



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

ENVIRONMENT, COMMUNICATIONS AND THE ARTS
LEGISLATION COMMITTEE

**Reference: Environment Protection (Beverage Container Deposit and Recovery
Scheme) Bill 2009**

MONDAY, 7 SEPTEMBER 2009

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SENATE ENVIRONMENT, COMMUNICATIONS AND THE ARTS

LEGISLATION COMMITTEE

Monday, 7 September 2009

Members: Senator McEwen (*Chair*), Senator Birmingham (*Deputy Chair*), Senators Ludlam, Lundy, Troeth and Wortley

Participating members: Senators Abetz, Adams, Back, Barnett, Bernardi, Bilyk, Mark Bishop, Boswell, Boyce, Brandis, Bob Brown, Carol Brown, Bushby, Cameron, Cash, Colbeck, Jacinta Collins, Coonan, Cormann, Crossin, Eggleston, Farrell, Feeney, Ferguson, Fielding, Fierravanti-Wells, Fifield, Fisher, Forshaw, Furner, Hanson-Young, Heffernan, Humphries, Hurley, Hutchins, Johnston, Joyce, Kroger, Ian Macdonald, McGauran, McLucas, Marshall, Mason, Milne, Minchin, Moore, Nash, O'Brien, Parry, Payne, Polley, Pratt, Ronaldson, Ryan, Scullion, Siewert, Sterle, Trood, Williams and Xenophon

Senators in attendance: Senators Birmingham, McEwen, Ludlam and Troeth

Terms of reference for the inquiry:

To inquire into and report on: Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009

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Committee met at 4.04 pm

CHAIR (Senator McEwen)—I declare open this public hearing of the Senate Standing Committee Environment, Communications and the Arts Legislation Committee in relation to its inquiry into the Environment Protection (Beverage Container Deposit and Recovery Scheme) Bill 2009. The committee's proceedings today will follow the program as circulated. These are public proceedings. The committee may also agree to a request to have evidence heard in camera or may determine that certain evidence should be heard in camera. I remind all witnesses that in giving evidence to the committee they are protected by parliamentary privilege. It is unlawful for anyone to threaten or disadvantage a witness on account of evidence given to a committee and such action may be treated by the Senate as a contempt. It is also a contempt to give false or misleading evidence to the committee. If a witness objects to answering a question, the witness should state the grounds upon which the objection is to be taken and the committee will determine whether it will insist on an answer having regard to the grounds which are claimed. If the committee determines to insist on an answer, a witness may request that the answer be given in camera. Such a request may, of course, also be made at any other time.

I note also that the Senate has resolved that an officer of a department of the Commonwealth or of the states shall not be asked to give opinions on matters of policy and shall be given a reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Any claim that it would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim.

[4.07 pm]

MANNING, Mr Greg, Director, Product Stewardship Packaging Team, Waste Policy Branch, Environment Quality Division, Department of Environment, Water, Heritage and the Arts

PEARCE, Ms Kelly, Assistant Secretary, Waste Policy Branch, Department of Environment, Water, Heritage and the Arts

WRIGHT, Dr Diana, First Assistant Secretary, Environment Quality Division, Department of Environment, Water, Heritage and the Arts

CHAIR—I welcome you to the committee. Thank you for coming along today. Does anybody wish to make an opening statement before we go to questions?

Dr Wright—Yes, I have a short opening statement. Thank you for the opportunity to appear before you today. Beverage containers play an important role in society but also form a significant part of the packaging waste stream and a visible component of litter. They play a valuable role in protecting and marketing various beverages but effective strategies are needed to address their impacts on the environment. The proposed beverage container deposit and recovery bill will provide one strategy for addressing both litter and resource recovery issues. However, it is important that we have a clear understanding of what the bill seeks to achieve, its overall costs and benefits and its impact on the sustainability of systems currently in place to manage packaging waste more broadly.

Since April 2008, the Environment Protection and Heritage Council has commissioned two studies to inform its thinking on the merits of a container deposit scheme or other measures to address the environmental impacts of packaging. The first of these, the beverage container investigation report, was considered in May this year. The findings of this report suggest that both a national container deposit scheme and a national advance disposal fee warrant further detailed investigation. Following consideration of this report, the EPHC has agreed to conduct a second study into this issue. This is based on a survey of the community's willingness to pay for a new national measure to address packaging waste, including a container deposit scheme. The findings of this survey are expected to be complete in time for the EPHC's consideration at its upcoming meeting in November.

