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Inquiry Secretary
The Senate Standing Committee on Environment,
Communications and the Arts
PO Box 6100
Parliament House
CANBERRA ACT 2600

21 May 2008

Submission on the Management of Australia's waste streams and the Drink Container Recycling Bill

Dear Sir,

Pollution Action Network takes this opportunity to express our views on proposed changes for waste management in Australia in light of the proposed Drink Container Recycling Bill, with particular reference to the urgent state of packaging waste. Pollution Action Network is in support of the legislative developments for managing packaging waste as an effective mechanism for reducing and recovering waste, and appropriately redistributing responsibility for this waste to producers. Considerations in forming this view are outlined below.

Packaging in Australia and National Packaging Covenant Failure

Australians consume a lot of packaging and produce more packaging waste per person than many overseas countries. In the areas of resource consumption, packaging and recycling, Australia falls well behind those commonly experienced in Europe. Research undertaken by the Boomerang Alliance has revealed packaging consumption rates in Australia of 116kg/capita/annum are well in excess of other countries with Spain, France and the UK representing the closest comparable rates of around 80kg/capita/annum each.¹ Nations such as Germany, Belgium, and Austria enjoy similar lifestyles and wealth to Australians, but consume just one third of the resources we consume for packaging.

Consequently, Australian governments are facing spiralling costs to address increasing rates of consumption and waste (including away from home); exacerbated by market failure to recognise the environmental costs. Some states are also experiencing the systematic collapse of parts of their recycling industry. *Kerbside collection is not financially viable without heavy subsidies from ratepayers, who must contribute a huge \$374 million nationwide annual cost to run kerbside recycling services.* There is a large and widening gap between kerbside cost and the revenue received by local governments from the sale of recyclables.

Changes in lifestyle and the diversification of packaging materials have serious economic and environmental ramifications, requiring a fundamental shift in the policy focus of governments. For example, even if kerbside recycling is 90% effective (which is best practice in Australia net of contamination and limited geographic collection), the changes in consumption mean it can only ever achieve a 50% recovery rate because of public place (e.g. malls, parks, sporting and cultural events) and commercial consumption (e.g. cafés, pubs and clubs).

The beverage industry and other container deposit opponents frequently argue that container deposit schemes undermine the viability of kerbside recycling services by removing valuable resources from the kerbside waste stream. This is an incorrect assertion as councils make a profit from the unredeemed deposits, more than making up for any loss of material. The recent investigation into a National CD System by the Boomerang Alliance, confirmed this, with *local councils saving an estimated \$59.8million p.a. if a National CD System is introduced.*²

The reported improvement in recycling rates by the National Packaging Covenant 2006 Annual Report was collated by consultant Mr Russ Martin. These figures have recently been exposed by independent investigation commissioned by the NPCC as overstated. Subsequent investigations into Mr Martin's calculations by Industry Edge and Pitcher Partners for the NPCC showed the following **errors** occurred for a variety of reasons:

- Annual paper & cardboard recycling figures included approx. 279,000 tonnes of newsprint and white office paper, this is not considered packaging.
- Glass recycling figures included 70,000 tonnes of glass processed by Visy in New Zealand.

As such the true figures for total recycling packaging were adjusted from 55 to 43%; a considerable shortfall in expected performance against mid-term targets of 65%.³ It is clear that after nearly 8 years of efforts by the National Packaging Covenant Council there has been little if any improvement. Further it is clear that the NPC targets will not be met.

Failure of the NPCC is particularly evident in the composition of packing items present in litter waste. Six of the Top Ten items collected during Clean Up Australia Day were materials directly related to beverage containers and bottle caps, with plastic and glass bottles, bottle tops and cans accounting for 42.7% of the Top Ten and 22% of all rubbish found. In 2006 metal bottle caps were not part of the Top Ten, however when they are included in the calculations, beverage containers and bottle caps accounted for 18.4% of overall rubbish, which shows beverage containers have had a 3.6% increase in total rubbish collected in just 12 months.

This failure is reflected in significant costs to both the economy and environment. An estimated 743,022 tonnes of used container packaging is currently sent to landfill.⁴ At an average cost of \$51.08 per tonne *the public pays a hefty \$37.96million p.a. simply to dispose of containers.*

Recovery of litter represents a significant cost with government spending approx \$200million p.a.⁵ Discarded containers represent over 29.38%⁶ of all litter volumes. Based on these proportions, the cost to attempt (unsuccessfully in many instances) to recover littered container rubbish *represents a further \$58+million p.a. in existing costs to the tax payer.*

The Cost of Kerbside Recycling

The NPC advocates 2 major forms of action to increase packaging recovery rates:

1. Improving the existing kerbside recycling system (which the NPC make little contribution towards);
2. Public Place Recycling (where industry won't support operating costs only partial funding of establishment costs).

