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THE SENATE

STANDING COMMITTEE ON ENVIRONMENT AND COMMUNICATIONS

Inquiry into Container Deposit Schemes

Submission by Master Grocers Australia & (Liquor Retailers Australia) to

the Senate Environment and Communications References Committee

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Master Grocers Australia (MGA) & Liquor Retailers Australia (LRA) welcomes the opportunity to make a submission to the Senate Environment and Communications References Committee's Inquiry into Container Deposit Schemes (CDS).

MGA & LRA is the peak national employer organisation representing the independent sector of the supermarket and liquor retailer industry. MGA / LRA represents 2100 independently owned and operated supermarkets and liquor stores throughout Australia.

These stores operate under banners such as Supa IGA, IGA, IGA Xpress, Friendly Grocer, Foodland, FoodWorks, SPAR, Supabarn, Cellarbrations, Bottle-O, IGA Liquor, Local Liquor, Duncans and Bottlemart.

MGA is a registered employer organisation and represents its members in relation to workplace relations, training and compliance, and government relations.

Australia's 4000-plus independent grocery and liquor retailers employ 115,000 people and generate annual sales of $13 billion.

MGA, on behalf of our members, strongly opposes the introduction of the proposed national container deposit scheme mainly on the grounds that it will increase Red Tape and Cost Burdens and force prices to the consumer up unnecessarily.

Research undertaken by economists ACIL Tasman into the cost impact of a national CDS on consumers, found that container deposits, if implemented nationally would cost Australian families over $300 per year in their shopping baskets.

MGA believe there is no need to implement such a Scheme when most, if not all, communities around Australia, are already recycling at very high levels with over 97 percent done from the kerbside.

Indeed, the materials recovered ï mainly glass, plastic and aluminium containers, as well as cardboard and newsprint ï constitute the most valuable materials in the waste stream and their profitable recovery offsets the costs, we believe, of operating the kerbside systems.

Remove them from the kerbside system and the cost of operating that system will increase substantially, to the detriment of rate payers. Independent estimates put the cost of operating a national container deposit scheme at up to $1.76 billion.

In Northern Territory, where a container deposit scheme was introduced in January 2012, the cost of a carton of beer has increased by $3-$4 as a consequence.

Supporters of a national CDS estimate that it would raise $1.78 billion for governments over the first five years of operation, making it just another tax. In fact, CDS is likely to raise the cost of an average household grocery basket by 1.35 per cent, at a time when cost of living pressures are rising significantly and will rise further because of the introduction of the carbon tax.

The introduction of a national container deposit scheme would also lead to the loss of 1,673 jobs a year around Australia, exacerbating the difficulties already being faced by food and grocery manufacturers.

MGA strongly supports the objective of reducing litter and increasing recycling and has considerable experience and expertise based on many years working with the food and grocery industry on sustainable business practices.

MGA supports the current co-regulatory arrangements for the management of the environmental impacts of packaging, the Australian Packaging Covenant (APC), as a comprehensive national approach that encompasses **all** packaging, not just beverage containers.
By contrast, a narrow focus on beverage containers through a CDS:

- adds to the regulatory and administrative burden on industry;
- imposes additional unnecessary costs and inconvenience on consumers;
- increases costs to government, business and the community; and
- undermines a successful co-regulatory APC.

We welcome the opportunity to provide a presentation to the Senate Inquiry in the near future.

To conclude MGA / LRA , on behalf of our members, strongly opposes the introduction of the proposed national container deposit scheme on the grounds that it will increase Red Tape and Cost Burdens and force prices to the consumer up unnecessarily. Please find below MGA / LRA's Policy Position in regard to the proposed national Container Deposit Scheme.

MGA / LRA Policy Position: Container Deposit Legislation

The federal, state and territory governments are currently considering the reintroduction of container deposit schemes (CDS). Back in the 1950s, container deposits applied to soft drink bottles: a deposit was paid by the customer at time of purchase and refunded when the bottle was returned.
The current proposals are that such a scheme would apply to all drink containers, not only soft drinks but milk, fruit juice, water, wine and beer and not only bottles but cans, cartons and other containers.

Container deposit schemes were practicable in the 1950s. They are not practicable now, for the following reasons:

- Unlike the 1950s, used drink containers are now recovered through kerbside recycling systems. About 97 per cent of Australians already recycle through the kerbside system. Indeed, the materials recovered - mainly glass, plastic and aluminium containers, as well as cardboard and newsprint - constitute the most valuable materials in the waste stream and their profitable recovery offsets the cost of operating the kerbside systems. Remove them from the kerbside system and the cost of operating that system will increase substantially, to the detriment of rate payers. Independent estimates put the cost of operating a national container deposit scheme at up to $1.76 billion.

- Back in the 1950s, container deposit schemes applied exclusively to glass soft drink bottles. The bottles were designed to be recovered and reused; as such they were heavier than modern bottles and expected to take some wear and tear on multiple reuse cycles. Most modern soft drink bottles are made of light-weight plastic or aluminium to save money on manufacture and distribution and to keep prices to consumers down. Glass bottles also entailed safety risks when broken in public places.

- Back in the 1950s, most soft drink manufacturers were relatively small local businesses: the supply chains were relatively short and the recovery chains were also short. Today soft drinks are produced in much larger volumes in large manufacturing plants and distributed over long distances delivering economies of scale and lower prices to consumers.

- Assumptions are made by promoters of container deposits that bottles, cans and cartons can be returned to the shops from which they were originally bought. That, however, would raise major issues: used, unwashed bottles and cans would attract vermin into supermarkets and shops and contaminate food storage and preparation areas; the recovered bottles and cans would require storage, taking up valuable commercial floor space at costs which would have to be passed on in higher consumer prices; recovery of the returned items would require the establishment of additional transport of the recovered containers, effectively duplicating the existing kerbside system; customers would also be required to transport the materials to the shop for deposit refund.

- There are no genuine off-setting environmental benefits. If litter is an issue, that issue needs to be dealt with through anti-littering laws and better community educational programs.

Master Grocers Australia & Liquor Retailers Australia sees zero benefit arising from the proposed container deposit schemes.