Since 1999, the nationally agreed mechanism for improving the sustainability of packaging has been the National Packaging Covenant. Working hand in hand with kerbside recycling, the covenant is working towards a national recycling rate of 65 per cent of all packaging by 2010. A mid-term review of the covenant in 2008 indicated it was on track to meet that target. The current covenant is due to expire in June 2010, and consideration is being given to its future direction. The EPHC has already requested a new covenant to include a stronger focus on away-from-home recycling and litter reduction. The future of the covenant is an important consideration in relation to the possible introduction of a national container deposit scheme, and the EPHC will consider both of these issues in November.

Finally, the committee should be aware that during 2009 the department has been leading the development of a new national waste policy. This is the first time Australia's national approach to waste has been reviewed since 1992, when it formed part of Australia's Strategy for Ecologically Sustainable Development. The aim of the national waste policy is to ensure that Australia has the right mix of incentives and regulation to provide environmental, social and economic benefits to the Australian community. One of the strongest messages received during extensive community consultation for the policy has been the need for a national approach to product stewardship. This is likely to be an element of the policy which is to be considered by EPHC in November. Thank you again for the opportunity to appear before the committee today. We would be happy to answer any questions.

CHAIR—Thank you very much for your statement, Dr Wright.

Senator LUDLAM—Can I confirm with you that the state of play is that the main work that you are currently undertaking, or have commissioned to be undertaken, is the willingness to pay survey?

Dr Wright—In relation to beverage container deposit schemes, yes. That was what was agreed at the EPHC's May meeting.

Senator LUDLAM—I will confine my comments to just the CDL, because that is the bill we are mainly considering today. The BDA report, which we heard a bit about from other witnesses in earlier evidence, referred to about a quarter of a billion dollars worth of so-called inconvenience costs that had been modelled

that consumers would, in theory, have to pay, which added quite substantially to the modelled costs of the CDL scheme. Is the willingness to pay survey, to a degree, in some way related to quantifying consumer attitudes?

Dr Wright—No, the willingness to pay survey assesses consumers' willingness to pay on top of existing amounts specifically for recycling. The EPHC has also recently commissioned and assessed a willingness to pay survey for TVs and computers. It is trying to quantify community values and attitudes.

Ms Pearce—In this area it is quite difficult to look at the environmental and social benefits. There is no market for environmental and social benefits generally for many things, so what we are seeking to do through the willingness to pay survey is to assess what the community is willing to pay for recycling, particularly of packaging and beverage containers. It is all about that aspect of 'what am I willing to pay', given a plausible scenario for additional recycling of packaging.

Senator LUDLAM—Can you give us an idea of what form the surveys take: are they face to face or by phone? How are they undertaken?

Ms Pearce—They use a mixture of processes. There have been focus groups to get an idea of how to target the survey. Then the bulk of them, as I understand it, are telephone surveys.

Senator LUDLAM—Are you asking people simple questions, such as are they willing to pay an extra 10c on a can of coke?

Ms Pearce—No, they are generally not quite as simple as: 'Are you willing to pay an extra 10c on a can of coke?' They try to set up scenarios for people. The initial survey looks at the context, such as whether the person has kerbside recycling. It sets up the scenario, talks about whether, as part of kerbside recycling, the person would be willing to pay an extra amount for recycling and, if so, how much. Then it looks at what the person would be willing to pay for taking packaging back to, for example, the local shopping centre with a guaranteed 80 per cent recycling. It takes people through a set of scenarios and asks them whether they would pay \$10 or 50c, or whatever, and tries to get a statistically valid sample of the person's scope, depending on the scenario.

Senator LUDLAM—Are the surveys done right around the country?

Ms Pearce—Yes, they are being done in every jurisdiction. We have a regional set and a capital city set running for each state and territory.

Senator LUDLAM—Are you running a slightly different process in South Australia, where obviously there is already a scheme?

Ms Pearce—We are doing the same thing in South Australia.

Senator LUDLAM—But are you asking different questions? They have container deposits there.

