

Chapter 2

Issues raised during the inquiry

Introduction

2.1 The committee welcomes the opportunity to reconsider the issue of a national beverage container deposit scheme and acknowledges the support within the community for consideration of extended producer responsibility schemes. The committee further acknowledges the work undertaken by Commonwealth, state and territory governments, local councils, industry bodies and interest groups to further public discussion and debate on this issue since it was last considered by the committee.

2.2 The committee received substantial evidence both in support of and against CDL. The committee recognises that this is a long-standing issue that has been the subject of debate at various levels of government, including the committee's recent investigation into the *Drink Container Recycling Bill 2008*, with significant resources and energy invested by all stakeholders.

2.3 The committee notes that the EPHC is currently considering the merits of national CDL. The committee further notes that recommendation 16 of the Senate Standing Committee on Environment, Communications and the Arts' report: *Management of Australia's waste streams (including consideration of the Drink Container Recycling Bill 2008)*, declares:

5.77 The committee recommends the Environment Protection and Heritage Council work towards a national container deposit system. As part of its review the committee recommends that the Environment Protection and Heritage Council consider the South Australian model and the Drink Container Recycling Bill 2008.¹

2.4 The committee notes the potential for CDL to improve recycling and litter collection rates and further notes the popular support CDL enjoys within the community, as demonstrated by the number of submissions from members of the public supporting CDL and the various consumer surveys cited by submitters and witnesses.

2.5 The committee encourages the EPHC to continue exploring the merits of national CDL, including consideration of the model proposed by the *Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009*.

1 Senate Environment, Communications and the Arts Legislation Committee, *Management of Australia's waste streams (including consideration of the Drink Container Recycling Bill 2008)* report, September 2008, p. 97.

Litter reduction

2.6 The committee was provided with a range of evidence arguing the need for national CDL, with improved litter reduction and recycling rates the dominant rationale. There was a general consensus among submitters and witnesses that reducing litter was desirable and that CDL had the potential to decrease beverage container litter rates. However, there was some contention around the proportion of beverage containers, relative to other litter, in the waste stream and the feasibility of other measures, including enforcement, to reduce litter rates. Councillor Helen Harris, Mayor of the City of Whitehorse noted:

Council's annual litter cost is approximately \$500,000, which includes the cost of servicing all of council's litter bins in streets and parks...litter collection is the most practised environmental activity by parks community volunteers... Most of the litter collection and disposal activities would still need to continue even if all drink containers were removed from the litter stream, but the volume needed to be collected would be less and thus we would reduce our costs.²

2.7 This view was supported by numerous submissions from members of the public lamenting the presence of litter in parks and waterways. Evidence presented by Australians for Refunds on Cans and Bottles (AFROCAB) outlined the group's perception of the public's interest in litter reduction:

[The public] ... understand that, as litter, drink containers are not just unsightly but also a cost to our communities.³

Further, AFROCAB stated that beverage containers accounted for around 50 percent of total litter recorded through AFROCAB's roadside litter surveys, with anecdotal evidence collected from adopt-a-highway groups supporting this estimation.⁴

2.8 A recent report by the EPHC concluded that CDL had the potential to reduce the national beverage container litter count by 48 percent with a commensurate 41 percent reduction in national beverage container litter volume.⁵ This amounts to a 6

2 Councillor Helen Harris, Mayor, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 3.

3 Mr Peter Cook, Convenor, Australian's for Refunds on Cans and Bottles, *Proof Committee Hansard*, 24 August 2009, p. 23.

4 Mr Peter Cook, Convenor, Australian's for Refunds on Cans and Bottles, *Proof Committee Hansard*, 24 August 2009, p. 29.

