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Coca-Cola Amatil submission to Environment and Communications References Committee
Re: Inquiry into the threat of marine plastic pollution in Australia and Australian waters

Coca-Cola Amatil (CCA) welcomes the opportunity to respond to the Senate Environment and Communications References Committee's Inquiry into the threat of marine plastic pollution in Australia and Australian waters.

As a leading Australian manufacturer, we recognise we have a responsibility to help keep our environment clean and we take this responsibility seriously.

This submission responds to claims CCA does not take responsibility for the products it manufactures, distributes and sells; and outlines CCA's position on container deposit schemes (CDS), including the beverage industry proposed CDS for New South Wales (NSW), *Thirst for Good*.

CCA is an Australian company

CCA is an Australian company that manufactures and distributes fast moving consumer goods in Australia, New Zealand, Indonesia, Papua New Guinea, Fiji and Samoa. We are a majority Australian-owned ASX top 50 company with headquarters in North Sydney. CCA contributes approximately \$3 billion to GDP and employs 4000 workers¹ in Australia, most at our 12 production facilities and 19 warehouses located across the country.

Over the last 80 years, we have continued to grow and evolve as an organisation into one of Australia's largest, most diverse and successful Australian manufacturing companies.

In Australia, CCA manufactures and packages this market's leading brand in cola beverages, Coca-Cola among other brands owned by The Coca-Cola Company including Sprite, Fanta, Pump and Powerade. We work closely with The Coca-Cola Company, the global brand owner and manufacturer of syrups and concentrates for these beverages.

Beyond The Coca-Cola Company brands, CCA owns iconic Australian brands including Kirks soft drinks, Mount Franklin, Deep Spring and SPC Ardmona foods. A portfolio of premium alcohol, beer, cider and coffee brands complements our non-alcoholic beverages range. Through our unrivalled sales and distribution networks we deliver these category-leading brands, to the hands of our consumers every day.

Our commitment to the environment

We operate responsibly in all we do to minimise our impact on the environment and ensure we deliver a positive lasting legacy. This includes minimising our impact on climate change through a focus on energy reduction, leading in packaging innovation and recycling and being an efficient water user and best in class water manager. This has been a strong and consistent focus for our business for many years.

¹ ACIL Allen, the Coca-Cola System. Contribution to NSW and the Australian Economy, 5 March 2015

Over the past decade, we have implemented many new technologies and initiatives to help reduce our environmental impact through the supply chain and across the total package lifecycle, including:

- Continual light-weighting of all PET packages since 1997, including a 33% reduction in small PET, 37% reduction in Powerade PET and 42% reduction in 600mL water PET
- Being named leading global Coca-Cola bottler for several PET packaging reduction initiatives and most advanced in efficient pack design
- Increasing use of recycled content in PET packages; the majority contain up to 50% recycled content
- Investment in state-of-the-art blow-fill technology since 2010 to self-manufacture bottles at all major Australian manufacturing facilities. This has resulted in an annual reduction of 9000T of resin and eliminated truck movements of empty bottles
- Investment in new hot-fill blow-fill technology across the country, reducing PET consumption and removing the need for the foil induction seal (counter to current trends in dairy)
- Rollout of a light-weight aluminium can, contributing an annual reduction of 350T of aluminium
- Manufacturing best-in-class light-weight closures (bottle caps) in-house since 2013 for the majority of water, carbonated soft drinks and hot-fill portfolio. The hot-fill closure alone contributes an annual reduction of 15T of HDPE
- Optimising packs by replacing corrugate cardboard with a lighter weight and thinner corrugate board or removing it altogether. The result is an annual reduction of 1050T of cardboard which equates to less raw materials delivered on a pallet and reduced truck movements
- Trialling and implementing light-weight label packaging, which is contributing to an annual reduction of 80T of PET. Ongoing research continues into its elimination as a packaging material altogether
- Regular reviews of alternative packaging with our suppliers to assess suitability for current manufacturing and recycling infrastructure

Our consistent, ongoing focus is to invest and innovate to both minimise and remove materials used in our packaging; and to drive recycling and reuse of our packaging after the product is consumed. CCA has a dedicated packaging team delivering on this commitment. All our packaging is, and has been, evaluated for sustainability and compatibility with recycling facilities across all aspects of its design and function.

Our view on container deposit schemes

We fully support the NSW Government's commitment to reduce the volume of litter across the state by 40% by 2020 in a cost-effective way.

While the first priority of any waste solution must be a cleaner NSW, we believe it must also minimise the cost impact on consumers and industry, avoid duplication of existing waste collection and disposal infrastructure and ensure NSW remains an attractive place to do business.

We have almost 40 years' experience operating cash-based refund container deposit schemes (CDS) in South Australia (SA) and the Northern Territory (NT) through our wholly owned subsidiary, Statewide Recycling. This practical experience has taught us that while costs and inefficiencies can be minimised to some extent through scheme management, they are inherent to a Refund CDS and cannot be completely designed out.

In 2014, the Council of Australian Government (COAG) Standing Council on Environment and Water issued its Packaging Impacts Decision Regulatory Impact Statement (DRIS), including the cost benefit analysis prepared by independent adviser MJA. The impact of all the CDS options considered by COAG for a national scheme were significantly negative for NSW, with NPVs ranging from -\$1.2 billion through to -\$1.5 billion (in 2011 dollars). This negative NPV in 2011 dollars would be higher in 2016 dollars with CPI adjustments.

