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Container Deposit Implementation Team  
Waste and Resource Recovery Branch  
NSW EPA  
PO Box A290, Sydney South,  
NSW 1232

To whom it may concern,

The Australian Council of Recycling (ACOR) welcomes the opportunity to comment on the NSW Container Deposit Scheme Discussion Paper.

ACOR is the peak national industry association representing the resource recovery industry representing 35 large companies and some local governments with public assets in resource recovery as well as companies with substantial expertise in container deposit scheme (CDS) systems. We represent a diverse group of members, including local councils, recyclers, material recovery facility (MRF) operators and reverse vender machine (RVM) manufacturers, with different interests in the design and implementation of the CDS. This submission reflects a broad consultation with ACOR members. Whilst we welcome the government's commitment to a CDS, clearly it is a sovereign risk event for industry.

### **Essential design features**

From a resource recovery industry perspective, the design of any CDS should ensure the following two objectives are met (as identified in the NSW CDS Discussion Paper):

1. Improve diversion from landfill to recycling; and
2. Minimise the impact of beverage container litter in away from home context.

The potential for commercial impacts must be recognised in the design of the scheme, and the design must ensure that negative impacts are minimised. The scheme must also encourage competition through the full value chain and should not seek to establish a monopoly.

Key design criteria of CDS must consider the following:

- Ensure there is no negative impact on existing kerbside recycling system;
- Focus primarily on reducing the impact of beverage container litter in the away-from-home context;
- Ensure the scope of containers aligns with SA and NT in order to avoid confusion to consumers;
- Improve beverage container recovery for beneficiation, including domestic remanufacturing;
- Ensure implementation without adverse commercial impacts on those with existing major capital investment in recycling, materials recovery and remanufacturing;
- Encourage competition to boost recycling and recovery efficiencies throughout the full value chain and not seek to establish a monopoly;
- Have appropriate oversight, and benefit from informed input from the participants in the existing NSW recycling industry, some of whom remanufacture many beverage container types;
- Ensure the efficient capture, through existing kerbside recycling system and through away-from-home mechanisms, of the maximum volume of quality materials for recycling in NSW; and
- Provide significant opportunity for new and higher margin domestic reprocessing, and the associated economic value and jobs, that this will stimulate.

An appropriately design of the CDS will ultimately ensure everyone, including consumers, local councils, contractors and material recovery facilities (MRFs), has an equal access to the scheme.

## **Implementation**

Government and industry should work collectively to implement a scheme that effectively reduces the impact of beverage container littering in away-from-home context without adversely impact on the existing kerbside recycling and its reliant supply chains.

ACOR's support for the Government's intentions of introducing a CDS is subject to the Government addressing any of the identified and likely perverse outcomes specified below.

- Potential for inter-state transportation of CDS containers with redemption paid for un-funded deposits, thereby threatening the financial viability of NSW CDS. Cross broader waste transportation has become an industry in its own right under current policy settings, with out of jurisdiction backloads of un-refunded containers for CDS redemption a distinct possibility.
- Potential for stockpiling of CDS containers prior to the commencement of CDS with redemption paid from un-funded deposits impacting the financial viability of the scheme.
- Adverse impacts on existing kerbside recycling system from cannibalising kerbside recycling bins, resulting in the loss of revenue from local councils, contractors and

MRFs, and kerbside recyclables being tipped on footpaths, with the cost born by the kerbside supply chain.

- Inability for existing MRF operators to identify deposit vs. non-deposit containers with existing infrastructure and throughput rates. Mass aggregation is the only solution to this problem.
- Ownership and redemption of CDS containers in the kerbside supply chain needs to be addressed, specifically in relation to collection contractors, Council's and MRF operators. Clearly all will have an incentive to redeem deposits and may compete to do so, with MRF's last in the supply chain.
- Potential for increased waste and associated landfill due to the higher value recyclables being diverted away from the existing kerbside system, paving way for increased bin capacity to be used for other non-recoverable and putrescible waste.
- Potential for undermining the operation of legitimate scrap metal recyclers as the CDS will potentially result in the creation of subsidised competitors in the collection of scrap metal (i.e. aluminium cans). These collectors will operate at the expense of the existing scrap metal recyclers.

### **Reverse vending machines**

Of primary importance to realising an effective CDS is the convenience of the redemption infrastructure. Having visited overseas deposit systems and consulted with ACOR members who participate in the vast majority of international CDS programs, it is clear that RVMs positioned at retailers offer the most convenient and effective option by enabling habit formation and multiple container transactions (instead of the one or two items – at far greater cost – that would result from public place locations such as those suggested in the *Thirst for Good* program).

While there is evidence of such systems around the world indicates that a CDS will be effective in boosting the quantity and quality of recycled beverage containers and in reducing litter of these items, ACOR is concerned that positioning RVMs at retailers and in convenient locations will potentially increase the cannibalisation on the existing kerbside recycling system. Other aspects of the system design should be structured to militate against this occurring.