5 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 86.

percent reduction in the total national litter count and a 19 percent reduction in the total national litter volume.⁶

2.9 The prevalence of unsightly litter underpinned the introduction of South Australian CDL in 1977. Evidence presented by the National Association of Retail Grocers of Australia (NARGA) stated that litter data shows South Australia has lower beverage container litter rates than do other states.⁷ However, according to the NARGA, this does not necessarily translate into overall lower litter rates with other states running anti-litter campaigns that have been more successful in reducing litter across the whole of the waste stream.⁸

2.10 NARGA's evidence was supported by the Australian Food and Grocery Council (AFGC) who stated that Keep Australia Beautiful data demonstrates that Victoria is leading the nation with record low levels both in volume and number of littered items due to a comprehensive 'Dob in a Litterer' campaign.⁹ In the opinion of the AFGC, the Victorian model demonstrates the effectiveness of balancing enforcement, education and infrastructure to reduce litter rates.¹⁰ While Ms Pickles acknowledged that AFGC members do not want their brand associated with litter, the position of AFGC is that the National Packaging Covenant is best placed to manage the overall waste stream.¹¹ This position was supported by the Australian National Retailers Association.¹²

2.11 The ability of CDL to decrease litter rates was also questioned by the Keep Australia Beautiful Council NSW who claimed that there is evidence to suggest that littering behaviour is actually negatively affected by CDL as consumers can be 'swayed into believing that since they have been charged a deposit for the container, then they have a right to litter and leave it for someone else to clean it up'.¹³

6 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 86.

7 Mr Gerard van Rijswijk, Senior Policy Adviser, National Association of Retail Grocers of Australia, *Proof Committee Hansard*, 24 August 2009, p. 44.

8 Mr Gerard van Rijswijk, Senior Policy Adviser, National Association of Retail Grocers of Australia, *Proof Committee Hansard*, 24 August 2009, p. 44.

9 Ms Jenny Pickles, Australian Food and Grocery Council, *Proof Committee Hansard*, 24 August 2009, p. 50.

10 Ms Jenny Pickles, Australian Food and Grocery Council, *Proof Committee Hansard*, 24 August 2009, p. 51.

11 Ms Jenny Pickles, Australian Food and Grocery Council, *Proof Committee Hansard*, 24 August 2009, p. 50.

12 Australian National Retailers Association, *Submission 105*, p. 2.

13 Keep Australia Beautiful Council NSW, *Submission 64*, p. 2.

2.12 While litter reduction provided the policy imperative for some submitters, others, including the Total Environment Centre, argued that they were not supporting CDL to solve the litter problem but as a major additional recycling recovery system for Australia.¹⁴

The impact of CDL on kerbside recycling

2.13 The impact of CDL on kerbside recycling was a key issue raised by submitters and witnesses. The committee heard a range of evidence with many witnesses arguing that the model proposed by the bill, which enables levy funds to be used to support the existing kerbside recycling system, provides a complementary framework for kerbside collection and container deposit recycling. Submitters who were less optimistic about the capacity of the two systems to co-exist were not necessarily opposed to CDL but were anxious to see more detail around how the proposed bill would operate. The key concern of these submitters was summarised in the Veolia Environmental Services submission:

Beverage container recovery schemes are not 'stand alone' solutions for resource recovery. As such, they should be used in conjunction with other compatible collection, recycling and educational systems to contribute effectively to an overall increase in resource recovery and a reduction in litter.¹⁵

2.14 The committee heard a variety of figures regarding the rates of beverage containers collected through the existing recycling system. A report commissioned by the EPHC stated that 68 per cent of beverage containers are recovered for the at-home sector and 20 per cent for the away-from-home sector.¹⁶ Councillor Bill Pemberton, from the City of Whitehorse stated:

It is up to us as local government in the City of Whitehorse to pick that [recycling] up, which is a cost. Then we have to dispose of it. It would be far better if the manufacturers of these particular vessels took some control over what happens to them.¹⁷

2.15 Local government representatives pointed out that kerbside recycling services are a cost to councils, and through them ratepayers. Container deposit systems would have the potential to reduce those costs. Councillor Pemberton gave evidence that kerbside recycling collections have gone up by five to six per cent per annum over the

14 Mr Jeff Angel, Executive Director, Total Environment Centre, *Proof Committee Hansard*, 24 August 2009, p. 32.

15 Veolia Environmental Services, *Submission 53*, p. 2.

16 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 10.

17 Councillor Bill Pemberton, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 4.

last two years.¹⁸ However, because of the lack of landfill space in Melbourne, this is placing an added cost burden on local council.¹⁹

2.16 Councillor Harris outlined how council pays the collection contractor a fee per tonne to sort and process the recyclables.²⁰ The more the council collects, the more it pays for that component of the contract. This fee is not the full cost of sorting and processing to the contractor, as the contractor is able to use the income from the sale of the recyclables to offset the operational costs and therefore offer council a competitive net price to receive and sort the recyclables.²¹ Given this cost burden, Cr Pemberton concluded:

With the process we have seen, if we had a CDL the saving [for the City of Whitehorse] would be roughly \$65,000 per year.²²

The evidence from the City of Whitehorse was echoed by several other submissions from Victorian local councils supporting CDL.

