

Chapter 2

Background

Introduction

2.1 Container deposit schemes are generally seen as a policy response to reducing landfill and litter, and as a way of encouraging recycling especially in geographic locations that do not have kerbside recycling. They also offer a way of reducing waste from out-of-home consumption of beverages that might not be so easily captured by existing kerbside recycling facilities.

2.2 This inquiry follows the rejection by the Senate on 13 September 2012 of the Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2010. This bill was introduced by Senator Ludlam on 30 September 2010 and sought to impose a levy on defined beverage containers produced or imported into Australia. The bill set the levy at 10 cents per container with a regulation making power to amend that amount, and provided for payment to be made for the return of relevant beverage containers at authorised collection depots. The 2010 bill followed several unsuccessful attempts to have similar bills passed by the Senate.

Previous inquiries

2.3 Senate committees have considered the issue of beverage container deposit and recovery schemes (CDS) on several previous occasions during reference and bills inquiries, and considered a range of related issues.

2.4 In 2008 the former Senate Standing Committee on the Environment, Communications and the Arts reported on the *Management of Australia's waste streams (including consideration of the Drink Container Recycling Bill 2008)*, and recommended that the Environment Protection and Heritage Council¹ (EPHC) consider initiatives, including container deposit schemes, to improve away-from-home recycling.

2.5 In September 2009 the former Senate Committee on Environment, Communications and the Arts tabled its report on the Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009.

2.6 Like the 2010 bill, the 2009 bill sought to apply a 10 cent deposit to the sale of each eligible beverage container, with the deposit paid to the administering department. Labelled beverages would be eligible for a refund at authorised collection depots and transfer stations. The authorised collection depots and transfer stations would provide the refund upon receipt of eligible beverage containers. The relevant government department would then refund the deposit amount to the authorised

1 The remit of the EPHC was withdrawn in 2011 upon the establishment of the Council of Australian Government's Standing Council on Environment and Water
<http://www.environment.gov.au/about/councils/ephc/index.html> (accessed 12 November 2012).

collection depots and transfer station operators. Unclaimed deposits or levy funds would be retained by the department.²

2.7 While the committee in its 2009 report recommended that the bill not be passed, the committee did provide detail of the status of possible container deposit schemes under consideration in the states and territories, as well as work the Commonwealth had done to investigate such schemes.

2.8 The committee noted that, at that time, no other state or territory had an operational scheme for beverage container deposits except South Australia; however the Northern Territory government had committed to implement a scheme by 2011.

2.9 In February 2010 the Commonwealth government responded to the committee's 2009 bill report. In this response the Commonwealth government noted that day-to-day management of waste is primarily the responsibility of state, territory and local governments, and that at that time, 'harmonised action on waste issues of national significance'³ were the responsibility of the EPHC and the National Environment Protection Council. It was through these mechanisms that Australian environment ministers were working across governments, with industry and communities, 'to achieve effective, efficient and nationally consistent policies on waste in order to enhance social, human health, economic and environmental outcomes.'⁴

2.10 The former EPHC investigated alternative mechanisms for increasing recycling and decreasing litter, including container deposit legislation, from April 2008. In May 2009, the EPHC considered the results of an investigation into these options (the *Beverage container investigation final report*) and agreed to conduct a survey of the community's willingness to pay for improved packaging, recycling and reduced litter.⁵ At their meeting on 5 November 2009, the EPHC considered preliminary findings from the modelling study on the community's willingness to pay

2 Environment, Communications, and the Arts Legislation Committee, Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009, September 2009, p. 6.

3 Australian Government response to the Senate Standing Committee on Environment, Communications and the Arts Report: The Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009, p. 3, available at: <http://www.environment.gov.au/settlements/waste/publications/pubs/beverage-container-govt-response.pdf> (accessed 12 November 2012).

4 Australian Government response to the Senate Standing Committee on Environment, Communications and the Arts Report: The Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009, p. 3, <http://www.environment.gov.au/settlements/waste/publications/pubs/beverage-container-govt-response.pdf> (accessed 12 November 2012).

5 Environment Protection and Heritage Council, *Beverage container investigation final report*, 20 March 2009, available at: http://www.ephc.gov.au/sites/default/files/BevCon_Rpt_Beverage_Container_Investigation_FinalReport.pdf (accessed 16 November 2012).

and which indicated a high level of community interest in recycling, packaging and reduced litter.⁶ However, there was no agreement to develop national container deposit legislation.