Ms Pearce—No, we are not asking different questions. As I understand it, for each state there will be a slightly different context, so people can say that they have this or they do not have this—just to give a bit of background, because, as you would expect, things differ among states and territories. The Northern Territory has radically different arrangements from South Australia or New South Wales. There is a slight difference between the surveys but the actual questions should not change. That would not be a valid thing.

Senator LUDLAM—Is it expected that the report will be made public, or would that be an internal document for the EPHC?

Ms Pearce—That is up to the EPHC. They did make the investigation public, so I suspect they will make this public as well, but it is certainly a decision for them.

CHAIR—Could I ask: who is doing it for the EPHC? Do you know? I presume there is a consultancy group.

Dr Wright—PricewaterhouseCoopers. And just to clarify, the choice modelling is on packaging, of which beverage containers are one component.

Senator LUDLAM—Are you specifically asking questions about a container deposit scheme of the sort that this bill would enact?

Ms Pearce—Not really. What we are trying to do is to ascertain people's willingness to pay rather than their preference for one scheme or another.

Senator LUDLAM—Their willingness to pay for what? Sorry if we are going over old ground.

Dr Wright—Willingness to pay for recycling at various levels. I could have a willingness to pay 20c for recycling up to 50 per cent, but if I knew that for an extra 10c I would get 80 per cent, I might be willing to pay more. So it actually gives some scenarios to try to get the sensitivity of willingness to pay. So it is not checking on the attributes of a particular scheme—that would be part of a separate analysis—but to find overall willingness to pay.

Senator LUDLAM—So you would not ask people, for example, about their willingness to be paid with a refund on recycling materials, for example. It sounds as though the best we could expect at the meeting in November is for another round of studies about willingness to pay for container deposits. I understood that one of the outcomes of the meeting earlier in the year in Hobart was that CDL schemes were being further investigated and this was one key way of doing that. Is that not the case?

Dr Wright—The first step of that investigation is the willingness to pay—a choice modelling exercise. Following that, ministers will make a decision as to which way to go from there and whether there is a further study which includes a regulation impact statement on various options. So if they were to choose to go down the regulation impact line, then a range of options would be explored and economic modelling would be undertaken. Ministers felt at the May meeting that there was a lot of information but it was not clear and they needed more information on the willingness to pay before they could take the decision on whether to go down the regulation impact route.

Senator LUDLAM—Okay. I recognise that you can really only do what you were instructed to do at that meeting, but I just want to be clear that the ministers in that case did not take the evidence that was already on the table in favour of a container deposit. They have kind of deferred further modelling or decision making until into next year, effectively.

Dr Wright—They have deferred taking a decision on the next step—

Senator LUDLAM—Yes.

Dr Wright—Is it because they wish to be informed by the willingness to pay?

Senator LUDLAM—I am still trying to pin this down, because we are here to talk about a container deposit scheme, it will be willingness to pay in the very broadest sense—not talking about any particular way of achieving that.

Dr Wright—Maybe I should defer to Ms Pearce, who is oversighting the choice modelling—

CHAIR—What is the ‘choice’ part? Are you talking about *Choice* magazine?

Dr Wright—No. Choice modelling is the terminology applied to this particular methodology. It is a very rigorous form of analysis that seeks to quantify values for which you cannot easily put a dollar value—community attitudes being one. It has been used both domestically and internationally for such assessments and in decision making for the last 10 or 15 years.

CHAIR—Is the council doing anything about container deposit legislation schemes of the kind envisaged by this bill specifically?

Dr Wright—At present, apart from the choice modelling survey, there is no specific work being undertaken. We have had the BDA report. They will not be doing any more until they have been informed by the choice modelling survey in November and at the same time they will also be updated on progress with the national packaging covenant, which is also closely related to future directions. They need to look at both of those at the same time and take a decision as to whether to do further investigation on one or more options associated with either beverage containers specifically or packaging more broadly.

Senator BIRMINGHAM—Thank you for your evidence today. Does the choice survey deal with indirect costs in terms of people’s time or the effort required?

Ms Pearce—It does not directly deal with that issue. It provides someone, for example, with a scenario that may include those sorts of attributes in the sense, for example, of a person’s willingness to pay if they have to take their packaging to a nearby recycling facility as opposed to if someone picked it up from your kerbside. It does deal with that in an indirect way, but it does not blatantly ask a person, ‘How much time do you spend on this and is it inconvenient for you?’ Does that make sense?