2.17 The key concern raised by submissions from the recycling industry is the potential for the economics of the kerbside system to be undermined by the removal of high value recycling items. This argument was presented in submissions from Veolia Environmental Services, Transpacific Industries Group and the Waste Contractors and Recyclers Association of NSW who argued that the imposition of a deposit on beverage containers would cause households to stop placing beverage containers in their kerbside recycling bins (currently around 25 percent of kerbside recyclables are containers) in favour of redeeming the deposit.²³ This will mean that high value commodities like aluminium will be removed from the system despite the cost of collection remaining unchanged.

2.18 In making this point Transpacific Industries Group conceded that:

In preparing the submission, we have not had enough information to be able to model what might be left in the kerbside collection system from containers and what you might get from recouping that charge rather than

18 Councillor Bill Pemberton, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 3.

19 Councillor Bill Pemberton, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 3.

20 Councillor Helen Harris, Mayor, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 3.

21 Councillor Helen Harris, Mayor, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 3.

22 Councillor Bill Pemberton, City of Whitehorse, *Proof Committee Hansard*, 24 August 2009, p. 4.

23 Veolia Environmental Services, *Submission 53*; Transpacific Industries Group, *Submission 40*; and Waste Contractors and Recyclers Association of NSW, *Submission 74*.

purely selling into the open market... So for the purpose of our submission, we've assumed that a lot of high-value commodities would be taken out.²⁴

2.19 Veolia Environmental Services also gave evidence that, depending on the details of the scheme, the frequency of kerbside collection may need to change to account for the reduction in recycling volume.²⁵ However, this would not necessarily produce the cost reductions that local councils were anticipating, as collection and processing infrastructure would still be required despite lower usage.²⁶ Transpacific Industries Group also queried the City of Whitehorse's evidence that CDL would reduce costs as this would depend on the structure of the contract and efficiency of the contractor's facilities.²⁷ Transpacific Industries Group concluded that if the implementation of CDL resulted in an increase to the cost of kerbside collection, due to lower volume and the absence of valuable commodities, this would be passed on by the contractor to councils and ultimately ratepayers.²⁸

2.20 Overall, the evidence presented by the recycling industry argued that current kerbside collection systems were operating effectively with opportunities for improvement in the away-from-home sector, which were beginning to be realised. Mr Spedding of Veolia Environmental Services summarised this position in his evidence:

The container deposit scheme should only be implemented if it offers significant improvements in resource recovery and litter reduction from where we are now... We also believe that substantial effort and capital have been employed by local government and waste contractors over recent years to roll out extensive infrastructure to collect household recyclable materials via kerbside collection. It is our opinion that this infrastructure, coupled with education and coupled with now over a decade of experience, has resulted in a system that is performing well from the point of view of kerbside collection recovering recyclable material. As such, the potential to compromise these existing systems by adding a CDL that has not been thought through is quite serious... We believe that CDL may be able to be introduced, but if it is, it needs to be introduced only after careful consideration and after time has been given to look at the impact on the existing infrastructure that is in place.²⁹

24 Mr Mark Williamson, Australian Recycling Manager, Transpacific Industries Group, *Proof Committee Hansard*, 24 August 2009, p. 10.

25 Mr James Maxwell Spedding, Director of Sustainability, Veolia Environmental Services Australia, *Proof Committee Hansard*, 24 August 2009, p. 16.

26 Mr James Maxwell Spedding, Director of Sustainability, Veolia Environmental Services Australia, *Proof Committee Hansard*, 24 August 2009, p. 16.

27 Mr Mark Williamson, Australian Recycling Manager, Transpacific Industries Group, *Proof Committee Hansard*, 24 August 2009, p. 12.

28 Mr Mark Williamson, Australian Recycling Manager, Transpacific Industries Group, *Proof Committee Hansard*, 24 August 2009, p. 20.

