea of being able to donate funds to charity has merit, there are a number of issues that would need to be clarified (such as which charities can be nominated, how will the funds transfer be administered, etc) before this option would be supported.

Scheme Design Element 2 - Interaction with kerbside recycling

Key questions

- Should the scheme be designed to keep containers consumed at home in the kerbside recycling system, or should it aim to divert them to the new CDS? Why? Why not?

The introduction of a financial incentive scheme to encourage the return containers will see some containers consumed at home diverted from the kerbside recycling. This is unavoidable and may be impossible to design out. The diversion of containers from the kerb side is not a bad thing as it will result in a higher rate of resource recovery. For example up to 80% of glass containers placed in kerbside recycling are broken when being transported and processed resulting in a loss of this resource with broken glass going to landfill. This also impacts on the recovery of other recyclable material such as paper contaminated by the broken glass and adds cost to the MRF operator. Glass containers returned through a CDS are more likely to remain in tack and be fully recycled/ recovered.

A reduction in the volume of kerbside recyclable collections (as a result of the diversion of refundable deposit containers) will also reduce costs to council and ratepayers due to fewer collections and associated resource requirements. However this will depend on the contract between Council and the waste contractor. Some Councils are concerned that existing contracts may not allow for contractor cost savings as a result of changes to legislation to be shared by Council.

- Should the scheme allow containers recovered through the kerbside recycling system to be redeemed under the CDS? Why? Why not? Also, by whom and how?

Containers collected through kerbside recycling systems should in-principle be eligible for redemption under the CDS, with the deposit being returned to council. As the original 'generator' of the container, the deposit should be returned to council (as the surrogate for the householder). If a person who has paid a deposit on a container chooses to place that container in a kerb side recycle bin it would be in the knowledge that the deposit will be returned for their benefit albeit indirectly via Council. The extent to which householders will reserve containers for redemption (diverting from kerbside) it is not clear and this could change over time.

It is suggested that Councils receive the value of the refundable deposits on containers delivered to the MRF. This would need to be calculated based on the volume of material delivered from the LGA with refundable containers comprising a percentage of that volume. This may vary from MRF to MRF and Council to Council. The rate would need to be recalibrated from time to time based on audits. However it is not clear that contracts between Councils and waste contractors would allow for refundable deposits to be returned to Council. This will need to be tested.

- If the scheme provides a financial incentive, and if councils are allowed to claim the incentive on containers collected through the kerbside system, should they be able to claim:
 - the full value of the incentive on each container? Why? Why not?
 - the same level of handling fee as received by collection-point operators under the CDS?

In principle, Councils should be able to claim the full value of the incentive less the cost to the MRF of administering the returnable deposit settlement fund. As explained above, should a person choose to not personally return a container for a refund they should be given the opportunity to receive the benefit indirectly via the Council in the form of enhance waste services or reduced waste service charges. The discussion paper does not detail how the scheme might operate. Existing long term contracts between MFRs and Councils may make it difficult for Councils to receive container deposit refunds.

- If councils are able to claim a financial incentive for containers through kerbside, should they be obliged to use those funds to offset waste service fees to ratepayers, or should they be able to spend the money as they choose? Why? Why not?

As noted in the discussion paper, when councils are able to realise the benefits of redeeming drink containers collected through the kerbside, and MRFs agree to pass on redeemed deposits to councils, these benefits should flow back to ratepayers and residents. Under section 504 of the *Local Government Act 1993*, councils must not charge fees for domestic waste management services that 'exceed the reasonable cost to the council of providing those services' (*Local Government Act 1993*, section 504 – Domestic waste management charges). Therefore, if the costs of providing kerbside recycling services are reduced, local councils will have to either reduce their domestic waste management charges or expand their range of waste services offered. If a council chooses to reduce the domestic waste management charge, ratepayers will directly benefit via reduced council rates. Non-rate paying residents may also indirectly benefit if their rent is proportionally reduced (or if future rent increases are postponed). If councils choose to expand their range of waste services, residents will benefit.

It is considered that any scavenging of refundable containers from kerbside bins would be limited and therefore may not have significant financial impacts on Councils and their ability to pass on benefits to the ratepayer. It is understood that regulations exist to address this matter. However should it become a problem, the funds received by Council from containers in kerbside recycle bins will be an invaluable source of funds to support Councils enforcement activities.

Key Design Element 3: - Scope of Containers

Key Questions

- What should be included in the scope of containers in the NSW CDS, particularly if the target of this scheme is the reduction of litter?

As noted in the discussion paper, there are a number of benefits of adopting the container scope currently used in the South Australian and Northern Territory schemes. First, a consistent scope of containers across all states with a container deposit system will lead to less confusion for consumers using the system, particularly those on state borders. Second, consistent labelling across the states will reduce labelling costs for the beverage industry. Third, the risk of fraud and cross-border trade impacts between NSW and South Australia/Northern Territory for those containers outside the scope of the scheme will be reduced.

For simplicity and ease of introduction, the scope of containers should be the same as South Australia. Once introduced, NSW should work, with SA and any other jurisdictions planning to introduce a CDS, on the scope of containers and make changes where this will materially reduce littering. It is noted that the containers within scope of the SA CDS would cover some 86% of the litter container volume in

NSW. The introduction of additional containers would need to be on justified on a cost benefit basis and their impact on reducing the litter stream. It will be important to monitor trends in the litter stream following the introduction of the CDS including for drink containers provided by fast food outlets which seem to be increasingly found in the litter stream.

