

Department of Water and Environmental Regulation  
168 St Georges Terrace  
Perth  
Western Australia 6000  
By email: cds@dwer.wa.gov.au

06 December 2018

**Re; Customer service standards for collection network - Container deposit scheme**

Please find comments from the Australian Council of Recycling (ACOR) regarding the paper outlined above.

ACOR welcomes the opportunity to comment on this paper and offers support for the WA department's ongoing willingness and openness to properly engage with key stakeholders to determine a best practice scheme.

Given the perverse incentive of some stakeholders to keep recovery rates low, the departments continued exploration of mechanisms such as convenience targets, overall recycling targets and penalties, allocation of responsibility for collection point and network operation and appropriate service standards as discussed here are welcome and appropriate.

Given this, WA's CD scheme must ensure state wide coverage and consumer convenience.

## Summary

The preferred option for collection point (CP) coverage around the state as outlined in this paper is 1 per 20,000 people with various requirements underpinning this position such as at least 2 refund points for regional centres with a population in excess of 20,000 people. This could rightly see 2 CP's for a centre of 21,000 people. However, this ratio would also represent a very low level of penetration by international standards, e.g. Germany has a CP to population ratio of 1:643

The suggested preferred option is based on a historic theoretic model by the Marsden Jacobs cost benefit analysis projecting scheme costs over 20years. ACOR would argue this theoretic model has been superseded to a significant degree by the actual experience in New South Wales, one year on from scheme commencement in this state.

ACOR would additionally argue that the premise for limiting CP's at the preferred level outlined is an inaccurate representation of consumer costs, whereby the most significant cost impact on consumers in fact stems from an inconvenient, low recovery scheme.

Finally, as outlined, a 1:20,000 ratio is extremely low by international standards whereby countries such as Estonia host a CP ratio closer to 1:1616 and Lithuania 1:1140 and that the WA government should not embed a low ratio and therefore low-level convenience scheme for consumers.

ACOR would therefore recommend the lower ratio of at least 1 CP per 15,000 people, and that this model is considered a minimum to service the WA population but that this minimum should not then by default also serve as the maximum. Rather, the government should seek to motivate the scheme coordinator to allow the market to provide for significantly higher degrees of convenience.

## The experience in NSW

### Scheme Costs

The NSW Independent Pricing and Regulatory Tribunal (IPART) has handed down two reports into the NSW scheme to date. The most recent analysis of price impacts in NSW, titled NSW Container Deposit Scheme – Monitoring the impacts on container beverage prices and competition<sup>1</sup> released in September 2018, stated, *'We found that on average, prices of all eligible container beverages increased by 7.5cents per container due to the introduction of the CDS over the nine months from November 2017 to July 2018. However in each category it was consistent with or less than the direct cost of the scheme, which was 9.2cents per container ...'*<sup>1</sup>

This price increase is therefore less than the 10cent deposit applied albeit at a recycling rate of around 70% and would conceivably increase somewhat over time as recycling rates increase. However, even if the net admin fee applied to retail prices does end up being in the 1-2cent range this is a minor cost compared to the loss to the consumer of the 10cent refund in the event they find it difficult to recycle and redeem their deposit.

It's also worth noting that the QLD Scheme Coordinator (PRO) – COEX – has outlined a per container cost of 10.2cents (incl deposit)<sup>2</sup> and that, *These prices are based on container redemption rates of 38 per cent redeemed through Container Refund Points, with 25 per cent of containers redeemed at Material Recycling Facilities (MRFs).*

That's an assumed recycling rate of 63% while the NSW IPART cost referenced above was based on the May 2018 NSW recycling data of 67% - i.e., similar return rates.

The QLD cost is also based on a total QLD network of 307 CP's (not yet achieved) while NSW currently has 690 CP's and at the time of the report was 600+. This demonstrates that scheme costs are in reality not necessarily aligned with the number of CP's within the network.

The particular type of CP, whether it is automated or manual, cited in proximity to retail or at depots, offering services such as immediate data collection, compaction, material separation etc and having various ranges of collection volume will all impact on the cost of operation. As such, CP costs vary markedly and cannot be 'lumped' together, as is most often the case with cost benefit analyses such as that for WA<sup>3</sup>.

It may also be the QLD producer charges come down over time as the reality rather than the theoretical modelling results in true-ups of producer costs as has occurred in NSW.