Senator BIRMINGHAM—It does not an extent. It at least presents different scenarios. In some scenarios, the maximum effort is walking out the back door to your multicoloured bins; in other scenarios, the effort is

driving to a recycling centre and loading the car up—those types of different options, which have different nominal direct financial costs attached to them.

Dr Wright—For example, with the recent choice modelling assessment on TVs and computers, the public indicated a higher willingness to pay if they were to be picked up from their kerbside rather than them having to drive to a drop-off centre. They were willing to pay for both, but they indicated a preference, through being willing to pay more, for the convenience of kerbside pickup for those particular items. It gives you a bit of a feel for the nature of the survey questions. The reason for using focus groups is to ensure that the surveys are comprehensive and unbiased. To ensure that the questions are appropriate and targeted and that bias is eliminated takes a lot of road testing and finessing.

Senator BIRMINGHAM—So the survey work already undertaken around electronic goods found that consumers will pay a premium for the convenience of disposal from their door rather than them having to go elsewhere.

Dr Wright—It indicated that there was a high willingness to pay for kerbside pickup. But the outcome of the survey—the overall modelling—was that regardless there was a strong willingness to pay for a high level of recycling of TVs and computers.

Senator BIRMINGHAM—Coming back to CDL issues generally, does the Commonwealth government have a policy on a national CDL scheme?

Dr Wright—I am not aware that the minister has made any firm statement on container deposit schemes or legislation. The EPHC has indicated its willingness to explore all the options and explore them quite thoroughly.

Senator BIRMINGHAM—Okay. That then flows to the next question. Has the EPHC ruled out CDL at this stage in its consideration following the BDA report?

Dr Wright—Most definitely not.

Senator BIRMINGHAM—In terms of the credibility of the BDA report, some witnesses have quoted from it and some witnesses have criticised it. What work has the department done to authenticate that report?

Dr Wright—It was peer reviewed by Covec. Before the report was submitted to the EPHC, it was peer reviewed by a company with expertise and a strong analytical base. I believe that some adjustments were made as a result of that peer review to improve the clarity of the report and provide detail on the modelling assumptions.

Senator BIRMINGHAM—We obviously have access to the report, so I do not feel the need to go over what it actually said.

Senator TROETH—The EPHC is due to consider the findings of a consumer attitude survey at the 5 November meeting. What level of community support would the BCWG seek for that survey before it went further with a regulatory impact statement? To what level would the support that you mentioned have to get to?

Dr Wright—That is a hypothetical question that I do not think that I can answer at this stage. Because the choice modelling survey is exploring a range of attitudes to packaging, including beverage containers, until the modelling is undertaken—

Senator TROETH—It is hard to say.

Dr Wright—it is impossible to say. As we explained, a lot of work has gone into the preparation of the survey to make sure that it is rigorous and robust. We will not know until not just the survey has been completed but the analysis. Great care is taken to make sure that you have not only the right number of respondents but they are in the right age profile, economic position et cetera so that you have a true cross-section of the population. It has to be very robust. Even if we had early results from one particular location, you could not use those as indicative, because they have to be subject to very thorough analysis.

Senator TROETH—Have you used the choice modelling method before?

Dr Wright—The choice modelling approach has recently been applied by EPHC to TVs and computers. Other jurisdictions—Queensland, for example—have used choice modelling in the recent past and it has been used quite widely overseas by governments for decision making on things including forestry management and approaches.

Senator TROETH—Would the costs outlined in the BDA Group report apply to the model proposed in the bill that we are looking at at present?

Dr Wright—My recollection is that there are similarities in that one of the approaches looked at in the BDA report was a scheme that was run by a government department. That is similar to the proposal in the bill. But it certainly did not do so in every detail, and I have not checked on the coverage, because the BDA report is based on the Californian model and I am not sure that the range of types of containers that are covered in Senator Ludlam's are precisely the same. At a high level, there is one that is similar. But on the matter of detail, no.

Senator TROETH—There was also a Hyder consulting container deposit system feasibility study commissioned by the Tasmanian government.

Dr Wright—That is correct.

Senator TROETH—Did the BCWG consider that report?

Dr Wright—No. I believe that the Tasmanian government may have shared that report but it will not form a direct component of the work being undertaken for the EPHC.