The materials covered by the Scheme should include plastic (PE, HDPE), glass, aluminium, LPB. The legislation needs to include provision to modify the beverages covered by the scheme in future e.g. as markets change, and as new container materials (or combinations of) or beverage types are developed.

- Should the NSW CDS have a containers scope consistent with that of Northern Territory and South Australia? Should milk, wine and spirits be included or excluded from the scope of containers?

Yes and initially excluded. See above.

Key Design Element 4: - Collection Infrastructure

Key Questions

- Should the scheme provide universal access for all NSW residents?

Yes, agreed in principle. This may be difficult to achieve in the short term while suitable accessible and cost effective arrangements are established for the more remote areas of the state. However, it would be inequitable if residents in the more remote parts of the state could not redeem the cost of containers that they have paid a deposit on.

- Where should collection points be located to best achieve the litter reduction target and to minimise the transfer of containers out of the kerbside system?

See response below.

- How can the scheme give incentives for the take-up of collection infrastructure at sites that focus on away-from-home consumption?

A return to depot approach that offers an incentive to potential collection site operators and then lets the market decide where the collection infrastructure should be sited is supported. This would allow a handling fee to be charged on each container sold, and to be redeemed on each container recovered. Market operators then decide whether a site will draw in sufficient containers to be financially viable at the particular handling fee rate. However, given the universal access issues

discussed above, the Government may need to impose an obligation of scheme operators to facilitate access where the market fails to meet this need.

The SA model of separating the handling fee, which is paid to collectors, from the transport fee, which is paid by the super collector seems sensible and could be adopted in NSW as one mechanism for ensuring reasonable community access to depot facilities.

Scheme operators would need to be regulated by the State Government and may be required, as part of their license conditions, to provide a minimum level of access as a community service obligation. This would help to ensure that there is not under investment in collection infrastructure and that the infrastructure is fairly distributed.

It is noted that in both South Australia and the Northern Territory, most collection depots are run manually. Organised in a 'hub and spoke' format, smaller depots collect containers in outlying areas and return them to a central hub for compacting and baling to reduce further transport costs. Larger hubs can also act as collection depots themselves.

It is also noted that manual drop-off centres can include permanent sites such as depots, as well as mobile collection cages, which can be moved from site to site on an as-needs basis. Manual drop-off locations usually require staff or volunteers to accept containers and rely on manual sorting of containers by material type and (in some cases) by brand. Charities and not for profit organisations will have a role to play in running and obtain a source of income from the drop-off centres.

Community Recycling Centres administered by Councils could be made available as drop off centres where a suitable arrangement can be made with collectors to resource the CDS operations.

- How can modern technology be used to deliver a cost-effective scheme?

Reverse vending schemes can play a role in a CDS, however they are best suited to densely populated areas or locations where beverages are purchased and consumed on the site. There would be sites across the Illawarra / Shoalhaven where a reverse vending machine would be effective. A reverse vending machine is operating successfully in Stocklands Shellharbour with no other recycling options available in the centre. The machine provides non financial rewards. See further details in Key Design Element 1.

Key Design Element 5: - Governance and the Role of Government

Key Questions

- What role should the government (state/local) have in the scheme?

The NSW CDS should be regulated by the NSW Government. A Scheme Coordinator would need to be appointed by the Government and would be responsible for acting as the clearing house for data, accrediting/registering collection points, and coordinating the exchange of funds between the beverage producers and those collecting the containers. Local government would have an advisory role.

- What role should the beverage industry have in a Refund CDS?

The beverage industry should be appointed by the Scheme Coordinator to operate the scheme in accordance with the regulatory regime or other agreements established by the NSW Government.

- Should a Refund CDS be run by a single organisation or multiple organisations?

There appears to be benefits in having a single organisation responsible as this would avoid running parallel schemes for each "brand". Each collection point would accept all in-scope containers with the only split purely materials-based: aluminium, PET, HDPE, liquid paperboard, steel, clear glass, brown glass and green glass.

- How should the scheme deal with cross-border arbitrage risks?

This risk will be minimised by having multiple states adopt a common CDS. With the scheme operating in SA and scheduled for possible introduction in the ACT and Queensland, the NSW / Victoria border remains the greatest risk. The arbitrage measures outlined in the discussion paper have merit and could be implemented.

CDS Models

Key Questions

- Do you support the introduction of a containers deposit scheme in NSW?

Yes, IPJO Councils support the introduction of a true container deposit scheme in NSW. Such a scheme provides a financial incentive for the return of each container (i.e. a refund).

- If so, what type of container deposit scheme do you support?

Broadly, the South Australian CDS with the ability to be modified following cost / benefit analysis and consultation with other jurisdictions operating a CDS .

- Do you support a Refund CDS?

Yes. A scheme that provides a financial incentive for the return of each container.

Do you support Thirst for Good?

The IPJO does not support Thirst for Good as it is not a CDS. It is difficult to see how after announcing the introduction of a CDS by July 2017, the Government could implement the alternative Thirst for Good (TfG) proposal. Under TfG each container does not have a financial incentive for its return (or a 'deposit') and therefore the clean up aspects of the proposal only deal with the symptoms of littering behaviour, not the cause. It will not do anything to change behaviour to prevent people littering. The likely effectiveness of the TfG proposal has not been evaluated and therefore may not deliver any significant reduction in litter. We are also concerned that in making councils responsible for coordinating and managing the collection cages, will be an impost on councils.