



Draft Submission on Packaging Waste Consultation Regulatory  
Impact Statement

**DATE**

**March 2012**

## 1. Opening:

The Local Government Association of NSW and Shires Association of NSW (the Associations) are the peak bodies for NSW Local Government.

Together, the Local Government Association and the Shires Association represent all the 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Land Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to NSW and Australian Governments; provide industrial relations and specialist services to councils and promote Local Government to the community and the media.

As waste management, recycling and environmental management are very high priority functions and responsibilities for Local Government, the Associations welcome the opportunity to make a submission on the Packaging Waste Consultation Regulatory Impact Statement (RIS)

## 2. Preparation of this Submission:

This submission has been prepared based on the following:

- The Associations' long standing policy position and resolutions at successive annual conferences which have expressed:
  - strong support for greater industry responsibility for the environmental, social and economic impacts of packaging waste.
  - support for a container deposit scheme (CDS) for beverage containers.
- Consideration of the draft submission by the Associations' Natural and Built Environment Committee and Executives. (Note that final endorsement of this submission will be forthcoming at the Executives' meetings in early May, and any changes that result from their consideration will be communicated to the CRIS secretariat at that time. In the mean time however, this submission is provided to assist the secretariat with its preparation of information to assist Ministers to make their determination in July 2012.)

## 3. Submission:

The Consultation RIS (CRIS) sets out six options or scenarios for comparison, as follows:

- Option 1: National Waste Packaging Strategy
- Option 2: Co-regulatory Packaging Stewardship, with three specific sub-options
  - 2 (a): the Australian Packaging Covenant replaced by co-regulation under the *Product Stewardship Act 2011*
  - 2 (b): Industry Packaging Stewardship
  - 2 (c): Extended Packaging Stewardship
- Option 3: Mandatory Advance Disposal Fee
- Option 4: Mandatory Container Deposit Scheme (CDS), with two specific sub-options
  - 4 (a): Boomerang Alliance CDS
  - 4 (b): Hybrid CDS

The Associations' submission will mainly focus on the relative merits of options 4a and 4b against the other (non-CDS) options. In the Associations' view, options 1, 2(a), 2(b), 2(c) and (to a lesser extent) 3, largely represent "business as usual", with minor tweaking.

The real issue for consideration (and in the Associations’ view, the actual question being faced by the Ministers) is? an assessment of the costs and merits of a significant quantum shift in the way packaging waste, and container waste specifically, are managed in Australia, though the introduction of a CDS.

In the Associations’ view, the CDS issue has been massively over-analysed during the past few years, with the application of cost-benefit analyses, willingness-to-pay investigations, endless peer reviews, industry-funded consultancies and discussions.

The result of this over-analysis, is that it has somewhat blinded the decision-making process to compelling real-world evidence which is all around us. There has been so much intensive desktop and hypothetical critique and counter-argument between the pro and anti-CDS camps, so much intensive analysis of (largely hypothetical) data, that we have failed to notice or acknowledge that systems, with their relative strengths and weaknesses, are actually operational all over the world, and indeed, quite close to home.

Yet the CRIS and the studies which accompany it and have led up to it largely ignored real world evidence in favour of assumption, desk-top analysis and projection.

In light of this, the following Cost-Benefit Analysis (CBA) table from page (xiii) of the CRIS, which largely underpins the findings of the CRIS, warrants some scrutiny:

TABLE E.1: CBA RESULTS BASED ON MARKET-BASED VALUES (AND LANDFILL EXTERNALITIES)

	Option 1	Option 2 (a)	Option 2 (b)	Option 2 (c)	Option 3	Option 4 (a)	Option 4 (b)
Costs (millions)	\$311	\$258	\$554	\$984	\$981	\$2,125	\$2,471
Benefits (millions)	\$262	\$304	\$503	\$786	\$786	\$710	\$710
NPV (millions)	-\$49	\$46	-\$51	-\$198	-\$195	-\$1,414	-\$1,761
BCR (number)	0.84	1.18	0.91	0.80	0.80	0.33	0.29
2035 recycling (tonnes)	4,222,000	4,200,000	4,264,000	4,497,000	4,497,000	4,313,000	4,313,000
2035 litter (tonnes)	30,000	31,000	29,000	22,000	22,000	28,000	28,000
2035 landfill (tonnes)	956,000	977,000	915,000	689,000	689,000	867,000	867,000

- The “2035 recycling (tonnes)” calculation does not take into account under-performance (through contamination) of the non-CDS options. It assumes that if a system is in place it will perform at maximum capacity. For example it is clearly highly unrealistic to expect option 2(b), the “National Bin Network”, involving placement of public place recycling bins, to reliably collect 4,497,000 tonnes of recyclables, (only slightly less than the projected 4,323,000 for CDS options 4a and 4b), when there is clear, real-life evidence of the high rates of contamination of public place recycling bins and also clear evidence of high return rates and the lack of contamination in the South Australian CDS recycling stream.
- The cost of the options is based on incomplete data and/or erroneous calculations regarding the ongoing cost to councils of servicing the systems that will eventuate from

the options. For example option 2(b), which the CRIS asserts to be among the “least cost” options, is based on the assumption in the Price Waterhouse Coopers (PWC) Packaging Cost Benefit Analysis Report that the cost of servicing public place recycling infrastructure is as low as \$26 per tonne. This estimate was based on “industry-sourced and tested costs to own and operate commercial collection vehicles” and was then “compared with market prices obtained on a confidential basis from a number of service providers”. The objectivity of this information must surely be called into question, given industry’s clear commercial interest in the expansion of collection services to public places. Yet councils (who were not questioned) provide real world evidence that the cost of servicing public place recycling infrastructure is significantly higher than this per tonne, due to logistical issues (bin locations) and inevitably, high levels of contamination requiring sorting or rejection of loads.

