To: The Senate Standing Committees on Environment and Communications

Parliament House

Canberra, ACT

From: Stewart Pritchard

Owner/Director – Territory Recycling Depot

106 Smith Street, Alice Springs

RE: Submission to the inquiry into Container Deposit Schemes

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To the Committee Secretary;

Thank you for the invitation to make a submission addressing the criteria outlined covering the terms of reference for your inquiry.

I am the owner/manager of Territory Recycling Depot, being one of two companies currently holding approval from the Northern Territory Government to operate a "Collection Depot" in Alice Springs. The holder of the only other approval is a large multinational corporation, with whom I currently have a loosely defined "joint venture" to conduct the business of the only "Collection Depot" in Alice Springs. Any opinion expressed in this submission is made solely as "Territory Recycling Depot" and is not reflective of the corporate, business or professional opinion, policy or stance of my partner in this joint venture.

As the owner/manager of Territory Metals my staff and I were responsible for the establishment and introduction of the Alice Springs Town Council's 2010 initiative which saw the Council paying 5c per container for all glass and aluminium beverage containers. Operating this scheme on Saturday morning and Monday's we collected 7.2 million containers in the first 12 months of operation. The Council then assumed responsibility for the operation of the scheme.

It has been my experience since becoming involved in the Container Deposit Scheme, both prior to and since commencement, that "the manufacturers" are like-minded, almost to the point of collusive conduct, in their objective of undermining the legislation and crippling the scheme.

With what may be viewed as some simple errors in the implementation of the legislation the Territory Government at the time invited the failure of the scheme from the onset. In December

2011 I was one of a delegation of all known “Collection Depot” approval holders who jointly met with management of NRETAS – the Northern Territory Government body responsible for the introduction of the scheme and administration of the legislation.

At that meeting key issues with the potential to destroy the scheme were identified. These key issues included;

- The number of “splits” – then quite accurately assessed as being 24 – 28 (The South Australian scheme works on 8)
- The lack of any clearly defined dispute resolution process, without a ruling body or authority empowered to regulate or enforce adherence to the legislation
- The legislated trading terms of “up to 28 days” – those who appeared to assume they would be able to “strangle” the scheme had already made it clear they would use every one of the 28 days legislated, despite the South Australian system operating on 7 day terms

As the elected spokesperson for our group I personally requested NRETAS act urgently and address these issues, highlighting the potential for these issues to bring the scheme down rapidly. We were advised these issues would be researched and addressed. The eventual outcome, as expressed in writing by the CEO of NRETAS, was that our fears and reservations were, in his opinion, unfounded and that no action would be taken to address the issues raised.

Also raised at the time was the question as to how 5 Co-ordinators could be approved, requiring 5 separate sets of splits. The concept revolving around a tendering process for one Co-ordinator overseen by the Government as a regulating body was floated but “shot down” immediately by NRETAS as “unconstitutional”. A bizarre response, given the volume of Government projects let to private contractors under tender.

The number of “splits” is an integral part in the success or failure of the scheme. As a labour intensive operation the separation of product is the pivot point around which the entire success or failure of the scheme revolves. With the N.T. scheme there have been 5 approvals for “Co-ordinators” – the two main players from the South Australian scheme, Statewide (Coca Cola/Amatil) and Marine Stores (Lion Nathan), a derivative of the third (minor) “supercollector from S.A. – Northern Territory Collectors (NTC) and two new “players” – Envirobank (C.U.B./Red Bull) and N.T.R.S.

Basic errors from the onset have hindered the scheme since inception. One of these key errors is having both Envirobank and N.T.R.S. approved as both Co-ordinators and Collection Depots. The conflict of interest this has raised was unforeseen by NRETAS, but was highlighted in our meeting in December. This “conflict” is none more apparent than when attempting to address the

number of “splits”.  As a Collection Depot both entities acknowledge the handling fee’s being paid are grossly insufficient, however as co-ordinators they are unable to increase the handling fees they pay.  A total “no win” situation.

With the recognition of each Co-ordinator a whole new set of “splits” has been created. With each co-ordinator requiring separation of clear, green and brown glass, aluminium, liquid paper board, clear and coloured P.E.T. and H.D.P.E. (the basic 8 splits of South Australia), with only a token effort to “bulk” product we have the totally ridiculous situation of separating the 8 different containers for the 5 different Co-ordinators.  Fortunately not all Co-ordinators have the full range of product, Envirobank has (very recently) “bulked” their glass (all colours into the one bin) and a loose approximation of the South Australian scheme manipulated between Marine Stores and Statewide has all combined to reduce the “splits” from a potential 40 down to 24 and most recently down to 22.  Still nearly three times the manual handling of the South Australian scheme.

