

NARGA

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Committee Secretary
Senate Standing Committee on Environment, Communication and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600

eca.senate@aph.gov.au

Dear Sir or Madam,

**Senate Inquiry – Environment Protection (Beverage Container Deposit and Recovery Scheme)
Bill 2009**

NARGA represents the independent retail grocery sector comprising over 5000 stores employing more than 225,000 people. Our interest in container deposit legislation is based on concerns for economic and ecological efficiency. We do not believe that the imposition of another tax in the form of deposits on beverage containers and associated handling fees is in the interest of the community or the environment.

We have outlined our reasons below:

Waste perceptions and reality

Calls for a container deposit tax approach to the recovery for recycling of beverage containers are based on incorrect perceptions regarding need and merit. These include:

- The perception that recycling is good and therefore more recycling is better
 - Balancing the environmental, economic and social costs is a difficult exercise. There is currently no modern 'cost-benefit' analysis available on the recovery and recycling of beverage containers in Australia. However, studies conducted in the past suggest that, even at the current level of recovery, recycling comes at a net cost to the community.
 - Increased levels of recovery and recycling result in the recovery of a greater proportion of materials from areas where recovery is either more difficult or more costly or both, resulting in a situation where , increasingly, costs exceed benefits.

- The perception that the imposition of a container deposit tax is a sure way of lifting recovery beverage container rates.
 - Deposit schemes tend to yield high return rates in systems that have been continually active for a long period of time. The assumption that the imposition of a container deposit scheme will automatically give rise to significantly higher return rates is not supported by the evidence from recently introduced schemes, including the recent expansion of the SA scheme.

- The perception that a container deposit tax based scheme is cost free or cost neutral – you pay your deposit and get it back.
 - Public support is based on this perception. A perception that ignores the cost of running the system. A recently completed assessment by consultants hired by EPHC puts the additional cost to the community of a beverage container deposit tax scheme at \$492 million p.a.¹
 - When the public is surveyed for their support for such a scheme positive responses usually exceed 90%. This support drops dramatically when the true cost of such a program is explained.
 - The way such programs are usually funded is via an additional handling fee that is added to the product price along with the deposit. Consumers get the deposit back but not the handling fee. (some US states and Canadian provinces run a ‘half back’ program where it is made clear to consumers that they only get half the deposit back and the other half is used to fund the program costs.)

- The perception that a beverage container deposit tax is the best way of addressing litter
 - Australian litter data shows that South Australia has lower beverage container litter rates than do other states, but not overall lower litter rates. Other states running comprehensive anti litter programs have been more successful at reducing litter as a whole.
 - South Australia has the nation’s worst illegal dumping rate.

- The perception that container deposits have strong public support.
 - Surveys supporting this perception tend to be simplistic and do not tell respondents about the full cost of container deposit tax schemes, or alternatives to them. Support for container deposits drops off substantially when respondents are advised of the scheme’s cost and the fact that they do not get all their money back.
 - Some overseas jurisdictions have been more honest about the true cost of container deposit tax schemes and introduced a ‘half back’ scheme in which it is made clear that half of the deposit is kept as a tax to fund the running of the scheme.

¹ Beverage Container Investigation – Final Report, BDA Group and Wright Corporate, 20 March 2009

Economic costs and impacts

- A beverage container deposit tax scheme comes at a significant net community cost.
 - As mentioned above, the net economic cost of a container deposit scheme tax is around \$492 million p.a. This is one of the reasons it should be seen as a tax. Before implementing such a tax, parliament should closely examine costs and benefits.
 - Voters may feel that such funds could be put to better use – other than saving holes in the ground.

- Beyond the cost of the scheme itself, a beverage container deposit tax has other economic impacts.
 - A container deposit scheme tax will put upward pressure on prices and add to inflation. Price impacts occur because, in addition to the deposit a handling fee is imposed and both the deposit and fee attract GST.
 - Increases in prices have the potential to reduce consumption both in absolute terms in the total grocery sector and in the beverage sector through switching. Consequences for employment are evident.
 - Employment is further eroded as marketers decide that they cannot adjust to the new tax. This effect was evident when South Australia extended the reach of its deposit program 5 years ago. The revised scheme targeted an additional 700 products according to the SA EPA. A subsequent survey showed that some 300 products were removed from the market.