29 Mr James Maxwell Spedding, Director of Sustainability, Veolia Environmental Services Australia, *Proof Committee Hansard*, 24 August 2009, p. 11.

2.21 The AFGC echoed this view that the current system is operating adequately and that the away-from-home sector was where real gains could be achieved:

We believe the [National Packaging Covenant] is best placed to deliver a future for Australia in terms of better packaging recovery, more than just focused on recovery through recycling but also at the up-front end, with better design of products for re-use, recyclability and minimising the environmental impact.³⁰

2.22 The inference that CDL and kerbside recycling are incompatible is rejected by the submissions and evidence presented to the committee by the Boomerang Alliance and the Total Environment Centre.³¹ They argued that such statements are flawed when contrasted with the current cost of kerbside collections to local government. Mr Jeff Angel from the Total Environment Centre stated:

It [CDL] does not harm kerbside. The last three government reports—the WA stakeholder panel report, the White report commissioned in New South Wales, and the most recent report from the EPHC, the BDA report—all say that it contributes financially in a positive net sense to kerbside.³²

2.23 This evidence was supported by the Boomerang Alliance who stated:

The basic maths is really simple: if there was a small amount of residual left in the kerbside bin, they [local councils] lose all that weight but they gain more revenue. The exercise in South Australia is that 20 per cent of what is redeemed still goes through kerbside... kerbside is a good system. It is one of the reasons we support funding flowing back to kerbside through this, because it is not whether kerbside is good or bad, it is that if you make any system work too hard, it will eventually break.³³

2.24 Evidence from the SAEPA, the statutory body that administers the South Australian CDL scheme, supported the view that CDL and kerbside are complementary while acknowledging that it may be different for a national scheme as the South Australian CDL existed before the kerbside system was implemented.³⁴

The cost of CDL

2.25 Just as the impact of CDL on kerbside recycling was contentious, so was the question of what the implementation of CDL would cost, and would pay that cost. The

30 Ms Jenny Pickles, Australian Food and Grocery Council, *Proof Committee Hansard*, 24 August 2009, p. 43.

31 Boomerang Alliance, *Submission 84*; and Total Environment Centre, *Submission 73*.

32 Mr Jeff Angel, Executive Director, Total Environment Centre, *Proof Committee Hansard*, 24 August 2009, p. 35.

33 Mr Dave West, National Campaign Director, Boomerang Alliance, *Proof Committee Hansard*, 24 August 2009, p. 36.

34 Mr Peter Dolan, Director, Environment Protection Authority (SA), *Committee Hansard*, 7 September 2009, p. 8.

evidence heard by the committee suggests that how much and who pays largely depends on the model of CDL. However, acknowledging this caveat, the committee heard a wide range of figures concerning the economic costs of CDL.

2.26 Due to the profile of CDL as an issue and attempts by members of Commonwealth, state and territory parliaments to pass CDL, there are a variety of publicly available studies that seek to quantify its cost. However, there exists a lack of consensus around the cost of CDL, or who pays for it. The desire for a more concrete understanding of the costs was reflected in a number of submissions including the Shire of Yarra Ranges who, despite supporting CDL, stated:

... the costs involved need to be fully understood, as the community will be required to pay the price for improved environmental performance.³⁵

2.27 The most recent and prominent study of CDL was completed in May 2009 for the EPHC. The *Beverage Container Investigation Report*, prepared by consultants BDA Group and Wright Corporate Strategies (the BDA report), was cited by a number of submissions to the inquiry and was the subject of significant discussion at public hearings. The key point of contention, raised by critics of the BDA report, was the calculation of CDL's cost.

2.28 According to the BDA report, the primary costs of a container deposit scheme are system operating costs (including the capital costs of establishing collection centres and costs of container handling, transport and administration), costs of commercial collection and the inconvenience costs associated with redemption of deposits.³⁶ The value of the material recovered provides a direct economic benefit.³⁷ There are also cost savings associated with reduced materials in existing kerbside systems and drop-off recycling and avoided landfill costs.³⁸

2.29 The BDA report modelled these costs and benefits, and concluded that the total national annual net economic costs to government, industry and broader community including compliance and administrative costs are estimated to be \$492

35 Shire of Yarra Ranges, *Submission 61*, p. 5.

36 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 90.

