



Submission on the Stakeholder Advisory Group Report on Best Practice Container Deposit Systems for WA

Status of this submission

This submission has been prepared through the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (the Association). The Municipal Waste Advisory Council is a standing committee of the WA Local Government Association with delegated authority to represent the Association in all matters relating to solid waste management. It has been formed through collaboration with Regional Councils who are not ordinary members of the WA Local Government Association. The resulting body represents the views of all Local Government bodies responsible for waste management in Western Australia.

The Western Australian Local Government Association has developed a Policy Statement on Container Deposit Systems (CDS). The positions stated in this submission are taken from the principles established in the Policy Statement; and can thus be taken to represent the consolidated viewpoint of Local Government. However, it is acknowledged that the positions outlined in the Policy Statement may differ from those adopted by individual member organisations.

The Waste Management Board (the Board) has committed to developing a best practice CDS model for Western Australia. Further, the intent has been articulated by the Department of Environment and Conservation to include close consultation with Local Government and industry in the development of this model. This submission is intended to act as the first point of advocacy for the elements MWAC has identified and recommends as essential for inclusion in a best practice CDS model.

Summary

The term of reference for the Stakeholder Advisory Group (SAG) was to 'provide advice to the Minister for the Environment on best practice CDS for WA.' The considerable time and effort given to this task by the members of the SAG is fully acknowledged and congratulated. In response to its task, the SAG report provides a series of 16 recommendations for a best practice system and outlines 10 key outcomes it expects if such a system were introduced to WA. MWAC fully supports the introduction of a best practice CDS that would achieve the identified outcomes.

However, MWAC believes that in a number of instances the report has stopped short of making the recommendations required to achieve the predicted outcomes. With regard to these areas in the report, the submission below seeks to identify and recommend the specific attributes MWAC has identified as being necessary in best practice CDS that may not have been clearly identified in the SAG report.

For the purposes of clarity, the submission headings are taken from the specific focus areas that the SAG was asked to focus on in its terms of reference.

Focus Area 1: Maintaining and improving on existing kerbside recycling programs

It is noted that a number of pertinent issues are discussed in the report under the headings of 3.3.1 Cost Reduction to Local Government. These discussions lead the SAG report to conclude that the introduction of best practice CDS will result in a reduction in the overall cost of waste management to Local Government and the wider community. However, MWAC is of the considered opinion that the recommendations provided in the report are not sufficiently specific to ensure this outcome is achieved. It is believed that the goal of maintaining kerbside recycling system can only be achieved with the inclusion of very specific recommendations as to what principles constitute a best practice system. It is suggested that these include -

- **MWAC Recommendation 1: Local Governments, or a contractor delegated to operate a collection service on behalf of a Local Government, must be eligible to receive the deposit for any containers collected by them through the kerbside recycling system.**

A considerable volume of recyclate is likely to be lost from the existing kerbside recycling system. As such, the recyclate value available to off-set the cost of collection will be correspondingly reduced. Enabling the kerbside collectors to redeem the deposit for the containers they collect is necessary to balance out the lost recyclate value.

- **MWAC Recommendation 2: The deposit must be set at an appropriate level so that the value of the deposits collected through kerbside allows the system to remain financially viable.**

That is, the deposits collected must have a value as high as or higher than the recyclate value lost from the system. If the deposit value is too low, this threshold value may not be reached. Similarly though, if the deposit value is too high, the containers collected through kerbside may become negligible; meaning that again insufficient deposits could be collected to reach the threshold value.

- Existing research suggests that 10 cents is currently the most appropriate value to maintain the viability of kerbside. However, the deposit value should be regularly reviewed to ensure the level is correct to maintain this goal.
- **MWAC Recommendation 3: Existing Local and Regional Local Government kerbside sorting facilities (e.g. material recycling facilities) must be entitled, through strict licensing arrangements, to act as central regional collection points.**

Existing kerbside sorting systems will lose significant amounts of recyclate through the introduction of CDS. Since such facilities rely on recyclate sales to help mitigate running costs, this loss is likely to be highly problematic to the continued viability of the system. Therefore, it is necessary to balance the recyclate that would otherwise be lost to the facility through the introduction of CDS by entitling such facilities to act as the regional receiving point for all containers collected from kerbside and convenience collectors in a given area. These facilities would also be responsible for distributing appropriate deposit returns and handling fees to those collectors.

