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Chair
Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Senator Birmingham,

Submission to Senate Environment, Communications, Information Technology and the Arts Committee on the Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009

I thank the Committee for investigating the *Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009* and providing an opportunity to make this submission. I have been an ardent supporter of Container Deposit Schemes (CDS) for many years and have introduced a private members bill in the New South Wales Legislative Council to establish a state based CDS.

Households often conceive recycling as their most important contribution to environmental sustainability. In one sense, they are correct. The production of virgin materials from non-renewable extractive industry resources is environmentally and economically irresponsible when packaging and consumer goods can be recovered and reused.

Recently, the NSW Government and Opposition voted against my Private Members Bill, the *Waste Avoidance and Resource Recovery (Container Recovery) Bill 2008*. This Bill would have established a State based Container Deposit Scheme in NSW.

Both the NSW Government and the NSW Opposition party voted against the Bill on the grounds that CDS should be implemented at a national level and that the Environmental Protection and Heritage Council is making progress towards commissioning a Regulatory Impact Statement at the conclusion of a 'consumer willingness to pay' report[1]. Certainly it was disappointing that NSW could not lead the nation, but the commitment of both the NSW Government and the NSW Opposition to establish a National based CDS is an indication that public desire for an extended producer responsibility (EPR) scheme has reached critical mass.

While the desire for national consistency is strong, NSW was denied an income stream of approximately $33.8 million annually, derived from operating a State based CDS. It is important that the same opportunity is not forsaken at the national level.

1 NSW Legislative Council – 18 June 2009 – Waste Avoidance and Resource Recovery (Container Recovery) Bill 2008 2nd Reading Speech. See the Hon Catherine Cusack and the Hon Penny Sharpe

Senator Ludlam's *Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009* provides an opportunity to deliver Australia an environmentally effective and economically efficient waste management and recourse recovery mechanism. It would be a fundamental step forward in developing the necessary waste management infrastructure to support the collection and recovery of not just beverage containers but also of a range of extended producer responsibility products such as e-waste, used lead acid batteries (ULAB) and compact fluorescent lightbulbs (CFLs).

Developing EPR recovery infrastructure will significantly change the economics of EPR product recovery, which at present appears as an expensive regulatory option in Regulatory Impact Statements. Waste management infrastructure will provide better economies of scale and reduce the existing estimates of cost. If we are serious about establishing green industry and jobs capacity, developing our waste management infrastructure should be a government priority.

Economics of CDS

In May, the EPHC considered the Beverage Container Investigation Report by the BDA Group. The report considered the economic costs and benefits of a range of approaches to beverage recycling including container deposit schemes. The Committee in considering the BDA Report into beverage container deposits should treat the report with caution and understand its practical limitations. The modelling used in the report omits key cost savings and inflates CDS costs.

The "Beverage Container Investigation Report" author, the BDA Group – the report considered by the EPHC in May this year - failed to consider that the alleged handling costs and capital investment could be significantly defrayed by using collection infrastructure as a collection point for a range of extended producer responsibility products. According to calculations done by the Boomerang Alliance, if non-container deposit materials collected by the same collection centres in South Australia were extrapolated to a national level the collection of additional scrap would be of the order of 494,000 tonnes per annum, thus offsetting the cost of the container deposit system by $102 million a year.

The total inconvenience cost attributed to a national container deposit scheme by the report to the Environment Protection and Heritage Council is around $223 million each year. The assumptions behind this methodology are false and fatally flawed. They assume that consumers will not integrate transportation of containers into existing daily routines, therefore incurring a separate transport cost. They assume that the space in a household where containers are stored have to be attributed an additional storage fee. They further assume people will stand in their backyard or patios and turn on the hose to rinse out every single bottle.

These are but a brief snapshot of the shortfalls of the BDA Report that should trigger the Committee to critically consider the report. The Committee will need the guidance of industry experts to more fully dissect other problematic modelling in the BDA Report.

I would ask the Committee to take note of the criticisms raised by the peer review of the report and consider the alternative modelling undertaken by the Boomerang Alliance and the Total Environment Centre that found that a National Container Deposit Scheme could deliver a net benefit of $81 million p.a.

Current Regulatory Options and Frameworks

I would submit to the Committee that they consider how many times the current self

regulatory framework has failed us. In NSW, prior to the establishment of the National Packaging Covenant (NPC) Mk I, the packaging industry agreed to EPA waste minimisation targets in 1995 under the now repealed *Waste Minimisation Act (NSW)* and had failed to meet such targets. In 1999, government and industry created the NPC and adopted recycling targets. By 2005 it was clear that the NPC was not delivering on recycling improvement required to meet the targets, yet the NPC Mk II was adopted until 2010.

Rather than improve resource recovery, self-regulatory control and the freedom to dictate its targets have compounded the packaging industry's failure to implement the most basic measures to minimise packaging wastage and increase recycling rates. The industry has shirked its responsibility, made a mockery of principles it pioneered, such as shared responsibility and product stewardship, and obliterated any hint of extended producer responsibility.