NEPM reporting for used packaging show that the current costs of kerbside recycling⁷ equate to \$374million+ p.a., an average \$248.47 / tonne of material collected (net of the sale of recycle). Only 70% of all homes are owner-occupied, leaving up to 30% of tenants enjoying a free ride.⁸ Tourists also account for a significant share of consumption, with 39% of tourist spending in Australia in 2002/2003 going on shopping, takeaway and restaurant meals and food products.⁹ All of these consumption activities are associated with packaging, whose eventual contribution to the litter problem is borne by rate payers. Paying for the collection of packaging waste through rates (whether directly as owner/dweller or indirectly as tenant) is a very "blunt" tool which doesn't reward good environmental behaviour – nor does it impose a cost on careless behaviour. Point of sale levies and deposit/refund systems do both.

A better system would ensure the cost of litter waste management is built into the price of goods, which the consumer then pays for directly. This is at the core of the 'polluter pays principle'. In the current system, there is no financial incentive for the consumer to change behaviour. There is also no financial incentive for packagers to create products which are less likely to be littered, or easier to recycle.

Obviously, the costs of waste disposal and recycling must be borne by society, ultimately the consumer. What has been missed by many within the current debate is the fact that *CD systems are not about what it costs to recover resources, rather it is a question of how and where to levy the costs that already exist.*

Rates and taxes can certainly generate the funding to encourage recovery, but they provide no price signal to the consumer or directly tie an individual's share of the cost to the extent they contribute towards the problem. This penalises consumers that are more frugal and rewards consumers that are wasteful. Rather than just charge each person on their consumption, a deposit / refund system only charges people on their consumption,

less the resources they return for recycling or re-use (i.e. rewarding behaviour that minimises environmental costs).

It is time for the beverage industry to take responsibility for the residual resources created by its' business operations. The consumer must then make a decision whether to take action based on a price which reflects the true cost of both the good, and the end-of-life management for the packaging associated with the good.

The burden of cost should be borne by the polluter, or consumers who consume a product and choose to forfeit their deposit in failing to do the right thing, rather than the current imposition on tax payers through council rates.

The Benefits of a Container Deposit Scheme

Container deposits are seen as a mechanism to assign responsibility more closely to the consumer of a product. A deposit-refund system provides a powerful incentive for consumers to ensure that materials are returned to collection centres for reprocessing or reuse.

Container Deposit Legislation (CDL) enables deposits to be paid on the purchase price for certain containers (usually beverages, but not exclusively), and the deposit is refunded on the container's return.

This approach is widely applied throughout Europe and North America as an important tool in addressing litter, encouraging recycling and reuse, and achieving zero waste.

A Container Deposit scheme will increase the established kerbside recycling scheme by:

- establishing alternative container return mechanism for materials. Currently, the cost of collection exceeds the monies received for the materials – in Sydney alone, the gap between kerbside costs and the funds received from material recovery is \$36 million per year.¹⁰ Not only is kerbside recycling financially fragile, it is a major cost imposition on local government;
- reducing the number of collection services and sorting operations which need to be provided;
- reducing landfill and associated levy costs by increasing return rates and therefore reducing the residual waste stream;
- providing councils with potential income from refunds when householders elect to use the kerbside collection system for deposit-bearing materials (Councils in South Australia have reported income of up to \$90,000 per year from unredeemed deposits – as opposed to significant expenditure experienced by other councils on other states);¹¹ and
- reduced burden on litter management and the associated costs. Two studies (ISF 2001, BEAR Report 2002 – US) found unit costs in deposit/refund systems were lower than kerbside systems alone and could help to reduce the net costs of kerbside collection (cited in ISF, 2004).¹² In addition, CDL is crucial to take the financial pressure outlined in the previous section off local government and rate payers, and achieve a more equitable distribution of costs in managing recycling schemes. It is also a highly effective way to overcome major litter problems faced by councils and state governments – by placing a value on waste, CDL encourages voluntary litter collection.

Research by the Boomerang Alliance indicates that the adoption of a National CD system would reduce the overall cost of managing containers by \$84million p.a. while also lifting container recycling rates to over 80%, and eliminate the need for any regulatory action on the remaining 70% of food and grocery companies that mostly use cardboard based products.

While the exact outcomes Australia can expect from a CDS will vary depending on the design and features that jurisdictions choose to adopt, the benefits that Australians will enjoy when a container deposit system is introduced can be broadly considered.

Modelling by Boomerang Alliance of a National 10¢ Container Deposit System indicates the benefits will be substantial. The total impact on our economy is actually a saving of some \$3million p.a. and increases to \$84.9million p.a. if government returns operating surpluses to tax payers via rates or income tax. This represents an annual saving of some \$11.52 per Australian Household. These figures demonstrate Container Deposits are far cheaper and more effective than an uncertain public space recycling scheme based on a variety of bins and an increased allocation of time and resources from local councils.

A summary of environmental benefits from the adoption of a National Container Deposit System are as follows:

Environmental Consideration	Level of Benefit	Point of Comparison
Litter Reduction	12-15% reduction in litter	It would take around 6 Clean up Australia Days each year – i.e. around 375,000 days of labour to collect an equivalent amount of litter.
Reductions in Waste to Landfill	631,008 tonnes less landfill	A reduction of approx. 6% of all MSW Waste to landfill
Greenhouse Gas Abatement	1.38million tonnes of Co2 equivalent	Switching 197,000+ homes to 100% renewable energy
Drinking Water Savings	8.1 gigalitres of water saved	Enough water Savings to permanently supply 24,128 homes with all their water consumption
Air Quality	Removal of 610million gC2H4-e	The same improvements in air quality as removing 144,711 cars permanently off the road

It is clear that the adoption of a National Container Deposit system represents major environmental gains for little economic impact when compared to the status quo of simply renewing the patently ineffective National Packaging Covenant.