NSW was found to be the most negatively impacted state under all of the CDS options considered in the COAG DRIS, including the Refund CDS option included in the current NSW Government Discussion Paper. Under all of the Refund CDS options, the most negatively impacted stakeholders are consumers, followed by Industry and then State Governments. Those that benefit most are Local Government and the Commercial and Industrial waste sector.

In the same 2014 COAG DRIS, MJA found a Refund CDS in NSW would divert 93% of containers from the existing kerbside system, which according to the NSW EPA and the NSW Government's CDS discussion paper, already recovers 79% (or four out of five) of containers consumed at home.

We support measures to reduce litter and increase recycling outcomes, but the needs of NSW today are very different to those of South Australia in the 1970s. We believe we can do better for NSW with a highly targeted scheme that complements NSW's existing litter and recycling infrastructure and meets the Government's objectives for a CDS.

NSW today has a very high rate of litter collection and recycling. 96% of beverage containers are already collected through existing systems.² As industry, we want to help the Government design a solution that focuses on capturing that last 4% rather than creating a duplicate system that adds cost to the 96% that are already being collected quite effectively.

Thirst for Good

The beverages industry, represented by the Australian Food and Grocery Council (AFGC), has designed and further enhanced an innovative CDS proposal for NSW – *Thirst for Good*, which reduces all litter (both beverage and non-beverage) and increases recycling outcomes through convenience and incentive – funding bin infrastructure, collection and litter clean-up activities in hotspots such as roads and public places, Reverse Vending Machines (RVMS) in convenient areas and donations to local charities and community groups when individuals return their drink containers. This is underpinned by a community education campaign to help drive long term behavioural change. This flexible scheme can be adapted to solve local litter and recycling issues.

Thirst for Good meets the NSW government's requirements for a scheme that:

- Is cost efficient
- Gives people an incentive to return their drink containers
- Targets drink containers used away from home
- Complements, rather than competes with, existing kerbside services
- Uses modern technology such as RVMs where appropriate

Fully funded by industry at \$15 million annually, *Thirst for Good* will reduce the volume and number of littered items in NSW by at least 30% in its first year and increase recycling outcomes. It is highly targeted, operates in partnership with others and is flexible and can adapt to changing needs over time. Industry has undertaken extensive analysis to support the effectiveness of *Thirst for Good* in achieving the government's litter reduction target.

The industry's *Thirst for Good* CDS includes five elements:

1. 100 additional FTE **litter collectors** to target litter hotspots
2. 2000 **additional litter and recycling bins**
3. 100 **Reverse Vending Machines (RVMs)**
4. **Cash for Communities** - cages offered to all 152 councils in NSW offering local community groups a cash reward for bottle/can collection

² NSW Container Deposit Scheme: Discussion Paper, p4

5. Increased funding of **education** to change behaviour and reduce volumes of litter in the system over time

See video here: <https://www.youtube.com/watch?v=62mCwGU8Xfk&feature=youtu.be>

Refund CDS

According to the National Litter Index, Victoria (VIC) achieved the lowest litter rate across Australia without the introduction of a Refund CDS. With 26% more bins in public places,³ the VIC Government has addressed the number one reason for littering as identified in a COAG report⁴ - *no bins nearby* and research has shown that the availability of bins is a strong predictor of littering behaviour.⁵ This approach, together with a targeted education program and enforcement has delivered lower litter rates in VIC than both SA and the NT, the two states with an existing Refund CDS. It is clear from the number of litter items found in SA (45 per 1,000m²) and the NT (62 per 1,000m²) that a Refund CDS does not change littering behaviour, only the composition of litter.

Successive Government studies have demonstrated that a Refund CDS is a high-cost policy. The current examples of Refund CDSs in Australia – SA and NT – confirm this fact. At a redemption rate of approximately 80% the SA Refund CDS costs approximately 14 cents per container sold. This includes the deposit value, collection system costs (handling fees, freight and coordination costs) offset by the scrap value.

In NSW, we estimate that a Refund CDS would have:

- Set up costs of approximately \$120M
- Annual operating costs of approximately \$200M p.a.
- Increased cost of beverages to NSW consumers
- Increased governance and administrative costs for Government and Industry

CCA maintains significant concerns about cost of living and impacts on our business from a Refund CDS. It should be stressed that a Refund CDS by its nature and design:

- Targets all beverage containers, not just out-of-home litter
- Diverts materials from kerbside
- Increases costs to consumers and industry
- Inconveniences consumers
- Is limited to beverage container litter and encourages scavenger behaviour
- Is highly susceptible to cross-border arbitrage, which could significantly increase costs

These issues are fundamental to a Refund CDS and cannot be designed out.

More needs to be done to reduce litter and increase recycling

We are committed to working collaboratively with industry, government and environmental groups to help reduce litter and increase recycling outcomes across Australia. Industry has proposed a fully funded scheme for NSW, *Thirst for Good*, which reduces litter through convenience and incentive – funding bin infrastructure, collection and litter clean-up activities in hot spots such as roads and public places, providing reverse-vending-machines in convenient areas and donations to local charities and community groups when individuals return their drink containers.

CCA acknowledges that more needs to be done and we continue to advocate solutions that are efficient and cost-effective. We want to reduce litter and increase recycling without increasing the cost of living for consumers or impacting Australia's beverage manufacturing industry.

³ VIC has 26% more bins per site than the Australian average; 2014/15 NLI

⁴ *Litter Management in Australia 2008*, EPHC

⁵ *Lessons from the litter-ature: A review of NSW and overseas litter research*, Nov 2007, NSW Office of Environment and Heritage