37 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 90.

38 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 90.

million per annum.³⁹ This comprises \$763 million in economic costs and \$294 million in economic benefits.⁴⁰

2.30 The BDA report's operating costs include capital and collection costs for depots and convenience zones, supercollector costs and transport costs. They also assessed the costs of implementation and administration of the scheme covering:

- Administration including management of deposits, handling fees, auditing, fraud and unredeemed deposits;
- Government costs associated with implementing and administering legislation, ensuring proper labelling, ensuring collection centres meet required standards;
- Education costs including initial education of the public and on-going targeted education; and
- Business costs – including setting up internal systems and management, accounting and labelling.⁴¹

2.31 The BDA report calculated the primary economic benefit of the scheme as the value of the materials recovered - estimated to be \$242 million annually.⁴² They also estimated some savings for the kerbside system, reduction in landfill costs and unredeemed tourist deposits. The table below provides a summary of the costs, as calculated in the BDA report, that would be shared by government, industry, consumers and the broader community:

39 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 91.

40 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 91.

41 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 92.

42 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 92.

Economic Impact \$m/yr (BDA)⁴³
Costs

Handling / supercollectors / transport	\$517
Administration / implementation	\$21
Inconvenience costs	\$223
Commercial collection costs	\$26

Benefits

Material values	\$242
Savings for kerbside	\$24
Avoided landfill costs	\$13
Unredeemed deposits – tourists	\$15
Total	\$492

2.32 The BDA report compared the net economic cost of a wide range of policy options for increased beverage container recovery and recycling. It found that CDL had a higher net cost than other alternatives. However, it also concluded that no other option could achieve the litter reduction outcomes of CDL.⁴⁴ It further assessed CDL as the most effective at improving recovery of beverage containers, but that workplace recovery or an advance disposal fee would recover more packaging material overall.⁴⁵

2.33 The BDA report concluded that:

A CDS [container deposit scheme] is suitable as a national measure. There would be significant implementation costs in terms of establishing regulations and the government body to manage the system, changes for beverage manufacturers and retailers, and delivery of education for

43 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 94.

44 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 81.

45 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 75.

consumers and industry on the operation of the scheme. It is expected to provide additional resource recovery and litter reduction outcomes across the whole litter stream with a relatively high level of certainty through a legislative base.⁴⁶

2.34 The EPHC sought a peer review of the BDA report. The peer review by Covec concluded:

The BDA report provides some useful analysis as an input to discussion at the national level of the best instrument to use to address resource recovery, environmental and litter impacts of beverage containers. However, there are a number of shortcomings.⁴⁷

The Covec review summarised these shortcomings as:

- The limited scope of the study that in turn limits the contribution that it can make to some of the big policy questions. (Covec noted that this is a limitation of the terms of reference, not of the BDA report in response);
- The paucity of supporting material to validate many of the assumptions used in analysis; and
- Incorrect methodology, particularly the way in which annuities are calculated to spread capital costs over time.⁴⁸

2.35 The South Australian Government's comments, contained in Attachment 1 of the BCWG's covering statement to the BDA report, outlined four concerns with the report. The South Australian Government claimed the BDA report:

- Inaccurately assessed the costs of the South Australian CDL scheme;
- Underestimated the savings of CDL for the kerbside system of a national scheme;
- Contained incomplete consideration of the issue of unredeemed deposits under a national container deposit system; and
- Inconsistently analysed the policy options.⁴⁹

2.36 Evidence presented to the committee by the SAEPA confirmed that their key concern with the costs presented in the BDA report was that BDA did not understand

46 BDA Group and Wright Corporate Strategies, *Beverage Container Investigation – Final Report*, 22 May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 98.

47 Covec, *Beverage Container Investigation Peer Review*, March 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 14.

48 Covec, *Beverage Container Investigation Peer Review*, March 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 14.

