

Submission on the DWER Consultation Regulation Impact Statement Western Australian Container Deposit Scheme



August 2018

Status of this Submission

This Submission has been prepared through the Municipal Waste Advisory Council (MWAC) for the Western Australian Local Government Association (WALGA). MWAC is a standing committee of WALGA, with delegated authority to represent the Association in all matters relating to solid waste management. MWAC's membership includes the major Regional Councils (waste management) as well as a number of Local Government representatives. This makes MWAC a unique forum through which all the major Local Government waste management organisations cooperate.

This Submission therefore represents the consolidated view of Western Australia Local Government. However, individual Local Governments and Regional Councils may have views that differ from the positions taken here.

This Submission was endorsed by the Municipal Waste Advisory Council on Wednesday 29 August.

Executive Summary

The Association appreciates the opportunity to comment on the Consultation Regulatory Impact Statement (CRIS), as a means to fulfil both the need for a RIS at a state level and to secure exemptions from the *Mutual Recognition Act 1992* (MR Act) and the *Trans-Tasman Mutual Recognition Act 1997* (TTMR Act).

Local Government in Western Australia supports the implementation of a best practice Container Deposit Scheme (CDS), that facilitates litter reduction, resource recovery and a reduction of waste to landfill, community participation and benefit, and a more appropriate distribution of the costs associated with container management.

The Association considers that further information could be included in the CRIS on:

- The cost of littering, based on contemporary, local research
- The linkage between the proposed Scheme objectives and measurable, action-based targets
- How the Scheme will be structured to cover the costs of Government administration, and
- The economics of operating kerbside recycling systems and material recovery facilities.

A detailed proposal on the **estimated**, minimum number and type of Scheme access points is yet to be presented to, and considered by the Container Deposit Scheme Advisory Group or other stakeholders. Further engagement is required with stakeholders on this matter is required, as it could have an impact on the on the infrastructure costs presented in the CRIS.

While outside the scope of the CRIS directly, the Association also recommends as a matter of urgency - that the States and Territories that have, or are implementing Container Deposit Schemes, move to include all glass beverage containers within the scope of their Schemes. This strategy will reduce the contamination of kerbside recyclables arising from glass fines, and assist with the establishment of market outlets for recovered material. Traditional international market outlets for recyclables are now subject to stringent contamination limits.

Introduction

The Association appreciates the opportunity to comment on the Consultation Regulatory Impact Statement (CRIS), as a means to fulfil both the need for a RIS at a state level and to secure exemptions from the *Mutual Recognition Act 1992* (MR Act) and the *Trans-Tasman Mutual Recognition Act 1997* (TTMR Act).

The intent of a CRIS is to identify, through a cost benefit analysis, the best intervention available from a range of options to address a predefined problem. In this case, a sustained market failure associated with beverage containers.

Local Government in Western Australia supports the implementation of a best practice Container Deposit Scheme (CDS), that facilitates litter reduction, resource recovery and a reduction of waste to landfill, community participation and benefit, and a more appropriate distribution of the costs associated with container management. The Association is commenting on the CRIS with the aim of strengthening the proposal to implement a CDS in WA.

This Submission provides comment on all of the sections in the CRIS, then answers the questions posed in the document.

1. Statement of the Problem

The Association agrees that Government intervention is justified on the basis that there has been a sustained market failure associated with beverage containers. As identified in the CRIS, this market failure has resulted in a weak incentive to recycle and a number of externalities such as litter. Local Government has supported the implementation of a CDS in WA as a way to address these issues for over 10 years.

The CRIS identifies some of the ‘costs’ associated with litter. Namely, economic, environmental, visual, human and resource costs. To further strengthen the proposal to implement a CDS, the Association provides the following comments on the data provided in the CRIS:

- **Economic costs:** The data provided in the CRIS on litter clean-up is from 2001. While the CRIS notes that costs have increased, more recent costs could be sourced and included. These costs are 17 years old (not 12 years, as noted in the CRIS). Through the Local Government Census, the sector reports data on litter to the Department of Water and Environmental Regulation, and subsequently the Keep Australia Beautiful Council WA¹.
- **Environmental damage:** In addition to impacts on terrestrial and riverine wildlife, litter also harms the marine environment.
- **Human costs:** The information provided in the CRIS states that *“litter such as broken glass and syringes can injure people.”* Broken glass is likely to be reduced by a CDS, particularly if all types of glass container are included in the scope of eligible containers. However, a CDS is unlikely to reduce impacts from syringes.

WALGA has previously recommended in its Submission on the DWER Container Deposit Scheme Discussion Paper²:

“That baseline data be collected before the Scheme commences to determine current levels of:

- *Litter in the range of different areas which will access the Scheme*
- *Eligible containers in the kerbside system.”*

The Association still considers this work is urgently required, as it will allow the effectiveness of the CDS to be measured and for better quantification of costs and benefits.