National Waste Policy

2.11 The National Waste Policy was agreed by all Australian environment ministers in 2009, and sets direction for Australia's waste management to 2020.⁷ The National Waste Policy sets out sixteen priority strategies for reducing the generation of waste in Australia, and attributes responsibility for the implementation of these strategies in the following way:

1. Product stewardship framework legislation to allow the impacts of a product to be responsibly managed during and at end-of-life (Australian government).
2. Sustainable procurement principles and practices across and within government operations (individual jurisdictions).
3. Better packaging management (collaboration).
4. National definition and classification system for wastes (including hazardous and clinical wastes) that aligns with international conventions and has provision for items that have ceased to be classed as waste (collaboration).
5. National principles, specifications, best practice guidelines and standards to remove impediments to effective markets for potential wastes (collaboration).
6. Access to knowledge and expertise in sustainable procurement and business practices (collaboration).
7. Continued government focus to reduce the amount of biodegradable material sent to landfill (states and territories individually).
8. Management of safety and health risks arising from landfill gas emissions (states and territories individually).
9. Strategy for emissions from landfills and other waste activities not covered by the operation of a future Carbon Pollution Reduction Scheme (Australian government led collaboration).
10. Improvements in waste avoidance and re-use of materials in the commercial and industrial waste stream (state and territory led collaboration).

6 Australian Government response to the Senate Standing Committee on Environment, Communications and the Arts Report: The Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009, p. 3, <http://www.environment.gov.au/settlements/waste/publications/pubs/beverage-container-govt-response.pdf> (accessed 12 November 2012).

7 <http://www.environment.gov.au/wastepolicy/about/index.html> (accessed 13 November 2011).

11. Continued government encouragement of best practice waste management and resource recovery for construction and demolition projects (individual jurisdictions).
12. Responsibility to meet international obligations; reduce hazardous materials entering the waste stream; dispose of and move trans-boundary waste in an environmentally sound manner in appropriate facilities (Australian government led collaboration).
13. Adoption of a system that aligns with international approaches to reduce hazardous substances in products and articles sold in Australia (Australian government led collaboration).
14. Identify actions to build capacity and ensure an appropriate suite of services is available to regional and remote communities (states and territories individually).
15. Audit of existing waste infrastructure and local capability in selected remote Indigenous communities as part of essential services audit under the COAG National Indigenous Housing Partnership (Australian government).
16. Publish a three yearly waste and resource recovery report, underpinned by a system that provides access to integrated national core data on waste and resource recovery (Australian government led collaboration).⁸

2.12 The policy places heavy reliance on product stewardship to reduce the environmental, health and safety footprint of manufactured goods.

Product Stewardship legislation

2.13 In 2011 the Environment and Communications Legislation Committee inquired into the Product Stewardship Bill 2011, which was passed by the Senate in 2011. The *Product Stewardship Act 2011* provides flexibility for different products, materials and industries to be treated differently. Products currently on the National Waste Policy implementation plan for product stewardship action include televisions and computers, packaging, tyres and mercury containing lights.⁹

2.14 The legislation provides for voluntary, co-regulated and mandatory approaches. Co-regulatory product stewardship schemes are delivered by industry and regulated by the Commonwealth government, with these arrangements to be established by regulation. Mandatory product stewardship places a legal obligation on parties to take certain actions in relation to a product.¹⁰

8 <http://www.environment.gov.au/wastepolicy/publications/pubs/fs-product-stewardship-act.pdf> (accessed 13 November 2012).

9 <http://www.environment.gov.au/wastepolicy/publications/pubs/fs-product-stewardship-act.pdf> (accessed 13 November 2012).

10 <http://www.environment.gov.au/wastepolicy/publications/pubs/fs-product-stewardship-act.pdf> (accessed 13 November 2012).

2.15 The national scheme for televisions and computers is a co-regulatory scheme and is the first scheme regulated under the Product Stewardship Act.

2.16 The committee was advised by the Commonwealth government that the Standing Council on Environment and Water (SCEW) has been considering a range of options for better managing packaging in Australia, including consideration of a national container deposit scheme.¹¹ In December 2011 a Consultation Regulation Impact Statement (RIS) was released for public comment, and following this process the SCEW agreed to proceed to a Decision RIS.¹² The Decision RIS will provide the SCEW with further information to assist them to make a decision on these options.