- A beverage container deposit tax is regressive in its application and effect.
 - The deposit scheme tax will hit lower income people and families hardest as these spend a higher proportion of their income on the affected products.
 - People who are housebound or have less than optimum access to transport will be hardest hit as they have less opportunity to return containers for a deposit refund. They will be forced to 'donate' the deposit to their local council through the kerbside recycling scheme. The study referenced above confirms that local councils could be better off by \$75 million p.a. but this comes at a cost of \$78 million to residents who 'donate' their packaging to council kerbside programs - i.e. a tax on residents.

Lack of environmental merit

- Claims that the environment will benefit from more recycling cannot be substantiated.
 - Packaging is, comparatively speaking, a small user of resources. A report for the Beverage Container Working Group² suggest that glass bottle manufacture uses 6.9% of sand used in Australia but that price and demand are dominated by other factors. Aluminium cans use just 0.1% of Bauxite, steel cans use less than 0.1% of iron ore. Packaging manufacture uses 0.4% of energy and 0.2% of town water. Contribution to

² The scale and scope of the packaging waste problem – A preliminary report under the Beverage Container Investigation, BDA Group and Wright Corporate Strategies, 12 November 2008

- net pollution due to packaging is similarly small. This suggests that the potential 'saving' that could result from additional recycling that a container deposit tax scheme may bring about is also quite small. Yet it comes at significant cost to the community.
- It is often claimed that a beverage container deposit tax scheme is a means of addressing container litter and it is true that such schemes do reduce the litter due to the containers covered. But they do not eliminate that litter completely. This is confirmed by the South Australian experience. Further, it is clear that comprehensive anti-litter programs are more successful at addressing the issue of litter as a whole. This fact can be demonstrated by comparing litter data across states. South Australia with its beverage container deposit tax scheme does not do much better than other states in net litter terms. The latest litter data (2007/08) suggest that SA litter levels are the same as the national average with Victoria and the ACT showing substantially lower litter counts.³
 - South Australia also suffers from the problem of scavenging where pensioners and homeless people dig through litter bins to recover beverage containers for their refund value. In the process the tendency is for them to spill the contents of the bin, adding to litter problems. Scavenging from household recycling bins also occurs.
- A beverage container deposit tax scheme has environmental downsides.
- One of the reasons that the environmental *impact* of recycling increases with increasing levels of recovery (beyond an optimum level) is that the additional containers recovered tend to come from more distant and remote communities. This increases transport impacts. A study⁴ conducted on behalf of the US Department of Energy concluded 'Recycling saves the energy required for raw-material production and transportation, but it uses additional energy to process and transport the recovered material. These two quantities of energy are approximately equal.' Looking at the whole product life cycle the study concluded: 'The primary energy saved is about 2.2 million Btu/ton, or 13% of the energy required to make glass from virgin raw materials.' If the recovered material has to be transported more than 100 miles (160 Km) 'savings from recycling are negated'.
 - A container deposit tax based scheme promotes the recovery of containers across the nation and hence lifts the recovery rate in those communities that are more remote from processing facilities, increasing transport impacts and negating any benefits from increased levels of recovery.
 - Impacts are further increased by the fact that people returning containers for a deposit refund have to use private transport.

³ Ibid P.47

⁴ Energy Implications of Glass Container Recycling - Energy Systems Division Argonne National Laboratory and National Renewable Energy Laboratory,

Social issues

- Equity issues arise on the imposition of a beverage container deposit tax.
 - The tax has a higher impact on lower income families. Pensioners and people with a disability who are less mobile have a lower capacity to gain access to the deposit refund mechanism and are therefore disadvantaged.

- Public health and Safety
 - The need to store beverage containers at home until the next trip to the deposit redemption centre raises public health and safety concerns. It should be noted here that the prime responsibility of local government in regards to waste management is to remove waste from the community and dispose of it safely. Legislation giving local government the responsibility for household waste exists primarily to address health and safety issues.
 - Any proposal to base a beverage container deposit tax scheme on a 'return to retailer' approach would result in food health and safety issues at the retailer. Retailers would be concerned about the consequent public liability implications.

Proposals to increase the recovery of beverage containers for recycling via a beverage container deposit tax scheme are a populist but simplistic approach to waste and recycling policy and play on the public ignorance of the true cost and benefit of recycling.

Australians deserve better.

Please contact us should you require further details.

Yours sincerely

Gerard van Rijswijk
Senior Policy Advisor