The Drink Container Recycling Bill 2008

We support the introduction of the proposed Drink Container Recycling Bill based on the following observations:

- the Act is based on sound and clear objectives which emphasises producer responsibility, and requires the sustainable management and reuse of containers;
- an appropriate time frame is afforded for commencement of, or within a scheme;
- producers have flexibility in implementing their obligations as provision is given for the development of an alternate comparable scheme;
- reporting requirements on an annual basis are of necessary frequency given the market based nature of the scheme and its' national application, and for assessment and information requirements from initial implementation, through phase in, to the full operation of the scheme;
- the Act increases its' efficacy by substantiating obligations of producers as outright and punishable; the scheme must be implemented and properly managed eg. the prohibition of landfilling or incinerating redeemed containers;
- the instrument will maintain flexibility and responsiveness, with provision for adaptation and development, in light of changing circumstances and consumption patterns; maintaining the efficacy of the Act.

The community desire for a comprehensive scheme addressing packaging waste has been a driving force for action to date and should not be underestimated. Support for Container Deposit Legislation is evident in research undertaken by Newspoll¹³ for the Boomerang Alliance in Western Australia in May '06. Studies indicated that 94.45% of the adult population want CD with just 2.58% against. In Feb '07 the survey indicated 94.48% in favour and just 3.87% against.

This research shows a large majority of Australians want more action to be taken to address packaging waste. This belief has been supported by some members of the industry, including Coopers Brewery and Diageo, who have supported increased producer responsibility.

Three hundred households in Western Australia were surveyed, representing both metropolitan and regional households. Newspoll advises that the standard statistical assessment indicates this level of information will be accurate within a 6% variation.

This data indicates very high support for CD Legislation, but also indicates a very strong "willingness to pay" that is a key aspect in determining the validity of implementing any policy. While there is recognition that CD means an upfront deposit, once again surveys revealed a very strong commitment to CD or 'willingness to pay' with 96% prepared to pay @ 5¢, 89% prepared to pay @ 10¢ & 75% prepared to pay at a high 20¢.

Container Deposits have been a cornerstone of South Australia's success as the leading Australian jurisdiction in tackling waste, litter, and resource recovery. The wide range of economic, environmental, community and health benefits offered by CDL make a strong case for its national implementation.

Pollution Action Network supports the introduction of Extended Producer Responsibility mechanisms to deal with Australia's waste crisis, and supports the introduction of Container Deposit Legislation nationally as providing an extremely effective mechanism to drive high recovery rates for beverage containers.

Sincerely,

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¹ Boomerang Alliance, Container Deposits: The Common Sense Approach, "Financial Analysis of Costs & Benefits of a National Container Deposit System", V2.1: May, 2008.

² Boomerang Alliance, Container Deposits: The Common Sense Approach, "Financial Analysis of Costs & Benefits of a National Container Deposit System", V2.1: May, 2008.

³ Boomerang Alliance, Container Deposits: The common sense approach towards a zero waste society, "Background Briefing", April 2008.

⁴ Landfill and Waste levies only. No collection costs have been included. If collection costs were to be included, these costs would be substantially higher.

⁵ Calculation of the total cost of litter, source: Plastic Shopping Bags – Analysis of Levies and Environmental Impacts – Nolan ITU Pty Ltd, December 2002.

⁶ Keep Australia Beautiful 2006 National Litter Index – Volume of litter, on an item count basis, containers represent 11.95%.

⁷ Source: Extrapolation of data from NEPC Annual Report 2005/06 – Reporting for the Used Packaging NEPM

⁸ ABS (1999). *Australian Social Trends 1999. Housing national summary tables*. Available at <http://www.abs.gov.au>. Link checked December 2004.

⁹ ABS (2003). *Australian National Accounts: Tourism Satellite Account*. Available at <http://www.abs.gov.au>. Link checked December 2004.

¹⁰ Institute for Sustainable Futures (2004). *Beyond Recycling: An Integrated Waste Management Framework for Local Government. Part B: Recycling in Context – the current situation*. Available online at <http://www.lgsa.org.au/docs/policy/environment/PartB.pdf>. Link checked December 2004.

¹¹ Hudson, P., in association with Cole Solicitors (March 2000). *Container Deposit Legislation: Economic and environmental impacts*. Report prepared for the South Australian Environment Protection Authority. Available online at http://www.environment.sa.gov.au/epa/pdfs/cdl_report.pdf. Link checked December 2004.

¹² Institute for Sustainable Futures (2004). *Beyond Recycling: An Integrated Waste Management Framework for Local Government. Part B: Recycling in Context – the current situation*. Available online at <http://www.lgsa.org.au/docs/policy/environment/PartB.pdf>. Link checked December 2004.

¹³ Newspoll May 2006