49 South Australian Government, *Attachment 1 - Beverage Container Working Group Covering Statement*, May 2009, <http://www.ephc.gov.au/taxonomy/term/53> (accessed 6 August 2009), p. 14.

consumer behaviour.⁵⁰ The SAEPA argued that the inconvenience costs of \$223 million assumed that consumers would return beverages to a depot every week.⁵¹ In contrast, the usual behaviour of South Australian consumers was to return beverage containers every 3-6 months, significantly reducing the inconvenience cost.⁵²

2.37 This critique of the BDA report was supported by the Boomerang Alliance and the Total Environment Centre in their submissions and subsequent public evidence.⁵³ They were also concerned that the BDA report did not use an integrated model and that it did not work with real costs:

The BDA system tried to get it right, but it did not work on any real costs. It used theoretical numbers and, in trying to understand how to build a system well, in reality it took South Australia's system of a super collector and our [Boomerang Alliance] system, which is known as a hub and spoke, and put them both together and got it—excuse my language—arse backwards.⁵⁴

2.38 The Boomerang Alliance further stated that if the system proposed by the BDA report was actually rolled out as a national container deposit system, the Alliance would in fact oppose it, because it duplicates costs and it replicates existing systems.⁵⁵ The Boomerang Alliance contended that the current *Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009* is quite significantly focused on harnessing the economic value of the reprocessing.⁵⁶ As a result, it has quite different inputs and outputs to the model contained in the BDA report.

2.39 The Boomerang Alliance proposed an alternative model that they claimed better reflects the intent of the current bill. The Boomerang Alliance model included a network of hubs known as drive-through recycling centres where a range of recyclable items, including beverage containers, can be dropped off in addition to the development of convenience recycling centres or reverse vending machines (RVMs).⁵⁷

50 Mr Peter Dolan, Director, Environment Protection Authority (SA), *Proof Committee Hansard*, 7 September 2009, p. 10.

51 Mr Peter Dolan, Director, Environment Protection Authority (SA), *Proof Committee Hansard*, 7 September 2009, p. 10.

52 Mr Peter Dolan, Director, Environment Protection Authority (SA), *Proof Committee Hansard*, 7 September 2009, p. 10.

53 Boomerang Alliance, *Submission 84*; and Total Environment Centre, *Submission 73*.

54 Mr Dave West, National Campaign Director, Boomerang Alliance, *Proof Committee Hansard*, 24 August 2009, p. 33.

55 Mr Dave West, National Campaign Director, Boomerang Alliance, *Proof Committee Hansard*, 24 August 2009, p. 33.

56 Mr Dave West, National Campaign Director, Boomerang Alliance, *Proof Committee Hansard*, 24 August 2009, p. 33.

57 Boomerang Alliance, Document tabled by Mr Dave West, *Public Hearing*, 24 August 2009.

2.40 The Boomerang Alliance claimed that their 'hub and spokes' model would increase state and federal revenue by \$81 million after taking into account the current cost of the existing kerbside system.⁵⁸ However, while the \$81 million represents a saving for government it remains an additional cost for consumers, specifically those consumers who choose not to redeem their deposit but instead recycle their beverage containers through the existing kerbside system.

2.41 Under the Boomerang Alliance polluter pays system model the \$81 million saving for government is dependent on a proportion of beverage deposits being redeemed by recyclers through the kerbside system in order to offset the decreased volume of valuable commodities collected by the recycling industry.⁵⁹ The Boomerang Alliance model also assumed that the recycling depots or hubs would be used to collect a variety of recyclable materials, therefore spreading the cost of the administration across the entire waste recycling sector.⁶⁰ In addition, the Boomerang Alliance model has been designed to incorporate a greater number of RVMs than the model outlined in the BDA report, which they claim will reduce handling costs.⁶¹ The Boomerang Alliance model also anticipated greater economic benefit flowing from greenhouse gas, water and litter savings.⁶²

2.42 The committee also heard evidence that opposed CDL because it is a tax and consequently bad for consumers and business:

You can argue as much as you like about how much that cost is going to be... If there are \$250 million worth of containers that have not come back, that is a \$250 million tax on those people that, for some reason or other, could not return their containers.⁶³

2.43 The Australian Hotel Association and the Australian National Retailers Association both argued that this increased cost would translate into higher prices for consumers with a resulting negative impact on the sale of eligible beverages.⁶⁴

2.44 This view was not supported by all witnesses representing business interests, however: Alcoa Australia Rolled Products stated that:

At the end of the day the consumer will pay. It will cost us to have a sustainable planet, but that is what we need to do if we are going to look