- This raises serious questions about the CRIS’s assertion that “The costs to households and (non-packaging) businesses under option 2 would be limited to the participation costs of sorting recyclable materials and transferring them to recycling bins” (p49). This clearly fails to recognise the significant and on-going cost to councils and (therefore indirectly) to households of servicing infrastructure installed as part of option 2
- According to the CRIS, the cost of CDS options 4a and 4b far exceeds the other non-CDS options. This cost appears to be based on two main elements, the cost of setting up infrastructure and the inconvenience cost to householders. In both these cases, in LGSA’s view, the assumptions are not defensible:
  - In assigning the infrastructure costs, the CRIS states (p39) “These options are built on the assumption that using existing infrastructure, such as recycling depots, reduces infrastructure costs, but that some new infrastructure would be needed, such as reverse vending machines (RVMS) and shop front collection centres” It then goes on to state: “It should be noted that the infrastructure requirements for these options are not the same as in the Northern Territory where CDS collection depots approved to date are predominantly based on additions to already existing infrastructure”. The CRIS further states: (page 41) “It should be noted that the infrastructure requirements for options 4 (a) and 4 (b) are not the same as for the CDSs in the Northern Territory and South Australia”. . On what basis is the assumption made that there would not be the same use and adaptation of existing infrastructure in other parts of Australia, if a national CDS was introduced? Clearly the “real world” evidence from SA and NT would suggest otherwise.
  - Costs of participation of households in CDS options 4a and 4b are based on “the costs of driving to a collection facility (including both vehicle operating costs and in-vehicle travel time) and the value of the time it takes to redeem containers at the facility” (p41). Not surprisingly, this cost appears very high (\$447-457 million) compared to the cost of non-CDS options (in order of \$83-150). This is based on the assumption that householders would make dedicated journeys for the sole purpose of dropping containers at the CDS depot. What is conveniently ignored, however, is the real-world evidence, certainly from SA and potentially emerging from NT, that householders adapt their travelling to incorporate a visit to the CDS drop-off centre as part of their current movements (shopping, school pickup etc)
  - With regard to the impact of the options on the cost of litter clean up, the suggestion that the installation of infrastructure (public place recycling bins) as proposed by

option 2b would provide a benefit of \$102 million, compared to a benefit from CDS of \$114 (only slightly more) is seriously questioned (p42). Once again, this overly high estimate of \$102 million may be based on the assumption that everything that should go into the right bin actually does go there. Clearly this assertion is not borne out by experience, with high levels of public place litter including containers, despite the proximity of bins, (whether recycling bins or general). Conversely, a CDS, by providing a financial incentive for container return, has a dramatic impact on container litter, as demonstrated by SA and expressed year after year by Clean Up Australia.

### **Conclusion**

It is disappointing that, after all this time, all these negotiations, studies, consultancies and reports, that the consideration of a CDS has not come to terms with some fundamental truths, and that these truths have been clouded by over analysis and modelling, at the expense of the consideration of the following realities:

- Our current system of kerbside collection for recyclables and in particular containers has been successful, but it has reached its finite potential. Recycling rates from households are high, but overall rates when away from home containers are included, are low to average. The simple fact is that away-from home consumption of packaged beverages requires a fundamentally different approach.
- Simply replicating the coloured bin kerbside system in public places, as option 2b suggests, is next to worthless. Contamination rates and an “away from home mentality” will render such a system costly and ineffective due to the need for additional sorting and frequent load rejection. The evidence is abundantly clear that the home recycling ethic does not readily translate into people’s attitudes when they are out and about. And even if it does, the level of recalcitrance in a high proportion of the community will render the efforts of the diligent to be undermined, even useless.
- The current system of kerbside recycling of packaging incurs a significant cost to local councils and their households, and this cost represents a “blunt” impost which does not discriminate between high volume consumers and waste-aware residents. It is not a “user pays” system, and does not encourage behaviour change or a greater level of discrimination in consumption behaviour.
- Conversely, there is abundant, real-world evidence in other nations and in South Australia, and more recently in the Northern Territory, that CDS, as an economic behaviour change instrument, is a highly effective tool to ensure the return of well sorted containers for recycling and reduce littering rates.
- The Associations consider arguments about the negative impacts of CDS on the economics of kerbside to be spurious and unfounded. Again, they are simply not borne out by real-world experience. The benefits imparted by the separation of the valuable paper stream from the container stream (and the resultant reduction in contamination by glass fines) results in a win-win, as the quality and economic value of both streams (paper and containers) is enhanced.

It is hoped that the Ministers’ consideration of the CRIS (and significant scrutiny of the assumptions therein, which have determined the cost-benefit analyses) will be complemented by a consideration of the manifest, demonstrable benefits of a CDS for Australia. Local Government strongly supports the introduction of a national Container Deposit System.