CHAIR—Has the thrust of the survey changed in the Northern Territory at all since the Northern Territory government announced it will introduce its own CDL scheme?

Dr Wright—No.

CHAIR—So that has not been taken into account in assessing consumer response?

Dr Wright—As Ms Pearce explained, for each jurisdiction the context is included. The questions are the same or equivalent but the context is local so it is appropriate to different circumstances.

CHAIR—I just wondered whether it had changed when the Territory government made that announcement. That is fine.

Senator LUDLAM—If the choice modelling you are doing comes back positively and shows a high degree of willingness to pay for enhanced recycling services it is not going to give you or the ministers any advice or take any positions on how to get there, is it? It is just a community attitudes survey.

Ms Pearce—It is a bit more than a community attitude survey because it gives us an economic value. That economic value then goes into a regulatory impact statement cost-benefit analysis and helps us quantify the willingness to pay of people in the absence of a market. It gives us a vital piece of the jigsaw in doing a regulatory impact statement that we do not have at the moment. That was part of the jigsaw that we needed for computers and televisions in the absence of being able to go out there and say, 'What are you willing to pay in a marketplace?' So in that sense it is useful to help ministers decide whether there is a good case for going on but it also becomes a vital part of trying to set up a cost-benefit analysis in an economic situation where it is quite difficult to value non-market values.

Senator LUDLAM—Yes, I think that is the crux of the whole debate. So this is a big, absent piece of the jigsaw puzzle. In terms of the last meeting of the EPHC, what other pieces of the jigsaw puzzle are still yet to be put into place as far as adoption of a CDL scheme would go? What else do you need?

Dr Wright—Are you referring to the meeting in May or the upcoming meeting?

Senator LUDLAM—I am referring to the upcoming meeting. Maybe this is in two parts—whether anything else was identified in May as being required to inform the next meeting and whether you think that is all falling into place in time for November.

Dr Wright—In addition to the completed choice modelling analysis, the other related element that ministers will have to hand at their November meeting is the National Packaging Covenant. Members of the National Packaging Covenant have been asked to look more closely at various aspects of strengthening the covenant, particularly in relation to things which were features of the last covenant but not strong features, such as away-from-home recycling. Also, ministers will be considering the National Waste Policy, of which approaches to product stewardship will be one element that they are likely to consider. So there are a number of pieces of the jigsaw puzzle.

Senator LUDLAM—Thank you very much.

CHAIR—Thank you very much to the officers of the department for appearing before us today. We appreciate it. There will be a short suspension while we get our next witness on the telephone.

[4.35 pm]

DOLAN, Mr Peter, Director, Science and Sustainability Division, Environment Protection Authority, South Australia

Evidence was taken via teleconference—

CHAIR—I now welcome Mr Peter Dolan from the Environment Protection Authority of South Australia. Can you hear me, Mr Dolan?

Mr Dolan—Yes, I can.

CHAIR—Thank you. The Senate has resolved that an officer of a department of the Commonwealth or of a state shall not be asked to give opinions on matters of policy and shall be given a reasonable opportunity to refer questions asked of the officer to superior officers or to a minister. This resolution prohibits only questions asking for opinions on matters of policy and does not preclude questions asking for explanations of policies or factual questions about when and how policies were adopted. Any claim that it would be contrary to the public interest to answer a question must be made by a minister and should be accompanied by a statement setting out the basis for the claim. Mr Dolan, do you wish to make an opening statement before we go to questions?

Mr Dolan—No, thank you, Senator.

CHAIR—Then we will go to questions.

Senator LUDLAM—I am wondering whether you have had time to review the bill that is before us, and whether you have had time to form a view as to its merits?

Mr Dolan—No, I am not aware of the bill nor have I seen it. I was, unfortunately, only made aware last Friday that I was able to speak with you.

Senator LUDLAM—All right then. This could go fairly quickly. Could you tell us about the position that the South Australian government is taking into COAG meetings on container deposits? Are you supportive of a national container deposit scheme in theory?

Mr Dolan—Yes. The South Australian government's view for many years has been that container deposit schemes work to reduce litter and improve recycling rates, and of course we have that experience from just over 30 years of running our own scheme. The government's view is that the scheme would be made even better if there were a national approach, largely because the downside, if you like, are the possible risks associated with importation of containers from interstate where a deposit has not been paid. So a national scheme would effectively eliminate that risk. Yes, the state government here is fully supportive of a national scheme.