The figures speak for themselves. The NPC set a 2010 target for all packaging recycling of 65%. In 2005, the NPC claimed they had achieved **46.4%** recycling rate and by 2007 claimed a recycling rate of **55.8%** under the Covenant. However, the data integrity review of the Mid-term review data by the Total Environment Centre suggests that the 2007 recycling rate is more accurately around **48.3%.** More recent estimates have the current rate around **51%**. If it is assumed that there is annualised recycling rate increase of **1.2%** (46.4% *2005* to 48.3% *2007*), it is obvious that the NPC will not reach the 65% target in 2010.

By 2010 we would have witnessed 20 years of unfulfilled promises by the packaging industry to increase recycling rates under self-regulatory regimes. During this same period, South Australia has implemented a State based CDS and increased beverage recycling rates from approximately 40% to 80%. We do note that there are evaluation and regulatory impact assessment processes to adhere to in considering CDS, however inefficient elements of the NPC should not continue until theses processes have been exhausted.

I would urge the Committee to consider whether the Federal Government can support the renewal and continuation of the NPC before a Regulatory Impact Statement into CDS has been produced and fully evaluated. In coming to a position, the Committee should consider the historical effectiveness of the NPC.

CDS co-existence with Kerbside recycling

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Industry opponents of CDS such as Coca Cola Amatil, who incidentally represent **9.96%** of the all litter nationally, have suggested that CDS will undermine the viability of kerbside recycling. I would submit that it would increase the economic viability of kerbside and deliver ratepayers real household savings without threatening the environmental benefits of kerbside.

The Local Government and Shires Associations of New South Wales have noted the immense cost of kerbside recycling services to local councils and communities. New South Wales local government spends approximately $168 million on kerbside recycling each year. After obtaining the local government waste return data collected by the NSW Department of Environment and Climate Change local cost savings for 4 NSW Local Councils under a State based CDS were calculated. A 10c container deposit return scheme provides local councils with new income from returning beverage containers remaining in kerbside recycling, savings in landfill fees, lower gate fees at recyclers and increased income from recycled paper sales. It is calculated that;

- Marrickville Council could save approximately $278,000 from its annual kerbside

recycling costs of $3.4 million, an 8 per cent cost savings

- Hornsby council could save $451,000 from its $2.5 million kerbside budget, an 18 per cent cost saving per year.

- Leichhardt Municipal Council could save $213,000 from its $1.4 million kerbside recycling budget, a 15 per cent annual saving.

- Wagga Wagga City Council could save $102,000 from its $1.1 million kerbside budget, a 9 per cent yearly cost saving.

Across all four councils there would be a $1.1 million cost saving under a 10¢ container deposit scheme. These figures are consistent with New South Wales based figures on cost savings to ratepayers, calculated at $19.9 million per annum. To support this position the South Australian Environment Protection Authority provided a paper to the Environment Protection and Heritage Council, further reinforcing the evidence that a container deposit scheme does not adversely impact on kerbside systems.

The co-existence of CDS and kerbside is emphatically proven in a number of jurisdictions including all Canadian provinces, South Australia, California and a number of European countries. There is no international evidence available to support the suggestion CDS will threaten the viability of kerbside systems.

The Committee should require those suggesting CDS cannot co-exist with kerbside recycling to present empirical evidence from national and international experience to support their allegation.

Environmental and Green Job Benefits of the Bill

CDS is truly a double dividend environmental waste management and resource recovery option. Nationally 512,000 tonnes of containers winds up in landfill (210,000 tonnes in NSW) each year. The remainder of disposed beverage containers not landfilled or recycled can be found in our marine environment, in our recreational areas and in our cities. Environmental benefits from recycling beverage containers can be divided into two streams; litter and pollution reduction and reduced energy use associated with production of virgin materials. More specifically a national CDS could -

- Decrease by litter on our streets, parks and beaches by 12 -15%,

- Reduce our greenhouse gas emissions by nearly 1 million tonnes of CO2 per year - the equivalent of switching 135,000 homes to 100% renewable energy.

- Save enough water to permanently supply over 30,000 Australian homes.

- Deliver the air quality improvements equivalent to taking 56,000 cars off the road.

In NSW, the State Government is not on target to meet its 2014 recycling rates objectives[2]. Municipal waste recycling in New South Wales is currently at 38 per cent, which is an improvement of 8 per cent on 2002 recycling levels. This means we have an annual recycling level increase of 2 per cent. Considering that we are now only five years away from the 2014 target of 66 per cent, it would appear that the NSW Government is not on a trajectory to meet this target. For states like NSW, CDS would play an important part in helping achieve recycling targets and environmental outcomes.

The Committee should note the significant environmental benefits associated with CDS and the scale of environmental benefits achieved under the NPC.

2 See NSW 2008 Waste Avoidance and Resource Recovery Progress Report

Summary

In considering this Bill the Committee should;

- *take note of the criticisms raised by the peer review of the report and consider the alternative modelling undertaken by the Boomerang Alliance and the Total Environment Centre that found that a National Container Deposit Scheme could deliver a net benefit of $81 million p.a.*

- *consider whether the Federal Government can support the renewal and continuation of the NPC before a Regulatory Impact Statement into CDS has been produced and fully evaluated. In coming to a position, the Committee should consider the historical effectiveness of the NPC.*

- *require those suggesting CDS cannot co-exist with kerbside recycling to present empirical evidence from national and international experience to support their allegation.*

- *note the significant environmental benefits associated with CDS and the scale of environmental benefits achieved under the NPC.*

Verdantly

Ian Cohen MLC