

25 October 2012

To:

**Senate Environment and Communications References Committee**

Re:

**Inquiry into Container Deposit Schemes**

Dear Committee Chair and Members,

The Australian Beverages Council (the Beverages Council) is the peak body representing the \$7 billion non-alcoholic beverage industry. The Beverages Council provides a single, united industry voice to a range of stakeholders including government, non-government organisations, media and general public.

Membership of the Beverages Council comprises over 95% of the non-alcoholic industry's production volume, and is comprised of multi-national companies as well as small and medium enterprises (SMEs). The Beverages Council's guiding principles focus on: Safety; Education; Accountability; and Collaboration. The industry achieves this through a range of commitments to a suite of policies and positions that underpin these values; e.g., Health and Wellbeing; Marketing and Communications; Product Information; and Environment.

The Committee would be well aware that in Australia, the non-alcoholic refreshment beverage industry employs 6,211 Australians<sup>1</sup>, and is a major contributor to the domestic economy through the provision and production of an extensive and innovative range of beverages. This, in turn, supports a large number of Australian producers, manufacturers and large and small businesses in addition to providing significant support and funding to community organisations and gross domestic and state products.

The Beverages Council and its members have a long history of resource and product stewardship. To that end it welcomes the opportunity to provide this submission to the Committee and follows our recent submission to the Packaging Impacts Consultation Regulation Impact Statement (RIS) through the Standing Committee on Environment and Water (SCEW).

The beverages industry's commitment to reducing its environmental impact is evidenced through the large number of programs and campaigns the industry has both supported and led through a range of forums and co-regulatory bodies. It is the Beverages Council's desire to continue this collaborative approach and must state from the outset its strong opposition to a national container deposit scheme (CDS) in favour of an inclusive system that addresses all forms of packaging. It is the Beverages Council's concern that a CDS that addresses *just* beverage containers is an antiquated approach to litter reduction and recycling, and believe that in 2012 and beyond, a more integrated and broader approach to these issues is possible.

<sup>1</sup> ABS, 2006 Census Tables, *Industry of employment – 2006 ANXSIC (full classification list), place of usual residence*, Catalogue number 2068.0.

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In relation to the Committee's current remit, we offer the following insights.

In **South Australia**, the cost to manufacturers in implementing and complying with the CDS in that state has been worn not by South Australian consumers, but by consumers across the country. This was particularly so when the deposit was five cents. This spreading of costs across a multi-state or national manufacturing and distribution base had ensured that ostensibly, there was no price differential in the same beverage being purchased in Mount Gambier or Warrnambool.

The advent of the deposit increase from five to ten cents saw some manufacturers, particularly small and medium companies, be forced to pass this on in light of the tight margins (outlined below). In essence the five cents could be absorbed, the ten couldn't.

In the **Northern Territory**, the Committee must note the considerable cost of implementing the CDS for industry which in part is due to the lack of processing facilities within the Territory. This necessitates all materials collected through the CDS having to be transported to major cities in other states. This additional cost is eventually passed onto the consumer and overall represents a major deficiency of the scheme.

The vexatious allegations of 'price gouging' or 'collusion' by some commentators are not founded. The Beverages Council notes in particular the supporting comments of the ACCC NT Director, Mr Derek Farrell, in this regard. At the time of the schemes development the industry outlined a large number of serious concerns to the Northern Territory Government on not only the scheme's design, but also the intended roll-out plan for the scheme.

**Nationally**, the Beverages Council notes that the industry's concerns about a national CDS have been well documented but wishes to re-emphasise one important issue – the impact on small to medium enterprises.

The Committee would be aware that many small and medium sized beverage manufacturers are located in regional centres or outer metropolitan areas. Iconic brands like Saxby's in Taree (NSW), Bundaberg Brewed Soft Drinks from Bundaberg (QLD) and Bickfords in Regent's Park (SA) are some examples of businesses that support their local communities through contracts for goods and services with local suppliers and employment of local people. The flow on effect from a small company making beverages in a local community is significant.

In turn, due to the cost of capital investment needed to bottle beverages such as filling and packing lines, many other micro and niche companies engage 'contract packers' to bottle and label the beverage and supply to market. Some contract packers produce their own brands, but many rely solely on the contracts from other businesses.

The cost of a CDS will force most of these small businesses to close and many of the medium sized businesses to downsize significantly. This is due to the internal administrative cost of complying with a national scheme (as evidenced in the SA and NT examples above) that would in turn erode the very tight margins they currently hold which for many SMEs is approximately 10.4 cents per beverage<sup>2</sup>. This margin would be lost and is further compounded by a manufacturing industry already in a state of significant contraction.

<sup>2</sup> Industry manufacturing data for SMEs

In closing, the Beverages Council and its members are cognisant of their role in any solution's framework. This has been evident in past contributions by the industry to the dual objectives of reducing litter and enhancing recycling. The industry has a long and acclaimed history in product stewardship and the Beverages Council supports a continuation of this through a co-regulatory approach such as the Australian Packaging Covenant.

It is our assertion that in a contemporary, evidence-based approach to the areas of focus, a CDS is an impractical, costly framework that imposes undue costs on governments, industry and communities, and through its narrow focus disregards not only other litter items but represents a lost opportunity for greater achievements in recycling. In 2012, there is a better option.

Yours sincerely,

**Geoff Parker**

Chief Executive Officer