- **MWAC Recommendation 4: Regional collection points must be entitled to a fair percentage of the recyclate value collected and sold; with the remainder hypothecated to the running of the System itself.**

It is noted that in many Systems, ownership of the recyclate is retained by the State. If this is to be adopted in WA, then it is considered fair and transparent that the value of the recyclate be hypothecated back into the System itself. Further, since 20% of container waste is currently estimated to be recovered from kerbside, it seems fair that at least 20% of the recyclate value should be retained by the facility. This percentage should be regularly reviewed to ensure the level is correct to achieve the goal of maintaining kerbside recycling system.

- **MWAC Recommendation 5: Regional collection points must be entitled to be paid a handling fee for each container they process.**

The introduction of CDS will entail additional administrative and operational expenses to that which would be incurred through kerbside. Handling fees must be paid to balance these additional costs.

For transparency, the fee should be paid per container processed where practical; or by weight of material processed where accounting for individual containers is impractical (e.g. for containers collected through kerbside systems). The handling fees should be regularly reviewed to ensure they are set at an appropriate level to achieve the goal of maintaining kerbside.

Focus Area 2: Away from home recycling and litter

Whilst the Report discusses this area in some detail; MWAC has identified that greater emphasis could have been provided on the efficacy of CDS in improving away from home recycling and litter. With regard to this, it is recommended that **‘Significantly improve the recovery of away from home containers’** be added to the report as an outcome for best practice CDS.

MWAC is aware of no other system type that is as able to address this part of the litter stream as effectively. A best practice CDS assists in addressing away from home recycling and litter at a number of levels –

1. It provides a financial incentive for significant retailers of away-from-home containers (e.g. restaurants and hotels) to undertake recycling programs. Although returning the containers for deposit is basically cost neutral, the cost of contracting commercial operators for waste collection may be reduced as less landfill fees will be incurred;
2. It provides a financial incentive for members of the public (or secondary collectors) to voluntarily return away-from-home containers for deposit; and
3. Deposits can assist in meeting the costs to Local Government of litter pick-up and waste sorting at public places and events.

It is acknowledged that most CDS will have the capacity to achieve improvements in away from home recycling and litter. However, the following recommendations are identified as necessary in a best practice system to enable these outcomes to be fully realised-

- **MWAC Recommendation 6: All collectors returning containers to a regional collection point must be entitled to receive the deposit amount. This includes commercial waste collectors and Local Government (as per MWAC Recommendation 1).**

This is necessary to maximise the incentive and benefits for commercial entities and Local Governments to participate in the System.

- **MWAC Recommendation 7: As a minimum, all beverage containers should be included in the System.**

This is particularly pertinent for maximising the return of away from home containers, as beverages make up by far the greatest proportion of containers in this litter stream. The inclusion of all beverage containers also creates a level of equity in the system as it incorporates the majority of the containers that are likely to be consumed and littered away from home¹.

Focus Area 3: Employment and business opportunities

The report identifies that CDS is able to increase the viability of local processing industries through the provision of a steady stream of high volume, uncontaminated recyclates. Whilst it is agreed that CDS will almost certainly increase the volume of uncontaminated recyclates; MWAC disagrees that this, in and of itself, is sufficient to necessarily guarantee an improvement in the viability of local processing industries.

Previous market failures for recyclate materials in WA have demonstrated that high volumes are not the sole issue in establishing a viable industry. A good example is the current market for recycled oil. Despite the high quantities of good quality, uncontaminated oil being collected by Local Government and others; there is an extreme dearth of established, sustainable end-markets for this material. As a result, the volume of oil being stored in WA without a known end-market has reached a crisis point.

It should be noted that MWAC does believe that the increased recyclate resulting from the introduction of CDS will assist the viability of re-processing industries. However, it must be acknowledged that, to attract local processing industries back to WA, other support mechanisms are likely to be required to act beyond improving collection volumes. This must include research and development into the possible end-markets for the re-processed products and potential incentives to encourage investment in these identified markets. Investigation into the viability and sustainability of these markets should precede the introduction of CDS through an invitation for expressions of interest from industry.