### Consumer Convenience

While QLD has prescribed a 1:20,000 ratio and this appears unlikely to be exceeded (given producer control of the scheme<sup>4</sup>) the NSW experience in allocating responsibility for collection directly to the recycling sector, sees coverage now in the order of 1:11,000.

NSW and QLD therefore have a collection point penetration at a ratio of almost 2:1. Geographic spread of population such as in WA only increases the required number of CP's as higher numbers of smaller regional centres should result in increased numbers of services.

---

<sup>1</sup> [https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/investigation-section-12-publications-container-deposit-scheme/draft-report-nsw-container-deposit-scheme-september-2018-\[w182537\].pdf](https://www.ipart.nsw.gov.au/files/sharedassets/website/shared-files/investigation-section-12-publications-container-deposit-scheme/draft-report-nsw-container-deposit-scheme-september-2018-[w182537].pdf)

<sup>2</sup> <https://containerexchange.com.au/beverage-manufacture-information/>

<sup>3</sup> The author requested a copy of the MJ CBA but this was not available for verification of this assumption

<sup>4</sup> and based on direct feedback to the author from COEX representatives

The beverage industry based COEX has decided on a less convenient collection model than NSW. Consumer convenience is also a product of a range of factors the government will need to address including, the number of CP's per head of population, the accessibility of the facilities and opening times of these.

The much higher ratio of coverage in NSW, that exceeds government mandated minimums, provides therefore for much higher levels of consumer convenience. It's expected NSW will exceed QLD in terms of recovery rates, though this is yet to be borne out.

Internationally, convenience is a key component of effective schemes and serves to limit the downward pressure on collection volumes that might otherwise be the case in low-deposit schemes (such as is the case across Australia). The table below outlines some ratios;

Country	Popn [M]	Return Rate	Deposit Rate \$A	CP's (manual & auto)	Automated return ratio	Manual return ratio	approx. number of RVMs	People per collection point	People per RVM
Germany	82.76	98.50%	0.33	135000	85%	15%	45000	613	1925
Michigan (USA)		94.20%	0.13						
Norway	5.2	95%	0.15-0.40	15000	95%	5%	4000	347	1486
Finland	5.5	93.30%	0.12-0.25	15000	95%	5%	4500	367	1222
Iowa (USA)		86%	0.07						
Vermont (USA)		85%	0.07-0.18						
Denmark	5.75	89%	0.13-0.40	6000	95%	5%	3100	958	1855
Sweden	9.98	85%	0.12-0.25				7500		1331
Estonia	1.32	83%	0.15	817	94%	6%	500	1616	2640
Lithuania	2.85	90%	0.15	2500	89%	11%	1000	1140	2850

### Material Value and the Case for High Returns

NSW MRF's have reportedly lost around 50% of their volume, while in QLD it is too early to know how high will be the transfer from the kerbside to the CD network. However, the value of the remnant material has substantially increased adding to MRF revenues<sup>5</sup>.

The value overall of CD material has also substantially increased and this material is being sold primarily into the domestic market for reprocessing. There are additionally early reports of increased value of remnant paper and cardboard resulting from lower levels of glass contamination.

The NSW CD scheme is substantially helping to mitigate the challenges of the China Sword policy by delivering large volumes of high grade recyclate to the market and reducing kerbside contamination. The opportunities for state-based reprocessing in WA – whether these are viable – will be best

<sup>5</sup> Personal communications between the author and large MRF operator

placed by the highest practical volumes of clean streams of material. Another reason for the department to find ways to maximise recovery through the CD stream.

An effective and convenient scheme will serve to facilitate meeting the governments objectives of reducing litter and increasing recycling. An obvious additional objective must be to deliver a popular scheme and this is primarily related to how convenient it is and the ease with which consumers can recover the 10cents they have paid as a deposit.

## Conclusion

The WA government should not seek to limit the effectiveness of the states' CD scheme and consumers will demand this. An inconvenient scheme with low CP to population ratios would represent a form of market manipulation at odds with creating an effective scheme. An effective and therefore convenient scheme could virtually eradicate beverage container litter and increase recycling per the government's stated objectives.

The government should set a minimum standard of service delivery (in addition to appropriate opening hours, accessibility, citing etc) of 1:15,000 people. But must create motivations to ensure this minimum is not allowed to become a mandated maximum and where CP's can operate financially they should be encouraged.

**For further information please contact Robert Kelman,** 

**Robert Kelman is Director of Reloop Pacific and serving to coordinate ACOR's container deposit position.**

**END**