58 Boomerang Alliance, Document tabled by Mr Dave West, *Public Hearing*, 24 August 2009.

59 Boomerang Alliance, Document tabled by Mr Dave West, *Public Hearing*, 24 August 2009.

60 Mr Dave West, National Campaign Director, Boomerang Alliance, *Proof Committee Hansard*, 24 August 2009, p. 34.

61 Boomerang Alliance, Document tabled by Mr Dave West, *Public Hearing*, 24 August 2009.

62 Boomerang Alliance, Document tabled by Mr Dave West, *Public Hearing*, 24 August 2009.

63 Mr Gerard van Rijswijk, Senior Policy Adviser, National Association of Retail Grocers of Australia, *Proof Committee Hansard*, 24 August 2009, p. 44.

64 Australian Hotels Association, *Submission 103*, p. 5; Australian National Retailers Association, *Submission 105*, p. 2.

after the planet, and I think that is a decision that the government has to make.⁶⁵

2.45 The key issue for Alcoa Australia Rolled Products was that the current proposal would not burden business with additional costs.

If the Australian government determines that the best solution through reclamation of used beverage containers is a container deposit legislation, then Alcoa ARP believes that it must support the development of infrastructure that ensures used beverage containers are collected and sorted as cost effectively as possible.⁶⁶

2.46 Alcoa also observed that:

for us to move to the green can and be able to recycle all of the used beverage containers in Australia we would have to invest somewhere between \$20 million and \$30 million to allow us to recycle probably another 25,000 tonnes of material a year. Again, financial assistance from the government, coming from a levy, would make that more economically viable, and I am sure there are other recyclers of containers who would say the same thing.⁶⁷

2.47 Concern about the start-up costs associated with CDL infrastructure were also raised by the SAEPA. They indicated South Australia would not face difficulties with a national scheme, but that the availability and accessibility of depots could be a problem for other jurisdictions.⁶⁸ Mr Spedding of Veolia Environmental Services commented that to:

set up from scratch what we have in Whyalla would probably cost \$500,000 or \$600,000 because we have an undercover area where the vehicles pull up and we have to be able to process three different materials with baling; so about half a million or so.⁶⁹

2.48 The Australian Chamber of Commerce and Industry also expressed concern that new labelling changes associated with the implementation of CDL would involve significant costs to business.⁷⁰ Both SAEPA and the Boomerang Alliance

65 Mr John Costley, General Manager Yennora Operations, Alcoa Rolled Products Australia, *Proof Committee Hansard*, 24 August 2009, p. 60.

66 Mr John Costley, General Manager Yennora Operations, Alcoa Rolled Products Australia, *Proof Committee Hansard*, 24 August 2009 p. 55.

67 Mr John Costley, General Manager Yennora Operations, Alcoa Rolled Products Australia, *Proof Committee Hansard*, 24 August 2009 p. 57.

68 Mr Peter Dolan, Director, Environment Protection Authority (SA), *Proof Committee Hansard*, 7 September 2009, p. 10.

69 *Proof Committee Hansard*, 24 August 2009, p. 16.

70 Australian Chamber of Commerce and Industry, *Submission 102*.

acknowledged that it would take around 18 months to initiate a national CDL and provide adequate transition time for business, local government and consumers.⁷¹

Conclusion

2.49 The committee has noted widespread community support for initiatives that will increase rates of recycling and reduce levels of litter. However, the debate around the current bill, and the disagreement surrounding the recent BDA report to the EPHC, have highlighted how complex this area of policymaking can be. The committee supports improving the reuse and recycling of waste materials. It is unable to determine or quantify the benefits of the model proposed in the bill without further data. It is also not clear whether, even if this bill were to achieve improved recycling levels, that it would do so at the least cost to the community.

Recommendation 1

2.50 The committee recommends that the EPHC advance its analysis of container deposit schemes without delay, ensuring that any further modelling draws on data derived from existing container deposit schemes and includes consideration of the model outlined in this bill.

Recommendation 2

2.51 The committee recommends that the bill not be passed at this time.

Senator Anne McEwen
Chair

71 Mr Peter Dolan, Director, Environment Protection Authority (SA), *Proof Committee Hansard*, 7 September 2009, p 10; Mr Dave West, National Campaign Director, Boomerang Alliance, *Proof Committee Hansard*, 24 August 2009, p. 40.