Therefore, in order to ensure a best practice System genuinely acts to generate local processing industry, MWAC recommends the following -

¹ Keep Australia Beautiful Council (2006) *National Litter Index*, Available online at http://www.kab.org.au/01_cms/details.asp?ID=5

- **MWAC Recommendation 8: As a key step preceding the implementation of CDS, the State Government must identify and actively support (for example through consultation with industry, the introduction of incentives, and/or the introduction of appropriate regulation) the development of local re-processing industries and sustainable end-markets.**
- **MWAC Recommendation 9: A commitment should be made to providing a proportion of the funds generated by the System to assist with ongoing research and development of appropriate local reprocessing industries and end-markets.**
- **MWAC Recommendation 10: The use of recycled materials in new containers should be encouraged through either subsidies (for use of recycled materials) or variable resource recovery fees (for non-use).**
The SAG report recommends a variable resource recovery fee only be invoked when the recovery of specific containers is uneconomic. This would work to discourage the use of certain materials that may be difficult to recycle; but would not assist the development of end-markets for re-processed materials through encouraging the use of recycled materials in new containers. Therefore, it is considered that to be of maximum effect, resource recovery fees must encourage the use of recycled materials in addition to discouraging the use of uneconomic containers.

Focus Area 4: Regional and Rural Recycling

It is agreed that an outcome of the introduction of best practice CDS will certainly be the assistance of non-metropolitan participation in recycling. Further, the report makes a number of key recommendations with regard to the provision of flexibility in collection methods and support mechanisms (e.g. for transport) which would act to maximise the opportunities for rural recycling.

However, it is considered the report would have been strengthened if it had provided more specific recommendations on a rural model. For example, although the report discusses the idea of support mechanisms, it does not provide any details on how such mechanisms would work. This is significant as, even with CDS, recycling programmes in some areas of WA will be economically and environmentally borderline. As such, it is considered that a best practice system must maximise convenience and viability and minimise transport requirements. MWAC recommends a best practice system should have the following attributes; but acknowledges other models may potentially achieve the same outcomes -

- **MWAC Recommendation 11: Strategic points should be selected across the State to act as local or Regional collection centres and deposit return managers.**
This is a key recommendation to maximise the efficiencies of collection across a large area with comparatively low levels of containers.
- **MWAC Recommendation 12: Local and Regional collection centres should be licensed by the State and receive appropriate support funding from the System (handling fees, transport subsidies, infrastructure support**

payments). Only licensed collection centres should be entitled to support funding from the System.

This is a necessary feature to ensure funds are directed to the appropriate points to maximise the efficiencies of the system. It must be noted that the licensing function in no way precludes any other group from collecting containers for the deposit value.

Focus Area 5: Sustainable Recycling Programmes

The report identifies a series of significant environmental benefits that an effective CDS would bring to WA (pages 13 and 18). Whilst these figures are not disputed in and of themselves, it should be made clear that they are predicated not just on an increase in the rate of recycling; but also on reasonably close-to-source recycling systems being operated (i.e. the Victorian state-context) and an increase in the use of recycled materials in the place of virgin materials. Therefore, to realistically achieve the environmental benefits identified, the best practice CDS introduced would have to address the MWAC recommendations made previously in this submission under Focus Area 3: Employment and business opportunities. That is, best practice CDS would -

- Support research and development programmes to identify the best end-use markets for different materials (as per MWAC Recommendation 8 and 9);
- Encourage the establishment of State and, where possible, regionally based reprocessing industries (MWAC Recommendation 8 and 9); and
- Provide incentives for the use of recycled materials in the place of virgin products (MWAC Recommendation 10).

Focus Area 6: Consumer costs

The cost to consumers of any type of CDS is not directly dependant on the level of the deposit. Essentially, providing that the consumer returns the container, the deposit is cost-neutral. It is acknowledged that there are some direct costs incurred in transporting the container to a point where it can be returned. However, providing the System utilises convenient and appropriately variable methods of collection (as recommended in the SAG report), these costs will be negligible.

