Government of **Western Australia**
Department of **Water and Environmental Regulation**

Local Government Sharing Protocol

Container Deposit Scheme

Department of Water and Environmental Regulation

July 2026

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Disclaimer

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1 About this document

This document is the local government sharing protocol pursuant to the *Waste Avoidance and Resource Recovery (Container Deposit Scheme) Regulations 2019* (the Regulations).

This protocol sets out the default terms of sharing Container Deposit Scheme (CDS) payments made to material recovery facility (MRF) operators with local governments from, which CDS material has been sourced from kerbside collections.

The protocol only applies where a MRF operator, a third-party operator (where relevant) and a relevant local government have not agreed otherwise.

The protocol includes a description of legitimate costs and revenue losses reasonably incurred by a MRF operator or local government as a result of the introduction of the CDS, that may be deducted from recovery amount revenue before payments are shared with relevant local governments.

This protocol also applies to circumstances whereby third-party operators may collect eligible scheme material from kerbsides and deliver this to MRF operators on behalf of local governments.

This document should be read in conjunction with the:

- *Recovery Amount Protocol*[1] which describes the methodology for calculating total payments of recovery amounts to MRF operators under the scheme; and
- *Material Recovery Agreement template*[2] which describes contract terms and conditions between MRF operators and the Scheme Coordinator for recovery amount payments.

[1] Published on the Department of Water and Environmental Regulation's website in accordance with Regulation 4ZI (4)

[2] Published on the Scheme Coordinator's website in accordance with Regulation 4P (3)

2 Definitions and abbreviations

Terms within this guideline have the same meaning as defined within the *Waste Avoidance and Resource Recovery Act 2007* (the Act) and the Waste Avoidance and Resource Recovery (Container Deposit Scheme) Regulations 2019 (the Regulations).

CDS	Container Deposit Scheme
HDPE	High-density polyethylene
LPPB	Liquid polymer paperboard (this includes liquid paperboard and aseptic containers)
Local Government Sharing Protocol	Has the meaning given in Regulation 4ZN (1)
MRF	Material Recovery Facility
Mixed plastics	An output material type at a MRF that may include PET (1), HDPE (2) and other plastic types (4-7). A MRF operator may segregate PET and HDPE outputs from other plastic types or PET and HDPE may be combined with other plastic types.
PET	Polyethylene terephthalate
Plastic types	Plastic types as per the Society of the Plastic Industry (SPI) or resin identification code: 1 – Polyethylene terephthalate (PET) 2 – High-density polyethylene (HDPE) 4 – Low-density polyethylene (LDPE) 5 – Polypropylene (PP) 6 – Polystyrene (PS) 7 – Miscellaneous plastics (such as polycarbonate, polylactide, acrylic, acrylonitrile, butadiene, styrene, fibreglass and nylon)
Recovery amount allocation agreement	An agreement between a local government and relevant MRF operators regarding the allocation of revenue arising from eligible CDS material collected from the local government's jurisdiction

Recovery amount	has the meaning defined in the *Recovery amount protocol* established under Regulation 4ZI
Recovery amount payments	has the meaning given in Regulation 4ZM (1)
Third-party operator	has the meaning given in Regulation 4ZM (3)

3 When the protocol applies

This protocol applies only:

- To MRF operators that are processing eligible CDS material that has been collected through the relevant local government’s kerbside recycling program; and
- If the relevant MRF operator, third-party operator (where relevant) and local government have not agreed otherwise in accordance with Regulation 4ZO(1)(a).

MRF operators, third-party operators (where relevant) and local governments may negotiate a recovery amount allocation agreement independent of this protocol.

4 Calculation of payments to local governments

4.1 How and when payments are to be made to local governments

It is the MRF operator’s responsibility to calculate and make payment to participating local governments in accordance with the Regulations and this protocol.

It is the local government’s responsibility to calculate their relevant incurred costs and to forward an invoice for these costs to the relevant MRF operator to enable the MRF operator to calculate the recovery amount payment for distribution.

Regulation 4ZO determines how payments of the recovery amount to MRF operators are to be shared with local governments that supplied the CDS material through their kerbside collections.

Regulation 4ZO(1)(a)(i) establishes an arrangement where parties that have not agreed otherwise, will share payments on a 50 per cent share basis between the MRF and the contributing local government/s.

