

Taking valuable materials from kerbside? The myth that will not die.

Key recommendation: *To dispel the myth, quantify the financial impact of CDL on kerbside recycling.*

There is an ongoing myth that introduction of a container deposit system would harm existing kerbside recycling systems and negatively impact council finances. The latest report commissioned by the Tasmanian Government repeats this myth, based on faulty evidence by former beverage industry lobbyist Russ Martin. It appears no-one has examined his claims.

In June 2009, Hyder Consulting released a report "Feasibility of a Container Deposit System for Tasmania".¹ The report's author, Russ Martin, has previously appeared on behalf of BIEC, a beverage industry funded lobby group, at a 2005 Tasmanian parliament inquiry and had also fought to repeal CDL in Florida in the 1990s.

On the Hyder report, page 18 it says: "The Institute for Sustainable Futures determined that kerbside programs could benefit from the introduction of CDS, as CDS containers represented high volume, low value materials in kerbside programs and removing those containers through CDS would improve the efficiency of kerbside recycling. However, one study for Tasmania and one for Queensland reinforced that introduction of CDS on top of comprehensive recycling programs could result in significant loss of revenue from the sale of recyclables if consumers are motivated by the deposits to take containers to depots instead of leaving the containers in their kerbside recycling programs".

The reference given for the "Tasmanian study" was simply Mr Martin's own submission to the 2005 Tasmanian Parliamentary Inquiry.²

The transcript of Mr Martin's verbal submission is available online and the key point he makes is: "... materials that would be subject to CDL provide significant value to Tasmanian kerbside programs. CDL items represent 54 per cent of the weight of materials in kerbside, yet almost 77 per cent of the value of kerbside materials so, if those materials are then diverted through a system of depots or reverse vending machines and away from kerbside, that has significant impacts on the yield of kerbside and the economic viability of kerbside.."

It is extremely insulting and misleading of Mr Martin to declare that his submission is a "study" comparable to that of the Institute of Sustainable Futures. His statements do not prove anything. It seems he is trying say two things: (i) that materials revenues will decline. (ii) imply that collection and sorting costs will reduce less than will revenue from materials.

A 2004 report³ from Southern Waste Strategy Authority has figures for the financial impact of the current kerbside system in Southern Tasmania:

ITEM	\$/household/yr
Collection and Sorting Cost	-39
Material Revenues	+15
Avoided Landfill Cost	+5
NET FINANCIAL IMPACT	-19

1 Available at <http://www.environment.tas.gov.au/index.aspx?base=4994>

2 Full reference given was: Martin, R (2005a). *CDL in a contemporary context - Implications for Tasmania*, presented to the Joint Standing Committee Environment, Resources and Development Hobart on 21 April, 2005

3 Available at <http://web.archive.org/web/20041206035225/http://files.thereafter.com.au/swsa/KerbsideRecyclingImpacts.pdf>

It is a **myth** that CDL would remove "valuable" materials from kerbside - and result in less earnings to council. Any reduction in the materials revenue is easily outweighed by a reduction in sorting and collection costs. You can see in the table that the revenue earned from materials is less than half the collection and sorting costs. So if relative costs stay the same, any reduction in the quantity of materials collected at kerbside - such as would occur under CDL - **improves** the financial performance of the kerbside system.

Indeed in NSW in 2001, an extensive study by the Institute for Sustainable Futures projected that under a 10 cent container deposit scheme material revenues would decrease by \$4/household/yr but collection and sorting costs would decrease by \$7/household/yr.⁴ Reductions in collection costs significantly outweigh reduction in material revenues, resulting in a *decrease* in the cost of kerbside services to local government.

Regarding collection costs (which, not shown above, makes up -\$21 of the -\$39 Collection and Sorting Costs) the Institute for Sustainable Futures notes that "container material volume is the limiting factor for truck collection times".⁵ Given the low density of containers, the percentage by volume is very high. Given the cost structures involved, Mr Martin's statement that "CDL items represent 54 per cent of the weight of materials in kerbside, yet almost 77 per cent of the value of kerbside materials" is misleading.

Calculating the collection and sorting costs is not straightforward but we can learn from NSW. The Institute for Sustainable Futures projected that material revenues would decrease by \$4/household/yr but collection and sorting costs would decrease by \$7/household/yr. It demonstrates that reduction in collection costs significantly outweigh reduction in material revenues, resulting in a *decrease* in the cost of kerbside services to local government.

The ISF research further found around \$2/household/yr saving in garbage and litter costs, and the final big one: redeeming deposits for containers left out for kerbside collection earned \$14/household/yr.⁶ In case we are not clear about redeeming deposits for containers left at kerbside, the Hyder report acknowledges in the Executive Summary that "for consumers that forego the deposit, councils can redeem the deposit through kerbside collections".

The financial benefits to councils are:

- reduction in collection and sorting costs for kerbside recycling system
- reduction in litter collection costs
- the deposit value of containers placed out for kerbside collection
- small reduction in garbage collection costs and landfill costs

There are also significant additional environment and economic benefits of CDL that don't affect council finances.

The Executive Summary in the Hyder report says: "Introduction of CDS would have some negative financial impact on kerbside recycling, although the full extent cannot be quantified at this stage." This quantification is exactly the task we need to undertake because the negative-financial-impact claim is false. Estimating the financial impact will prove it.

Councils stand to benefit financially from container deposit legislation so it is in their interests to support it, as well as for the wider benefits.

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4 ISF 2001, Vol2, p151, Table 3.6-1 available at <http://www.isf.uts.edu.au/publications/pubsbysubj.html>

5 ISF 2001, Vol2, p99

6 ISF 2001, Vol2, p151, Table 3.6-1