2.17 Options investigated in the Consultation RIS were container deposit schemes, an advance disposal fee, industry-run schemes that may be co-regulated under the *Product Stewardship Act 2011*, and a nationally consistent government initiative.¹³

Committee comment

2.18 The committee notes that it and its predecessors have undertaken a number of inquiries over recent years into container deposit schemes.

2.19 The committee is also aware that the Council of Australian Governments (COAG), through SCEW, is undertaking an assessment of policy options for better managing packaging in Australia, including national container deposit schemes. The committee expresses its hope that through the COAG processes, all Australian governments can reach a consensus on the best way to manage container waste. Further, noting the lengthy periods of consideration these matters have attracted, the committee hopes such matters are resolved as soon as possible.

South Australia's container deposit scheme

2.20 South Australia's container deposit scheme commenced in 1977 as a method of reducing litter and promoting resource recovery. The scheme was introduced via the *Beverage Container Act 1975* (SA). Legislative provisions for the operation of the scheme are now contained in Part 8 of the *Environmental Protection Act 1993* (SA).

2.21 The scheme allows South Australians to collect a 10 cent deposit for each beverage container they return to a retailer or collection depot.

How the scheme operates

Approval for beverage containers

2.22 Prior to certain beverage containers being sold in South Australia, approval must first be received from the Environmental Protection Agency (EPA). Beverage

11 Department of Sustainability, Environment, Water, Population and Communities, *Submission 9*, p. 1.

12 Department of Sustainability, Environment, Water, Population and Communities, *Submission 9*, p. 1.

13 <http://scew.gov.au/strategic-priorities/packaging-impacts.html> (accessed 13 November 2012).

containers included in the scheme are listed in Table 2.1 below. Under current regulations certain health tonic, milk (other than flavoured milk) and wine products are exempt from the container deposit schemes.¹⁴

Table 2.1 List of beverages covered by the South Australian and Northern Territory container deposit schemes¹⁵

Beverage	Container type	Container capacity	
		Included	Exempted
Carbonated soft drinks	All	3 litres or less	Greater than 3 litres
Non-carbonated soft drinks (such as sport drinks, vitamin drinks, energy drinks and ready-to-drink cordials)	All	3 litres or less	Greater than 3 litres
Pure fruit juice	All	Less than 1 litre	1 litre or more
Flavoured milk	All	Less than 1 litre	1 litre or more
Unflavoured milk	All	Nil	All
Water	All	3 litres or less	Greater than 3 litres
Beers/ales/stouts	All	3 litres or less	Greater than 3 litres
Wine	Glass	Nil	All
	Plastic and aluminium	3 litres or less	Greater than 3 litres
	Aseptic packs/casks	Less than 1 litre	1 litre or more
	Sachets	Less than 250ml	250ml or more
Spirits	Glass	Nil	All

14 Environmental Protection Regulations 2009 (SA), section 45.

15 Source: Environmental Protection Authority (SA), *Container deposit guidelines: Beverage container approval*, July 2012, p. 5, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Guideline/cdlguide01.pdf (accessed 16 November 2012); and Northern Territory government, *List of regulated beverages and containers*, available at: http://www.nretas.nt.gov.au/_data/assets/pdf_file/0007/116782/regulated_containers.pdf (accessed 16 November 2012).

Beverage	Container type	Container capacity	
		Included	Exempted
	Other materials	3 litres or less	Greater than 3 litres
Wine- and spirit-based beverages	All	3 litres or less	Greater than 3 litres
Alcoholic beverages (such as cider, alcoholic lemonade)	All	3 litres or less	Greater than 3 litres

2.23 In granting approval, the EPA is to divide beverage containers into two categories:

- Category A containers which can be presented for refund at the point of sale; and
- Category B containers which can be presented for refund at collection depots.

2.24 Both Category A and Category B containers must have product labels displaying the approved refund statement.¹⁶

2.25 Manufacturers of Category A containers must ensure that retailers selling their beverages are aware of the obligations to refund the deposit and store containers—irrespective of the place of purchase.¹⁷ It is also a condition of approval that there is a waste management agreement in place for the empty containers to be retrieved from retail outlets and aggregated for reuse or recycling.¹⁸

2.26 Category B containers must also have a waste management agreement in place prior to approval. The agreement is to specify details between the beverage manufacturer and a super collector for the collection, sorting and aggregation of

16 Environmental Protection Authority (SA), *Container deposit guidelines: Beverage container approval*, July 2012, p.1, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Guideline/cdlguide01.pdf (accessed 13 November 2012).