This protocol enables MRF operators to deduct costs and revenue losses reasonably incurred by MRF operators, local government and third-party operators, as a consequence of the introduction of the CDS, from the recovery amount paid by the Scheme Coordinator prior to the calculation of the amount to be shared with the local government under Regulation 4ZO(1)(a).

Section 6 of this protocol sets out the allowable incurred costs and revenue losses for this purpose.

Frequency of payments should be aligned with the frequency of recovery amount payments to MRF operators by the Scheme Coordinator (quarterly in arrears).

4.2 Calculation of payments to local governments

The amount payable to participating local governments under this protocol is calculated according to the following formula:

$$\mathbf{P_{LG} = \frac{RA - CR}{2}}$$

P_{LG}	=	Payments to local governments
RA	=	the Recovery Amount – as defined in the *Recovery amount protocol* established under Regulation 4ZI
CR	=	Incurred costs and revenue losses referred to in Regulation 4ZM (1) – as identified in this Protocol

The amount payable is inclusive of GST.

5 Third-party operators

5.1 How and when payments are to be made where third-party operators are involved

Regulation 4ZO(1)(a)(i) specifies how third-party operators are to receive payments from MRF operators and how they must distribute those payments to local governments of the districts where the eligible kerbside material was collected.

Third-party operators may deduct relevant incurred costs prior to distribution of payments to local governments under Regulation 4ZO(1)(a). Section 6 of this protocol sets out the allowable incurred costs for third-party operators.

Frequency of payments should be aligned with the frequency of the recovery amount payments to MRF operators by the Scheme Coordinator (quarterly in arrears).

It is the third-party operator's responsibility to calculate their relevant incurred costs and to forward an invoice for these costs to the relevant MRF operator to enable them to calculate the final amount for distribution.

The MRF operator should then provide payment for the identified third-party costs to the third-party operator; plus, the share to be distributed to local government.

It is the responsibility of the third-party operator to distribute payments to local governments in accordance with the Regulations and this Protocol.

5.2 Calculation of payments to local governments where third-party operators are involved

The amount payable to participating local governments under this Protocol where third-party operators are involved is calculated according to the following formula:

$$P_{LG} = \frac{(RA - CR_{MRF}) - IC_{TPO}}{2}$$

P_{LG}	=	Payments to local governments
RA	=	the Recovery Amount – as defined in the *Recovery Amount Protocol* established under Regulation 4ZI
CR_{MRF}	=	Incurred costs and revenue losses incurred by a MRF operator, referred to in Regulation 4ZM (1) – as identified in this protocol
IC_{TPO}	=	Incurred costs for the third-party operator – as defined in this protocol

The amount payable is inclusive of GST.

5.3 Apportioning payments amongst participating local governments

Regulation 4ZO addresses circumstances where a third-party operator may collect kerbside waste from more than one local government area.

Regulation 4ZO(1)(a)(i) requires that in these circumstances, third-party operators must distribute those amounts to the governments from whose districts the containers were collected from kerbsides, in proportion to the number of containers collected in each district.

This protocol establishes that apportionment based on weight or on bin lifts is sufficient for this purpose.

5.4 Provision of information to MRF operators

Regulation 4ZO(2)(a) requires a third-party operator to, on request, provide certain information to MRF operators to enable the MRF operator to make payments under sub-regulation (1)(a)(i).

Regulation 4ZO(2)(b) requires a third-party operator to provide evidence, on request, that the third-party operator has distributed the amounts to local governments.

6 Incurred costs and revenue losses that may be deducted to determine recovery amount payments

The introduction and implementation of the expanded CDS may incur costs or revenue losses for MRF operators, local governments and third-party operators.

Those costs and revenue losses that are reasonably incurred as a consequence of the expansion of the CDS may be deducted from the recovery amount paid by the Scheme Coordinator to the MRF operator, in accordance with Regulation 4ZO and this protocol.

This part of the protocol sets out the incurred costs and revenue losses for MRF operators, local governments and third-party operators.

6.1 Yield loss

The CDS will divert eligible containers from kerbside recycling to refund points, reducing a MRF's total input tonnage.

The diversion of eligible containers from kerbside recycling will result in lower tonnage of material available to MRFs for processing, and consequently, the output tonnage of commodities will be reduced - leading to revenue loss by MRFs.