The apparent contempt and arrogance of the shelf companies representing the interests of Coca Cola and Lion Nathan has been apparent from the outset.  Had an authoritative disciplinary process been in place I would have tabled several issues before such a body before the January 3rd introduction of the legislation.  Had it not been for a cleverly manipulated agreement at the death knock (December 2011) with a multinational company by Marine Stores and Statewide the scheme would never have commenced.  Those who already held approval for Collection Depots were well aware that the proposed pricing scales from the co-ordinators would not work (around 4.5 cents per container) and had clearly identified this to the co-ordinators.  In turn the co-ordinators had begun to play “hard ball”, refusing to acknowledge the need for increased handling fee’s, refusing to recognise the additional labour required and totally ignoring the significantly higher cost of living in the N.T compared to metropolitan S.A. (for example, at the time, diesel was $1.30 per litre in Adelaide and $1.72 per litre in Alice Springs).  It was highly unlikely that any Collection Depot would have opened under the apparent pricing scale, no-one could afford to go that broke that quickly.

Be that as it may the scheme commenced operation, with an underlying assurance from Government representatives that, essentially, the “wrinkles” would be “ironed out” as the scheme rolled out.  Ironically to date none of the issues raised in the December meeting have been addressed, despite all issues raised being relative, and concerns expressed in theory have come to the fore in practice.  Not only have payment terms been blown out, as anticipated unnecessary confusion has been raised, to create “smoke screens” behind which underlying issues are kept below the surface, allowing a somewhat subversive underpinning of the scheme, setting it up to fail.  Had I entered the scheme as a private operator I would have been “sent to the wall” after the first month.

I am aware that the costing of the labour required has been researched by several small business operators involved in the scheme in a variety of different ways.  No matter which formula has been used by each individual it is of significant interest to note that the result is similar in each

case. The handling fee needs to be approximately double the current market price paid by co-ordinators. The Co-ordinators refuse to acknowledge the validity of this claim and have used a couple of “bunnies” as business examples refuting the validity of such claims in the poorly structured dispute resolution process to the detriment of the scheme at both a Territory and National level.

Based on the quarterly reports supplied to date we have seen 12 million containers returned at 25% return rate for the first quarter and 12 million @ 31% in the second. While it is a fair assumption that the bulk of the outstanding product has gone to landfill where has the outstanding income derived by manufacturers from the scheme gone? Keeping in mind the manufacturers are “budgeting” 20 cents per container (10c deposit, 10c processing and handling), we have 38 million containers sold, 12 million returned, leaving 26 million outstanding. Basic math says there is $5.2 million “out there” for the second quarter in the Northern Territory. But the manufacturers “object” to CDS principals?

The above basic figures exclude any income derived from the sale of raw material collected for recycling. Lets not ignore the fact that “recycling” is at the core of the concerns and care of our environment, however income is derived from the sale of the product returned. All such income goes to the Co-ordinators under the present operation of the N.T. scheme.

Further basic errors or manipulations of the essence of the scheme have also eroded the viability of the concept. In South Australia the Collection Depots retain ownership of the glass collected. Freight is paid by Marine Stores/Statewide from the depot to the Glass Benefication Plant, however the value of the product received is returned to the collection depot. At present in the N.T. the Co-ordinator pays freight on the product, however retains any income derived. As in South Australia wine and large spirit bottles are exempt from the scheme. In a more utopian world these types of containers may not be considered “beverage” in the spirit of the legislation, reality dictates that these containers are as predominant (on a percentage sold basis) as any other in terms of social gatherings and drinking and, in my opinion, should be covered under the scheme.

In summary it is my belief that the scheme as rolled out in the Northern Territory has been undermined by some of the “heavy weight” stakeholders. From a Collection Depot perspective the interests, concerns, opinions and business practices of these “heavy weights” have far too much impact, bearing and control over the conduct of the scheme. This only benefits the manufacturers and their representatives, aiding in achieving the goal of crushing the container deposit scheme in the Northern Territory. Co-ordinators expect Collection Depots to pay the customer based on the number of containers received, however they pay the Collection Depot by weight. Despite the “best efforts” of Co-ordinators to derive a fair and equitable audit process the collection depot “misses out” every time by 8 – 10% on the number of containers paid for versus the number of containers paid back. Unless a greater handling fee is paid commensurate to the cost of labour and the cost of

living by the co-ordinators, combined with the “bulking” of product streams Container Deposit Legislation in the Northern Territory will fail.

If my opinion had any bearing on a review of the scheme I would strongly favour the creation of a model that gave the Government or controlling body the legislative right to collect the “deposit” from all beverage manufacturers selling any product within the State or Territory. No doubt there would be legal argument from here to eternity as to defining such a legal impost as a “tax” or not, debates as to the constitutional validity of the method of operation and implementation of the scheme and ongoing review of the ethical validity of the concept, however the present profiteering by co-ordinators and manufacturers needs to be stopped. Clearly the volume of product sold in the Northern Territory can be accurately monitored, therefore the amount required to be contributed to such a scheme can be assessed. Be it by tender process or other means there needs to be one Co-ordinator representing the interests of the scheme, a middle man between the manufacturers, the collection depots and the regulating authority. All income derived, be it from deposits paid or from the sale of the recyclable product, needs to be retained and fairly distributed within the scheme.

Had all income derived from the scheme been distributed fairly and equitably from commencement a review such as is currently happening may not have been necessary.