Senator LUDLAM—Are there any changes you would make to the South Australian scheme, which is nearly 30 years old or thereabouts, before you expanded it to give it national coverage? Are there any main features of change that you would offer?

Mr Dolan—We are actually in the process of one change. Approximately one year ago we increased the rate of deposit from 5c per container to 10c per container. That was done because we saw a gradual decline in the return rates over the last few years. It was decided that the 5c was no longer the economic driver it was originally. As you would appreciate, 5c in 1977 is not worth 5c in 2009, so we increased it to 10c. I guess one of the issues with a national scheme would be to ensure a consistent level of deposit throughout the country and there would be an issue to make sure there is consistency so that it is not confusing to consumers and so forth.

Another other issue would be to broaden the base for the scheme as widely as possible. The main driver of the original decision for the container deposit in South Australia was for litter control containers that were highly portable and tended to be consumed away from home. That has led to some anomalies over the years. For instance, for the same container but with two different types of beverage within it, some are covered and some are not. A liquid paperboard 600 ml container with flavoured milk in it is covered by the container deposit, but with plain milk it is not. Yet, from a recycling point of view, clearly the containers are the same and you would get a better recycling rate if both were covered.

Senator LUDLAM—Can you just explain why that is the case—I have missed that detail—or is that one of the reforms that you are seeking to make to—

Mr Dolan—There was a decision made originally that our legislation would cover containers or items that are portable, because it was largely driven by litter control. The idea was to prevent litter. So the view was that things like flavoured milk and soft drinks and so forth were consumed away from the house and that things like plain milk tended to be consumed in houses but not elsewhere. So things like plain milk in the same type of container as flavoured milk are not covered.

Senator LUDLAM—That is strange.

Mr Dolan—What I am saying is that you have different treatment for the same container. I guess the reform will be to ensure that all items in one type of container will be covered equally.

Senator LUDLAM—We have heard quite a bit of evidence from opponents of a national scheme suggesting that CDL schemes are incompatible with kerbside recycling or that they cannibalise some of the resources. What has been the experience there?

Mr Dolan—It is hard to argue against that where you are starting up a container deposit scheme where there is already kerbside recycling. In South Australia we started up a container deposit scheme at least 10 years prior to kerbside recycling being available. Our experience has been that there is no impact at all. In fact, South Australia has the highest return rates and recycling rates and we have both in place, so it is very hard to believe that CDL prevents kerbside recycling working well. In fact, I would suggest it would complement it.

Senator LUDLAM—I will throw back to the rest of the committee and come back again if there is time.

CHAIR—Mr Dolan, the amount of money you get for each container returned in South Australia recently rose to 10c.

Mr Dolan—That is right.

CHAIR—Some people claim that having CDL increases the cost of drinks to the consumer. Do you know? Have you done any research about whether the cost of drinks went up in South Australia as a result of the increase from 5c to 10c?

Mr Dolan—It went up by 5c.

CHAIR—It did go up by 5c?

Mr Dolan—Yes, because they are paying an additional deposit, but of course they can redeem that by returning the container. So the net cost, if you like, did not go up. Perhaps I should clarify: there are two amounts in the container system. There is the deposit and there is the handling fee. The manufacturer is responsible for both but charges the consumer a deposit and, presumably, includes the handling fee as part of the price. The consumer can redeem the container to retrieve the deposit. The handling fee varies—2c to 3c per container. When the deposit was 5c, the price, including the handling fee, was, say, 8c higher than without a deposit. Now that it is 10c it will be 13c without the deposit. But the consumer retrieves the 10c. I am not sure whether that is clear enough.

CHAIR—I understand. I am from South Australia; we are used to it.

Mr Dolan—The bottom line is if you buy a container right now in South Australia and you buy one in New South Wales you will not find a difference in price. The major beverage manufacturers amortise their costs throughout the Australian market and, in some ways, other state consumers are subsidising South Australian consumers because the larger beverage manufacturers charge their container deposit costs across their entire sales.

CHAIR—Is there a cost differential between a 200 ml bottle of coke purchased in South Australia and one purchased in New South Wales or not?

Mr Dolan—No, there is not. In fact, other than the normal fluctuations between sales in different parts of the country I think you will find there is no difference.

