



AUSTRALIAN
**FOOD &
GROCERY**
COUNCIL

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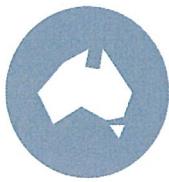
Christine McDonald
Secretary
Environment and Communications References Committee
PO Box 6100
Parliament House ACT 2600

Dear Christine

I am writing on behalf of the Australia Food and Grocery Council, Coca-Cola Amatil and the Australian Beverages Council, in response to the Questions on Notice for our joint appearance at the Public Hearing on 31 March 2016 for the Inquiry into the Threat of Marine Plastic Pollution in Australia.

Question 1

Could you provide the Committee with details of the financial analysis undertaken of the potential effectiveness of *Thirst for Good*? How will the initiative be cost effective?



Question 2

If the CDS in South Australia has been found by the CSIRO to reduce the number of beverage containers found in the marine environment by a factor of three, what level of reduction will be achieved under *Thirst for Good*.

Experts appearing before the Committee have submitted that approximately 50 percent of marine debris is washed in from overseas and from shipping. Given South Australia's coastline is at the southern edge of Australia, it is possible that the lower level of beverage containers in the South Australian marine environment could be partly due to the fact it is not as close to foreign sources and shipping routes, rather than solely due to the existence of a CDS.

By its nature a CDS only reduces beverage litter, which is only one of many sources of marine debris. By contrast, *Thirst for Good* will reduce all types of litter. Industry modelling suggests *Thirst for Good* would reduce the volume and number of all littered items across NSW by at least 30%, versus a Refund CDS which only targets the 11% of littered items that are beverage containers. Importantly, ***Thirst for Good would reduce litter volume in NSW by more than 30% in year one.***

While reducing land based litter, through initiatives such as *Thirst for Good*, is important in reducing marine debris, it will also be important for the Committee to consider options for reducing the 50 per cent of marine debris that arises from foreign and shipping sources.



Question 3

If a national container deposit scheme is estimated to cost each household \$760 - \$990. What is the current cost per household in South Australia and the Northern Territory?

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.

The COAG DRIS report estimated that a Refund CDS would cost each Australian household \$760- \$990¹ or a total of \$6.2 - \$8 billion² if implemented nationally. This is more than 10 times higher than the nearest alternative option assessed in the DRIS report and is net of deposit refunds received by consumers – meaning a **Refund CDS represents a more than \$760 per household impost on the people of NSW.**

Economic modelling by ACIL Allen has also shown that a Refund CDS would increase the average cost of a shopping basket by more than \$200 per annum or 1.4%³

¹ Figure 8: Cost per Households (2013) for CDS Options over the 20 year analysis period (\$PV per Australian Household), COAG DRIS.

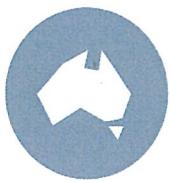
² NPV.

³ Based on the average National shopping basket; Impacts of a National Container Deposit Scheme; Implications for the average Australian shopping basket, Sep 2011, ACIL Allen.



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Question 4

What is the financial cost to kerbside recycling operators estimated to be, after the implementation of a container deposit scheme?

A key parameter set by the NSW Government for the new CDS is that it should complement, rather than compete with the existing kerbside recycling system.⁵

In NSW, the kerbside recycling system is well established and recovers on average 79% of beverage containers consumed at home compared to just 17% in SA. This household rate is similar to the overall beverage-container return rate of 79.5% in the SA Refund CDS.⁶

Introducing a Refund CDS would divert a substantial number of these containers from the kerbside system into the new scheme. A Refund CDS, by its nature, provides an incentive for people to change their behaviour to redeem the reward. The incentive does not distinguish between containers consumed at home versus those consumed away from home and potentially littered. A 10c deposit would devastate the existing kerbside system, with **only an estimated 7% of containers remaining in the system**.⁷ At the same time, there would not be an equivalent reduction in kerbside services as the demand for collection for all other materials would continue.

There's a fundamental conflict between a Refund CDS and established recycling programs; where both programs operate side by side, neither is as effective as they are on their own. If people were motivated by a Refund CDS to return their containers through collection depots or retailers, then this shift in material flows could have a significant impact on kerbside recycling. The more material that goes through kerbside programs, the greater their efficiency, the lower the cost and the greater their environmental benefit.

In SA, the yield through its kerbside programs is second lowest among Australia's states and territories. If a Refund CDS was meant to result in improved recycling outcomes and less material going to landfill, then SA should have among the highest diversion rates in Australia. However, it again ranks near the bottom.⁸

The AFGC, Coca Cola Amatil and the Beverages Council appreciate the opportunity to appear before the Committee.

Yours Sincerely

Gary Dawson
CEO

⁵ NSW Container Deposit Scheme: Discussion Paper, p22

⁶ NSW Container Deposit Scheme: Discussion Paper, p23

⁷ NSW Container Deposit Scheme: Discussion Paper, p24

⁸ Russ Martin, Centre for Environmental Solutions, 2002 (http://wme.com.au/categories/waste_managemt/may2_02.php)