17 Environmental Protection Authority (SA), *Container deposit guidelines: Beverage container approval*, July 2012, p. 2, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Guideline/cdlguide01.pdf (accessed 13 November 2012).

18 Environmental Protection Authority (SA), *Container deposit guidelines: Beverage container approval*, July 2012, p. 2, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Guideline/cdlguide01.pdf (accessed 13 November 2012).

containers and their reuse and recycling.¹⁹ The beverage manufacturer must also ensure that all sales into South Australia, whether directly or via an interstate distribution centre, are declared to the super collector and accompanied by funds in accordance with requirements specified in the waste management agreement.²⁰

Deposits

2.27 Theoretically beverage manufacturers in South Australia include the 10 cent refund deposit and a handling fee in the wholesale price of their products. Price strategies vary between companies and are not necessarily based entirely on cost structures.²¹ If the refund and handling fee are not included in the wholesale price, they may be partially or fully absorbed by the beverage manufacturer or distributor.²²

2.28 When a beverage is bought in South Australia, the 10 cent deposit is refunded when the consumer returns the container to either a collection depot or a retailer. Consumers discarding the container lose the value of the deposit, which then becomes available to anyone who wants to collect the containers and collect the refund amount, including companies undertaking kerbside rubbish collection.

Collection depots and super collectors

2.29 The collection depot or point of sale retailer reimburses the consumer and sorts the containers. A super collector collects the containers from various collection depots for auditing and recycling and pays the collection depots the refund and agreed handling fee. The super collectors are paid the refund and handling fee by the beverage manufacturers on the basis of documented container returns.

2.30 Non-refillable glass containers are sold to a glassmaker for the manufacture of new bottles. Aluminium, steel, liquid paperboard and plastic (PET, PVC and HDPE) containers are recycled through markets sourced by the super collection agency.

19 Environmental Protection Authority (SA), *Container deposit guidelines: Beverage container approval*, July 2012, p. 1, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Guideline/cdlguide01.pdf (accessed 13 November 2012).

20 Environmental Protection Authority (SA), *Container deposit guidelines: Beverage container approval*, July 2012, p. 2, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Guideline/cdlguide01.pdf (accessed 13 November 2012).

21 EPA (SA), *Consultancy report: Collection industry arrangements under container deposit legislation*, July 2005, p. 4, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Report/cdl_collection.pdf (accessed 13 November 2012).

22 EPA (SA), *Consultancy report: Collection industry arrangements under container deposit legislation*, July 2005, p. 4, available at: http://www.epa.sa.gov.au/xstd_files/Container%20deposit/Report/cdl_collection.pdf (accessed 13 November 2012).

Northern Territory container deposit scheme

2.31 On 3 January 2012 the Northern Territory government commenced a 'Cash for Containers' deposit scheme that provides a 10 cent refund on beverage containers when returned to a collection depot. The legislative provisions for the scheme are contained in the *Environment Protection (Beverage Containers and Plastic Bags) Act 2011* (NT).

2.32 The Northern Territory container deposit scheme is based on the South Australian scheme and allows for the same containers to be refunded (see Table 2.1).²³ The scheme also requires beverage containers to be approved by the Chief Executive Officer of the Department of Natural Resources, Environment, the Arts and Sport before being sold in the territory. Approval for containers is dependent upon them having approved labels and beverage manufacturers having a waste management agreement in place with a super collector.²⁴

2.33 When an empty and clean container is returned to a collection depot a 10 cent deposit is returned to the consumer. Containers are not able to be returned via the point of sale.

2.34 Containers purchased in South Australia and the Northern Territory are only able to be refunded in the jurisdiction in which they were bought—that is, containers purchased in South Australia can only be refunded in South Australia and containers purchased in the Northern Territory can only be refunded in the Northern Territory.

23 Northern Territory government website, *Cash for containers: Questions and answers*, available at: <http://www.nretas.nt.gov.au/environment-protection/containerdeposit/questions-and-answers> (accessed 13 November 2012).

24 Northern Territory government, *Regulated container supply approval guidelines*, p. 3, available at: [http://www.nretas.nt.gov.au/data/assets/pdf_file/0017/7217/Regulated Container Supply Approval Guidelines.pdf](http://www.nretas.nt.gov.au/data/assets/pdf_file/0017/7217/Regulated_Container_Supply_Approval_Guidelines.pdf) (accessed 13 November 2012).