The volume lost due to the expanded CDS is also expected to change the composition of the MRF's yield. Revenue yield losses are to be calculated for each material type.

There may be differential diversion rates between local governments and/or regions depending on consumer access to refund points and other drivers of consumer behaviour (e.g. socio-economic factors, social incentives, education and awareness).

Allowable revenue losses include those arising from the reduction in the number of commodities for sale.

The yield loss is computed by multiplying volume loss of each product (pre-CDS expansion baseline volume measurement minus current (post-CDS expansion) volume measurement) by the actual net selling price of that product.

The yield loss is computed every quarter.

6.2 Gate fee tonnage change

In general, local governments and/or third-party operators pay gate fees to MRF operators based on tonnages of recycling delivered for processing.

Thus, applicable costs incurred may include:

- Reduced gate fee revenue from reduced tonnages for MRF operators

- Higher gate fee charges to local governments and third-party operators by MRFs to compensate for reduced total input tonnage.

The gate fee loss is computed by multiplying volume change (actual volume minus base volume) by the gate fee rate.

Some contracts do not specifically itemise the gate fee. For these, an estimated gate fee is to be determined.

6.3 Audit costs

MRF operators are required to comply with the requirements of the Regulations, the Recovery Amount Protocol and Material Recovery Agreement to receive the recovery amount from the Scheme Coordinator.

Local governments are required to cooperate with the undertaking of the sampling plan, in accordance with Regulation 4ZF.

This protocol considers the following cost components related to audit as incurred costs:

- The cost of the annual audit of the MRF operator's claims is borne by the MRF operator (see Regulation 4ZL(2)(b))
- MRF operator assisting the Scheme Coordinator with other compliance audits
- A local government can invoice the relevant MRF operator for any costs incurred by local government in relation to sampling audits in connection with the CDS that have not been paid by the Scheme Coordinator
- The MRF operator is required to pay the invoice from the recovery amount prior to calculating the recovery amount payments.

The Regulations, the Recovery Amount Protocol and Material Recovery Agreement provide specific details on the requirements for each of these audits.

Operational changes required to enable audits should be claimed as audit costs.

For the purposes of calculating these audits costs:

- The audit requirement under Regulation 4ZL is measured based on the total audit cost incurred by the Scheme Coordinator
- The annual audit cost is the fee charged by the auditors to MRF operators and is clearly defined and measurable
- The costs borne by MRF operators to assist the Scheme Coordinator with compliance audits is calculated by a function of hours incurred and the hourly rate of the relevant MRF employee.

Costs for independent assurance audits for the purposes of verifying incurred costs and revenue losses as defined in this protocol are not incurred costs for the purposes of this protocol (see section 8).

6.4 Administrative costs

MRF operators are required to comply with the requirements of the Recovery Amount Protocol and Material Recovery Agreement to receive the recovery amount from the Scheme Coordinator.

Applicable administrative costs that may be incurred include:

- New or updated software to meet compliance requirements
- Additional resourcing for reporting and record keeping including monthly, quarterly and annual reporting
- Operational changes required to enable audits and sampling.

If a portion of software costs provides non-CDS benefits to the MRF operator, an estimated proportion is to be determined based on the proportion of scheme to non-scheme material under management.

Local Government may also incur administrative costs in relation to their obligations under Regulation 4ZF. These may include administration costs related to operational changes required to enable kerbside sampling.

A local government can invoice the relevant MRF operator for any administrative costs incurred in relation to the CDS that have not been paid by the Scheme Coordinator.

The MRF operator is required to pay the invoice from the recovery amount prior to calculating the recovery amount payments.

6.5 Capital Costs

Additional capital costs may be incurred by MRF operators to enable sampling required under the Recovery Amount Protocol.

Capital costs that are considered to be ‘incurred costs’ include:

- Capital expenditure to enable audits. This cost relates to any expenditure that the MRF operator incurs to modify their facility or acquire additional equipment to meet the audit requirements of the CDS.
- New or varied sorting methods needed to comply with CDS requirements. This applies to capital expenditure on changes to manual or automated sorting, such as plant and equipment. Changes in manual sorting methods that relate to employee costs should be claimed under the additional resourcing category of administrative costs.