CHAIR—Did the number of containers that were recycled in South Australia increase when the amount of the container deposit went up?

Mr Dolan—Yes. We do not yet have a full year's figures, but we have the first nine months since the increase. In those nine months the overall return rate of all types of containers has risen from 70 per cent to 76 per cent. That represents an increase of about 60 million additional containers being returned. So, in the last 12 months, in the order of 577 million containers were returned, and that is an increase of 60 million containers.

CHAIR—Do you keep statistics about whether those figures are consistent between householders, who return the containers themselves, and local governments, which return them via the kerbside?

Mr Dolan—We do not actually differentiate. It is very hard for us to track that. The system works either way. We have anecdotal evidence from recycling depots that they have had a significant increase in business, so we know at least anecdotally that people who never used to return containers are now returning containers. There are a lot of new starters—people who used to put them in the kerbside system are collecting containers to return. In terms of return rates, it makes little difference whether the council or the consumer redeems the deposit.

CHAIR—But some people say that councils' recycling efforts will be undermined by a universal CDL scheme.

Mr Dolan—The overall bottom line is that recycling is the same whether it comes via a kerbside system or via CDL. To say otherwise is nonsense, and that is why most local governments in Australia support a national container deposit system—because there are side benefits. For instance, I am pretty sure the Local Government Association of Queensland is a strong supporter, and its reasoning is mainly that the cost of recovery of litter would be dramatically reduced if containers were picked up through a CDL scheme.

Senator BIRMINGHAM—Thank you, Mr Dolan, for your time today. To finish off on the cost issue and where it is borne, in the recent increase from 5c to 10c, it is accurate to say that there was basically no price difference in South Australia and, if there was, it was probably a price difference felt across Australia rather than in South Australia.

Mr Dolan—Yes, I guess that is right. There is no reason why the handling fee would have changed with the increase. We believe handling fees remained the same but, yes, there has been an increase in the deposit paid and retrieved by people. But major national beverage manufacturers amortise that across their entire market, which evens out the bump, so we have not seen any difference.

Senator BIRMINGHAM—Aside from the anecdotal comparison you gave to Senator McEwen, has the South Australian government done any research at any stage into the rate of return by households versus the rate of return by councils or collectors?

Mr Dolan—Not to my knowledge, no.

Senator BIRMINGHAM—So you do not know whether, as kerbside recycling has become more widespread and indeed in recent years has covered every metropolitan council district in South Australia, there has been a small or a significant drift from consumers returning containers to councils or their contractors returning containers?

Mr Dolan—No, we do not have any direct evidence. But, if you want my comment, the long-term trend for containers such as glass containers is that the return rate has remained basically steady over 30 years at 80 per cent. So, regardless of all the changes that have happened socially or in things like kerbside and other waste management initiatives, glass container recycling with a 5c deposit has remained almost static at 80 per cent throughout 30 years. This year, with an increase to 10c, it has gone up by around half a per cent extra, but recycling of other containers, such as liquid paperboard, has lessened by 14 per cent in the last 12 months. The kerbside system did not affect glass recycling in any way that we can detect. In fact if you look at the long-term trends you do not see any sudden drops when the kerbside system was implemented but you do see a steady decline over time, which we believe is due to the lower value of the 5c deposit.

Senator BIRMINGHAM—Have you done any assessment of the cost of kerbside recycling on a per household or a per suburb basis compared with the cost of kerbside recycling in states without a CDL?

Mr Dolan—No, we have not. I understand a lot of that work is being done at the moment. The Environment Protection and Heritage Council have a working group which is working on the possibility of a national scheme. They have had some consultants doing some work on those sorts of questions, so they might be able to help you with that information. I have not yet seen the outcome of that, though.

Senator TROETH—I want to ask you about costs. We have heard a range of evidence concerning the potential savings and costs of CDL. Could you tell us the total administrative costs of CDL in South Australia and who bears them?

Mr Dolan—Sure. In South Australia, we would spend in the order of \$250,000 per year as a government on managing the container deposit system. The various other players in the scheme—people like recycling depots

and what we call super collectors—cover their costs through their profits. But in terms of government cost, it is \$250,000 a year.

Senator TROETH—So there is a separation of costs.

Mr Dolan—There is a separation of costs. In South Australia, the EPA is very close to being self-funded. The money that pays for container deposits is covered by a waste levy that is charged on solid waste to landfill.