### **Bar codes**

Another key aspect of a modern deposit system is the use of barcodes to underwrite and control material, data and money flows. Subject to our comments regarding the need to ensure that bulk (kerbside) collection can be handled through bulk, weight-based redemptions (see later in this submission), ACOR supports bar coding for the public-place and general public drop off context because they enable cost-efficient and accurate invoicing and reduce the potential of fraud, via:

1. With consumers, by requiring containers to remain whole prior to redemption, thereby avoiding mass cross-border transport of baled material,
2. At general public collection centres, by individually identifying and recording each container;
3. At beverage manufacturing plants, by controlling for free-riding and under-reporting of sales.

It also eliminates costly alternative ways of fraud control such as SA's requirement for most collection centres to transport uncompacted material to the Supercollector.

ACOR recommends that NSW follows most international systems that require the barcode of all singly-redeemed containers from public-place or other general public drop offs to be scanned and recorded – either at the point of redemption via RVMs or via centrally located high speed counting machines for material redeemed manually.

### **Kerbside bulk collections and redemptions**

Quite distinctly from the public place situations mentioned above, approved bulk kerbside collected materials must be exempted from any single barcode-based redemption requirements. Rather, CDS-qualifying collected material should only be redeemable on an average-weight (kg) based system through container collection depots.

Application for registration as a container collection depots must be strictly governed and subsequently audited by independent authority, i.e. licensing to operate and environmental and workplace OH&S compliance.

### **Impacts on existing kerbside recycling system**

The existing kerbside recycling system is well established in NSW and most containers are currently recovered through the system. Currently, there are 48 material recycling facilities (MRFs) in NSW with a total estimated processing capacity of over 1 million tonnes per year, in which about 80% of the capacity is contributed from household recycling<sup>1</sup>. Clearly the implementation of CDS will impact on the existing kerbside recycling system due to a significant amount of beverage containers being diverted from kerbside collection and MRFs to the CDS supply chain. Therefore, MRFs should be allowed to redeem the deposits on any remaining containers in the kerbside system.

Unlike South Australia, where CDS was introduced before the kerbside recycling system, the introduction of CDS will require MRFs in NSW to be repurposed due to substantial changes in feedstock in the kerbside recycling system, especially areas where RVMs are located.

Considering MRFs in NSW are well-established with local councils and the resource recovery

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<sup>1</sup> *Potential Impact of CDS on NSW Packaging Resource Infrastructure 2015*

industry and have invested significantly in technology and infrastructure to sort and handle materials from mixed recycling streams. Government should fully compensate the loss of valuable recycling materials from the kerbside recycling system and to facilitate those legacy assets to repurpose. For instance, an innovation fund can be allocated to facilitate MRF operators to undergo structural adjustment, contract amendment and compensation for lost material value.

## **Glass**

ACOR supports glass bottles being removed from kerbside recycling. The design of CDS needs to ensure that the majority of glass is not crushed to a size that is not colour-sortable. The optimal size should preferably be between 3-50mm, which allows crushed glass to be optically colour-sorted and removes contaminants. Most problematic is that these glass containers are typically crushed in the co-mingled kerbside collection process, meaning a conversion factor for MRF redemption should be developed. Even with a conversion factor, it is unclear how bottles could be hand-picked out for redemption if they cannot be identified as CDS glass due to small fractions. The design of CDS should encourage the stream of glass to go through one system. If there are two streams (i.e. comingled and CDS/RVMs), the ability to extract glass from comingled system will be impacted through a lack of economy of scale.

## **Taxation**

Following SA and NT, the Government is proposing to provide a ten-cent refund for each container returned under the CDS. While the deposit is GST inclusive and invoices from collection centres to Supercollectors reflected the deposit revenue generated, CDS operators in the Northern Territory are telling collectors, including commercial collectors, that they can cash all containers with no ABN/ RCTI or no accounting for the revenue. ACOR is concerned that if the refund is given directly in cash, deposit revenue generated by collectors can be outside the reach of the taxation system. Therefore, we recommend the government to remove direct cash payment and make reimbursement 100% traceable via existing technology such as through Pay-pal, debit/credit card and redeemable docketts or gift vouchers.

Furthermore, the South Australian experience has demonstrated that many of the collection centres set up for container collection and funded through CDS arrangements, have become fronts for wider recycling industry involvement (other material types) utilizing the same cash operating base without due consideration of GST and other tax implications; and additionally remain outside of the purview of environmental regulators, providing an un-natural competitive advantage to those facilities. The Government should carefully consider the forms of financial incentive given to collectors in order to avoid the emergence of illegitimate operators.

***Thirst for Good* proposal**

ACOR believes any CDS must be carefully considered and developed to ensure it works with, and complements, existing MRF infrastructure, and protects overall MRF viability.

The *Thirst for Good* option provides an alternative which overcomes the risks for MRFs, discussed above, and associated with the introduction of a CDS system.

ACOR stands ready to further assist the Government in the review process.

Yours sincerely,

A handwritten signature in black ink, appearing to read "G. Musgrove". The signature is fluid and cursive, with a large initial "G" and a long, sweeping underline.

Grant Musgrove

Chief Executive Officer