The capital cost is applicable where invoices for plant changes or additional equipment needed can be directly and wholly attributed to the CDS.

6.6 Costs for third-party operators

A third-party operator is a waste service provider that contracts to:

- provide container collection services and deliver it to the MRF operator of the local government's choice (collection only services); or
- provide collection and processing services. To provide processing services to local government, the third-party operator directly contracts with the MRF operator.

Where a third-party operator has been engaged, it typically charges local government a separate processing fee based on a 'per bin' lift rate for collection, or a single all-inclusive rate for collection and processing (with subsequent payment to the MRF operator for processing).[3] In this instance, the local government does not have a contractual relationship with MRF operators and the third-party operator is the MRF operator's customer.

The Regulations and this protocol require that, in situations whereby MRF operators make recovery amount payments to a third-party operator, the third-party operator is required to make payment to the local government.

This protocol allows the following as incurred costs for third-party operators:

Gate fee charges

With the expansion of the CDS, MRF operators may adjust gate fee charges in response to impacts on the volume of input tonnage, commodity prices and operational costs of this expansion. If gate fee charges increase, local governments may be charged a higher processing fee by third-party operators, for contracts where third-party operators provide both collection and processing services. **Kerbside recycling audits and sampling**

Third-party collection services may be required to assist with kerbside audits and sampling from which MRF operators will require certain outputs (e.g. eligible container factor) to receive refunds from the CDS.

Third-party operators are required to record and substantiate these costs to claim them as incurred costs.

Administrative costs in obtaining data to attribute combined loads to individual local governments

Third-party operators may collect combined loads for multiple local governments.

Administrative costs are incurred by third-party operators to collect and maintain data for individual local governments, to enable payments to be apportioned amongst participating local governments.

[3] The collection rate is generally based on per bin lift and is not dependent on tonnage collected. The processing fee is linked to the tonnage collected.

For the purposes of calculating these incurred costs:

- **Gate fee charges** will be measured by changes in the gate fee charged by MRF operators
- **Kerbside recycling audit and sampling costs** are measured based on the time and cost incurred by the employees of a third-party operator to facilitate the audit and sampling. Employee costs are based on hours logged by employees. Where timesheets are unavailable, an allocation rate can be applied to the total employee cost.
- **Administrative costs in obtaining data to attribute combined loads to individual local governments** are measured based on the time and cost incurred by the employees of a third-party operator to facilitate the administrative activities. Employee costs are based on hours logged by employees. Where timesheets are unavailable an allocation rate can be applied to the total employee cost.

Invoicing third-party operator costs

The third-party operator will calculate the costs in accordance with this cost category and will invoice the MRF operator for these third-party operator costs.

The MRF operator will take these costs into account when calculating the recovery amount payment under regulation 4ZO1(a)(i).

7 Documenting and recording applicable costs and revenue losses

Table 1 summarises the data and records to be provided by local governments, MRF operators and third-party operators for each category of incurred cost and revenue loss.

In general, most incurred costs and revenue losses shall be allocated to local governments in proportion to their input tonnage, however, some costs may be specific to a local government (i.e. in the case of combined loads or independent auditing of applicable costs).

All data and records of applicable costs and revenue losses must be kept in a form that is easily and quickly accessible for audit and verification purposes.

This may be either an electronic or hard copy format.

All data and records must be retained for three years from the end of the reporting period to which the records relate.

Table 1 –Summary of applicable types of costs and revenue losses, data and records required, and cost allocation methods

<table>
<tr><th>Applicable incurred costs/revenue losses</th><th>Data and records</th><th>Source</th><th>Allocation of incurred costs and revenue losses</th></tr>
<tr><td colspan="4">Yield loss from a MRF</td></tr>
<tr><td rowspan="8">Loss of revenue from reduced output tonnage of commodities</td><td rowspan="2">Quarterly data on base total input tonnage received per local government area prior to scheme commencement/expansion (weighbridge data)</td><td>MRF operator (combined collection and processing contract)</td><td rowspan="8">Revenue losses allocated to individual local governments in proportion to the change in their input tonnage</td></tr>
<tr><td>Third-party operator (collection contract only)</td></tr>
<tr><td rowspan="2">Quarterly data on actual total input tonnage received per local government area (weighbridge data)</td><td>MRF operator</td></tr>
<tr><td>Third-party operator</td></tr>
<tr><td>Quarterly data on base yields of output commodities that include eligible containers for each output material type prior to scheme commencement/expansion</td><td>MRF operator</td></tr>
<tr><td>Quarterly data on actual yields of output commodities that include eligible containers for each output material type</td><td>MRF operator</td></tr>
<tr><td>Quarterly data on base net sale prices of output commodities that include eligible containers for each output material type prior to scheme commencement/expansion</td><td>MRF operator</td></tr>
<tr><td>Quarterly data on actual net sale prices of output commodities that include eligible containers for each output material type</td><td>MRF operator</td></tr>
</table>