Senator BIRMINGHAM—With regards to unclaimed deposits, where do they rest, stay or finish?

Mr Dolan—The beverage manufacturers retain unclaimed deposits.

Senator LUDLAM—Can you confirm for us that the BDA report that was done prices the South Australian scheme at quite a bit more than that?

Mr Dolan—Yes.

Senator LUDLAM—Have you done any analysis as to how they got there?

Mr Dolan—Yes. We had some people do some work to respond, because we think that it was clearly over the top. The major feature in their report which led to that high level was what they called an opportunity cost. They costed trips by consumers to recycling depots to return containers as an inconvenience cost. They clearly did not understand the behaviour of consumers in doing those costings. My understanding is that they effectively decided that consumers would return every week to a depot to return their containers, whereas our experience is that your average consumer would go every three to six months to return containers to a depot. There is a very substantial difference in our view of convenience cost compared to the view of the BDA people.

Senator LUDLAM—The Grocery Council gave evidence a fortnight ago that that would lead to plagues of insects. Is that the experience in South Australia? Have you not noticed plagues of insects in people's stores of recycling?

Mr Dolan—Not due to recycling, no. We certainly have the odd locust plague, I suppose. But I can confirm that a CDL does not lead to plagues of insects, acts of god, boils or the death of the first born, which are the sorts of things that the Grocery Council tends to say.

Senator LUDLAM—Apparently, it is harming our ability to reduce poverty in the Third World, but perhaps we should move on.

Mr Dolan—Perhaps we should move on.

Senator LUDLAM—That is a quote. What kinds of transition measures would South Australia have in mind in moving from a state scheme to a national scheme, or would it depend on the details of what was brought in?

Mr Dolan—It largely does depend on the detail. For South Australia, if the deposit level was the same as our current level very little would need to occur. For other states, it is a far more difficult question, I think. We have an advantage here in that when beverage manufacturers went to single trip containers back in the 1970s—they stopped washing and refilling bottles—the government here moved very quickly to a container deposit scheme. As a result, the old bottle and can recycling depots that existed survived largely. So we have a network of depots for collecting containers. My understanding is that in other states there would be that issue of infrastructure. Where would consumers go to return their containers? I can understand why other states may be reticent because of the cost of setting up such a network. South Australia did not have that problem. My understanding is that the Northern Territory is looking very significantly at bringing in its own container deposit system along the lines of ours. Their intention, as I understand it, is to use council depots as the collection points.

One of the significant issues in starting up such a scheme nationally is infrastructure. The other one is labelling. Currently containers are labelled with a statement which says that there is a 5c or 10c deposit when purchased in South Australia. Clearly labelling would have to change. Labelling might be simplified but there is definitely a direct cost to beverage manufacturers of changing labels and designs. What we have done in South Australia for the change from 5c to 10c, after extensive consultation with industry, is to give them an 18-month transitional period. So although the deposit increased from 5c to 10c on 1 September last year, they have until 1 March 2010 to have all containers showing 10c. That was deliberately done to give them enough

time to change the labels anyway in the course of redesign of the packaging and so forth. I think you would need a transition program to enable beverage manufacturers to offset or absorb the cost of label changes.

Senator LUDLAM—Thank you, that is helpful. Not being a South Australian and not having direct experience of the scheme as it exists there, are other materials brought in for recycling at the network of collection areas that were set up for CDL, and is there any measurable economic value of those other things being brought in?

Mr Dolan—I do not have the figures in front of me of economic benefits. We have about 110 to 120 collection depots throughout the state. About half of those, in the order of 60, are licensed under the Environment Protection Act (SA) as recycling depots for other materials, so they take in sheet metal, batteries, tyres and so forth. They operate as stand-alone recycling businesses and also do container deposits. There is a big saving community-wise in having a network of businesses devoted to that task, and there is definitely a benefit there. The container deposit in some cases subsidises the rest of their business and in other cases it is the other way round depending on the population size nearby and so forth. It is certainly true that it makes sense to have recycling depots that do all of those things to maximise return.

Senator LUDLAM—Thank you.

CHAIR—Thank you for appearing before us at short notice, Mr Dolan. Your evidence has been very useful to the committee's deliberations.

Committee adjourned at 4.57 pm