The major consumer costs are actually incurred when a producer chooses to pass the direct costs of a given system onwards. The three main areas the producer is likely to incur costs is in changes to labelling, the establishment of collection infrastructure and system administration, and direct resource recovery fees. The attributes of the chosen System will greatly affect the costs incurred by the producer, and therefore the consumer. However, this is an area the report largely overlooks. MWAC recommends that a best practice CDS should minimise costs to the producer and consumer; except where that cost is used as a market-based education tool directed at achieving a desired behaviour.

- **MWAC Recommendation 13: Labelling regulations should be aligned (if possible) with the South Australian labelling requirements.**

It is noted that Recommendation 14 in the report broadly meets and expands on this recommendation.

- **MWAC Recommendation 14: The cost of collection infrastructure should not be met by the container producers. The facility managers should meet these costs; with appropriate System support identified as necessary.**
MWAC notes that the SAG Report identifies 'Reclaim Recycling' have stated they are interested in establishing and managing container collection infrastructure in WA. This indicates that the delivery of such infrastructure can be a business opportunity rather than a cost. It is noted that the State may need to provide some support mechanisms to help establish such infrastructure in the short term (e.g. in the form of grants or low interest loans).
- **MWAC Recommendation 15: Administration costs should be met through a central hypothecated fund of unredeemed deposits or other funds directly derived from the scheme (e.g. licence fees).**
- **MWAC Recommendation 16: Variable resource recovery fees should be used as a market-based educational tool to assist the consumer in making informed purchasing decisions.**
Variable resource recovery fees are supported as an essential attribute of a best practice CDS. They act as a means of providing a price signal to consumers to help them identify good packaging. For example, fees could be placed on materials and/or container types that are difficult (e.g. made up of more than 1 material type) or uneconomic (currently glass) to recycle. This has been discussed previously under MWAC Recommendation 10.

Focus Area 7: Regulatory Impact

The report recommends that compliance with a best practice CDS would be enforced by Government officers rather than the System administrators. This is agreed. In fact, it is considered that the recommendation of the report could be strengthened through the provision of a more clear delineation between the administrative and enforcement responsibilities and powers. It is noted that a best practice CDS would require considerable planning and potentially corresponding regulatory enforcement in a number of areas. These include –

1. Compliance with licence conditions;
2. Maintenance of open and transparent accounting of deposit revenues;
3. Maintenance of open and transparent accounting of recycle revenues;
4. Compliance with labelling conditions; and
5. Compliance with container retailer conditions (e.g. proximity to convenience collection point, provision of rental space for a convenience collection point.)

It is noted that the report recommendation that best practice CDS be enforced through regulation rather than other legal mechanisms should provide the system with sufficient flexibility to ensure it is appropriately controlled.

Focus Area 8: Scope of Containers

The report does not specifically address the scope of containers that should be covered by a best practice CDS for WA. Rather, it recommends a System that is flexible and responsive to changing circumstances, and thus can readily add or remove containers.

This recommendation is identified and supported as a key attribute of a best practice system by MWAC.

However, it is considered that the report should provide some guidance on the scope of containers for a best practice system at this point in time. With regard to this, MWAC acknowledges that introducing a System beyond the scope of beverage containers may prove overly complicated at first. Therefore, MWAC recommends that, at this point in time, a best practice CDS system –

- Incorporates all beverage containers sold in WA (as per MWAC Recommendation 7); and
- **MWAC Recommendation 16: Require the administration body to regularly assess all material types and container types against set criteria to ascertain their suitability for inclusion into the System.**

Report Focus Area 9: Community Participation

The report discusses methods to maximise community participation in the scheme and makes a recommendation that best practice CDS would 'provide public education and other methods to encourage participation'. Further, the report recommends that one of the functions of the administering body be the promotion of the scheme. MWAC supports these recommendations, but suggests that these recommendations could possibly be strengthened by implicitly stating –

- **MWAC Recommendation 17: A specific function of the administering body must be to establish a State-wide public education programme to demonstrate the benefits of recycling.**
- **MWAC Recommendation 18: The unredeemed deposits, and any other funds directly derived from the scheme, must be hypothecated back into the System to fund the functions of the Board (including State education programmes).**