Applicable incurred costs/revenue losses	Data and records	Source	Allocation of incurred costs and revenue losses
Gate fee tonnage change			
Reduced gate fee revenue (gate fees unchanged) Higher gate fee charges	Quarterly data on base total input tonnage received per local government area prior to scheme commencement/expansion	MRF operator	Costs allocated to individual local governments in proportion to the change in their input tonnage
		Third-party operator	
	Quarterly data on actual total input tonnage received per local government area	MRF operator	
		Third =-party operator	
	Invoices or receipts for gate fees (or rebate) charged per tonne of material received	MRF operator	
		Third-party operator	
Audit costs – incurred by MRFs or Local Government			
Kerbside recycling and MRF audit and sampling costs	Invoices for kerbside recycling and MRF audit and sampling costs	Coordinator and local government	Costs allocated to individual local governments in proportion to their input tonnage
Annual audit of claim	Invoices for annual audit	MRF operator	
Assisting Scheme Coordinator with other compliance audits	Personnel timesheets (hours logged per task) or daily operations reports where operational changes are needed to enable compliance audits	MRF operator	
Administrative costs – incurred by MRFs or Local Government			
New or updated software	Invoices or receipts for new or updated software	MRF operator	Costs allocated to individual local governments in proportion to their input tonnage
Additional resourcing for reporting and record keeping	Personnel timesheets (hours logged per task) and/or invoices for costs attributed to reporting and record-keeping	Local government and MRF operator	

Applicable incurred costs/revenue losses	Data and records	Source	Allocation of incurred costs and revenue losses
Operational changes required to enable audits and sampling	Personnel timesheets (hours logged per task) or daily operations reports for costs attributed to monthly, quarterly and annual compliance reporting and record keeping that are attributable to the CDS	MRF operator	
Capital costs			
Capital expenditure to enable audits	Invoices for plant changes or additional equipment needed that can be directly and wholly attributed to CDS	MRF operator	Costs allocated to individual local governments in proportion to their input tonnage
New or varied sorting methods (manual or automated)	Invoices for capital expenditure that can be directly and wholly attributed to CDS	MRF operator	
Costs for third-party operators			
Higher gate fee charges	Invoices or receipts for gate fees (or rebate) charged per tonne of material received	Third-party operator	Costs allocated to local government/s that third-party operators service in proportion to their change in input tonnage
Kerbside recycling audits and sampling	Personnel timesheets (hours logged per task) or daily operations reports where operational changes are needed to enable audits and sampling	Third-party operator	Costs allocated to specific local government/s where kerbside audit costs are incurred

Applicable incurred costs/revenue losses	Data and records	Source	Allocation of incurred costs and revenue losses
Administrative costs in obtaining data to attribute combined loads to individual local governments	Personnel timesheets (hours logged per task) and/or invoices for costs attributed to estimating tonnage per local government for combined loads	Third-party operator	Costs allocated to local government/s that third-party operators service in proportion to their change in input tonnage

8 Audits and dispute resolution

Regulation 4ZP provides that any MRF operator, third-party operator or local government may undertake an audit of any amounts deducted or added in calculating the recovery amount payments received by the MRF operator in relation to containers collected by the MRF operator, or the third-party operator, from kerbsides in the relevant local government's district.

For avoidance of doubt, this audit cost is not an incurred cost for the purposes of this protocol.

Regulation 4ZO (3) enables local governments to recover an amount payable to it under Regulation 4ZO (1) in a court of competent jurisdiction as a debt due to the local government.

9 Review of the protocol

This protocol will be reviewed in accordance with Regulation 4ZN (3).