



Winemakers' Federation of Australia

For the Industry by the Industry

Canberra Office
Level 1/24 Bougainville Street
Manuka ACT 2603
(PO Box 3891, Manuka ACT 2603)
Telephone: 02 6239 8300
Facsimile: 02 6260 7900
Email: wfa@wfa.org.au
Web: www.wfa.org.au
ABN 38 359 406 467

WINEMAKERS' FEDERATION OF AUSTRALIA

**Submission to the Senate Standing Committee on
Environment, Communications and the Arts
Inquiry into the Management of Australia's Waste Streams**

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**Dominic Nolan
General Manager, Policy and Government Affairs
Winemakers' Federation of Australia**

Background

The Winemakers' Federation of Australia (WFA) is the peak national body representing wine enterprises of all sizes across Australia. Voluntary membership represents in excess of 90% of wine production in Australia.

The Australian wine sector is a major contributor to the economic and social fabric of Australian life responsible for employing more than 60,000 Australians and fostering the prosperity of many regional communities. In several regions direct employment in grape growing and wine production constitutes more than 20% of total employment. When supported employment is included the contribution of the wine industry to these regions would be significantly higher.

The Australian wine sector is an Australian success story. In 2006-07 the value of domestic sales reached \$1.9 billion and the value of export sales \$3.0 billion. Furthermore, Australia is the third largest wine exporter in the world by value and the fourth largest wine exporter by volume.

The strong growth seen in the wine sector has been particularly important for regional communities in Australia. The number of wineries has more than doubled in 10 years, to exceed 2,200 in 2008. The vast majority of wineries are small and located in regional areas, and around 70% have an annual crush of less than 100 tonnes. This increase in wineries and growth of the sector has contributed significantly to regional employment, infrastructure and tourism.

The Australian wine industry has long understood the need to accept responsibility for greater product stewardship and is committed to the continual improvement of its environmental performance. Accelerating the adoption of ecologically sustainable practices throughout all aspects of its operation is critical to its future success and will ensure the needs and expectations of the wider community and customers continue to be met.

Container Deposit Legislation (CDL)

Container deposit refund schemes are an example of Extended Producer Liability Schemes and operate by charging consumers a deposit and a handling fee (typically) when they purchase a particular item and returning the deposit, or a part of it, when the item is returned to a specified waste collection or treatment facility.

South Australian CDL Scheme

CDL has been operating in South Australia since 1976. The scheme was amended in 2003 to cover an expanded list of beverage containers including most soft drink, water and flavoured milk containers. Under the current scheme only wine in plastic containers under 250ml is subject to Container Deposit Legislation.

From time to time, other states and territories have considered introducing CDL and a number of studies have been commissioned to consider the financial impacts and effectiveness of the scheme.

When looking at the effectiveness of CDL, consideration must be given to the original intent of such a scheme. The primary intent of the SA legislation was to control litter – it was not intended to increase recycling rates nor was it intended to reduce local government recycling costs by shifting the costs of beverage container recycling to the beverage industry and consumers. It should also be noted that it was introduced at a time when kerbside collections did not exist and it was the sole pathway through which post consumer recyclables could be recovered from the community.

Overall any evaluation of the cost effectiveness of such a scheme should include the total costs to society, and not be limited to the costs to government, Federal, State or local. It is also worth noting that primarily due to retailer practice, the cost of running a CDL system in SA has not been borne by SA consumers but has instead in many instances been spread nationally across all beverage consumers. This has led to a false impression in SA that a CDL system has no cost consequences. In fact reports into the CDL system in SA have shown high operational costs.

Effectiveness and Cost of CDL

The primary motivation of CDL is around litter reduction and increased recycling rates. Research indicates that beverage containers represent approximately 4% of the municipal waste stream, highlighting the limited effectiveness of CDL.¹

Another aspect to consider is the cost of implementing CDL. Any scheme would require a substantial investment in establishing infrastructure for the collection and processing of containers, the operational costs of running the scheme, the cost of handling and processing returns and government costs of administering and monitoring the scheme.

A review of the report on the financial costs of implementing CDL in Victoria estimated the additional costs of introducing and running CDL at between \$73 and \$81 per household per annum, compared to the average net annual cost of kerbside recycling of \$29 per household.² It would appear that it might be more cost effective to widen the current kerbside recycling system.

¹ Packaging Council of Australia

² Container Deposit Legislation: Peer Review of a Financial Impact Assessment for three Victorian case studies, Perchards January 2003

In 2006, the Australian Government instructed the Productivity Commission to conduct an inquiry into Australia's waste generation and resource efficiency. As part of this inquiry, the Commission considered the issue of Container Deposit Legislation. In its findings, the Productivity Commission stated that:

*Deposit-refund schemes are typically costly and would only be justified for products that have a very high cost of illegal disposal. Container deposit legislation is unlikely to be the most cost-effective mechanism for achieving its objectives of recovering resources and reducing litter. Kerbside recycling is a less costly option for recovering resources, while general anti-litter programs are likely to be a more cost-effective way of pursuing overall litter reduction.*³

Any moves to introduce CDL nationally would need to consider how the scheme would work alongside the kerbside recycling schemes that are present in each state and territory. It would be problematic if kerbside recycling schemes competed with CDL for material as this could threaten viability and jeopardise existing kerbside recycling. Further, if community support for the kerbside system is adversely affected, there could be a corresponding negative impact on the environment.

The Federation is a strong supporter of kerbside recycling schemes and would be concerned with any measure that would impact adversely on the viability of these schemes.

The main issue in considering the merits of a national CDL scheme is whether the significant costs to both the consumer and governments of establishing and running such a scheme, would deliver the environmental and economical benefits over and above the improvement in recycling rates that the kerbside system and industry efforts will already achieve.

Wine Bottles and Glass

Under the current CDL operating in South Australia, wine containers are exempt. This is predominately because wine is generally consumed at home or in restaurants and wine bottles are a negligible component of the litter stream.

Glass is not a product that contributes significantly to the litter stream. According to data in the National Litter Index, glass products constitute approximately 2% of the total number of litter items. The largest contributor was cigarette butts (46%) followed by plastic (21%) and paper/paperboards (19%)⁴. In volume terms, glass comprises only 6% of litter.

Given the above, the Federation strongly believes that before any moves to either introduce or expand CDL, the relative merits and costs of the CDL proposal should be taken into account along with any negative impacts on industries and communities. Further, that given the small contribution of wine packaging to the waste stream, the inclusion of wine containers in any CDL scheme would be expected to impose substantial costs on the Australian wine industry without achieving significant gains in terms of either recycling rates or litter reduction.

³ Productivity Commission Inquiry Report into Waste Management, October 2006

⁴ Keep Australia Beautiful National Litter Index, McGregor Tan Research, January 2006

Conclusion

In conclusion, the Federation supports measures to reduce litter and waste that are proven to be cost effective and efficient. Further, the Federation fully supports proposals to give industry responsibility for developing systems and mechanisms to contribute to increased recycling and reduced litter.

However, voluntary approaches such as the National Packaging Covenant are preferred over legislative approaches.

Any moves to introduce a national CDL scheme must ensure that it does not impact negatively on the current kerbside recycling schemes that are in place throughout Australia.

The Federation believes a national CDL scheme would not achieve significant waste reduction or increased recycling rates, and in fact could have a negative effect on existing curb-side recycling programs. The Federation further believes there would be significant costs to the Australian wine sector with little benefit (at best) in terms of environmental outcomes.