¹ Waste Authority (2017). The 2015–16 census of Western Australian local government waste and recycling services. Available online http://www.wasteauthority.wa.gov.au/media/files/documents/LG_Census_2015-16.pdf

² WALGA (2017). Submission on the DWER Container Deposit Scheme Discussion Paper (August 2017). Available online. www.wastenet.net.au.

2. Objectives of Government Action

The objectives of the CDS, as identified in the CRIS are to:

- Reduce litter
- Increase recycling rates
- Protect the environment
- Help engage the community in active and positive recycling behaviour.

The WALGA Submission on the DWER Container Deposit Scheme Discussion Paper recommended the use of more targeted objectives:

“That the objectives for the Scheme include:

- *Litter Reduction*
- *Resource recovery and reduction of waste to landfill*
- *Community participation and benefit*
- *A more appropriate distribution of the costs associated with container management.”*

The rationale for this recommendation, was to ensure that the objectives could be linked to measurable, action-based targets. For some of the Scheme objectives listed in the CRIS, it is not clear how these can link to the targets. Similarly, it is difficult to make an assessment of the degree to which the objectives of the Scheme will complement that of the Western Australian Waste Strategy, as the Draft Strategy is yet to be released for consultation.

3. Options to Address the Problem

The Association understands the Government's approach of aligning the WA Container Deposit Scheme, with those of other States and Territories (Option 2). The Association does not support the national/industry lead approaches outlined in the CRIS, and previously made a Submission on the National Regulatory Impact Statement to that effect.

Option 2 - Additional Considerations

- The ACT Container Deposit Scheme commenced on 30 June 2018.
- *“Beverage containers that are excluded from the scheme are those that are more likely to be consumed in the home and are therefore less likely to be littered”* – littering is not the only consideration for the CDS. Increased recycling rates are also an objective. It must be clarified that the cope of excluded containers is only based on the purported need to maintain consistency with other jurisdictions.
- A detailed proposal on the **estimated**, minimum number and type of Scheme access points is yet to be presented to, and considered by the Container Deposit Scheme Advisory Group or other stakeholders. The Association is concerned that the Department has already formed a view on this issue, without consulting stakeholders, or considering the fact that the number of access points provided in NSW, has fallen well short of community expectations. Adopting the Queensland and NSW metrics for access, could limit the number of access points provided, as WA's population centres contain fewer people than those of the east coast. The CRIS contains limited detail on the number and type of facilities that will be provided, where they will be located, and the logistical approach that will be used to operate/service them. Changes to these factors could have an impact on the infrastructure costs presented in the CRIS.

4. Impact Analysis

Costs and Benefits – Additional Considerations

- Costs
 - Scheme design and administration costs, including avoided costs (to Government) – it was the Association's understanding that the Government's administrative costs would be covered by the Scheme. This would mean some of this cost could be passed onto

- consumers, as opposed to the general population through the use of Government funds.
- Container redemption infrastructure costs – given the limited engagement with stakeholders on the number, type and location of access points, and how they will be operated/serviced, it is unclear how this cost has been calculated. There is a potential to significantly reduce this cost if existing infrastructure is utilised.
- Benefits (avoided costs)
 - Avoided landfill externalities – WA research has been undertaken on the externalities associated with landfilling. This work may provide some information that could be included in the CRIS³.

The CRIS identifies a number of limitations with the data that has been used to complete the cost benefit analysis. The Association would like to specifically comment on the assessment of recycle value in the CRIS. The CRIS states that China’s National Sword initiative *“is not envisaged to have a long term impact on prices as other markets are considered likely to emerge.”* This is a significant assumption to make. It is clear that China has gradually increased the restrictions placed on the importation of low grade recoverable materials over a sustained period of time. There is no indication that the trend will reverse. The industry is currently operating with considerable uncertainty, as traditional, international market outlets are virtually non-existent. WALGA is working with other stakeholders such as material recovery facility operators to identify and develop alternative, sustainable, local market solutions. However, it could take a number of years to develop and commission alternative solutions. There is also no guarantee that this initiative will deliver high value markets.

The Association considers that the assessment of distributional impacts and regulatory burden measurement could be improved by the adoption of a more holistic view of the economics of operating kerbside recycling systems and material recovery facilities. Figure 1 is an extract from the outcomes of a Local Government Information Session held in partnership with WALGA and the Southern Metropolitan Regional Council on the impact of changing international market conditions on recycling⁴. Figure 1 highlights the complex interaction between the amount of material collected and the value of what is collected. It should be noted that material recovery facilities charge on a per tonne basis, therefore a reduction in tonnage will also reduce their revenue stream.

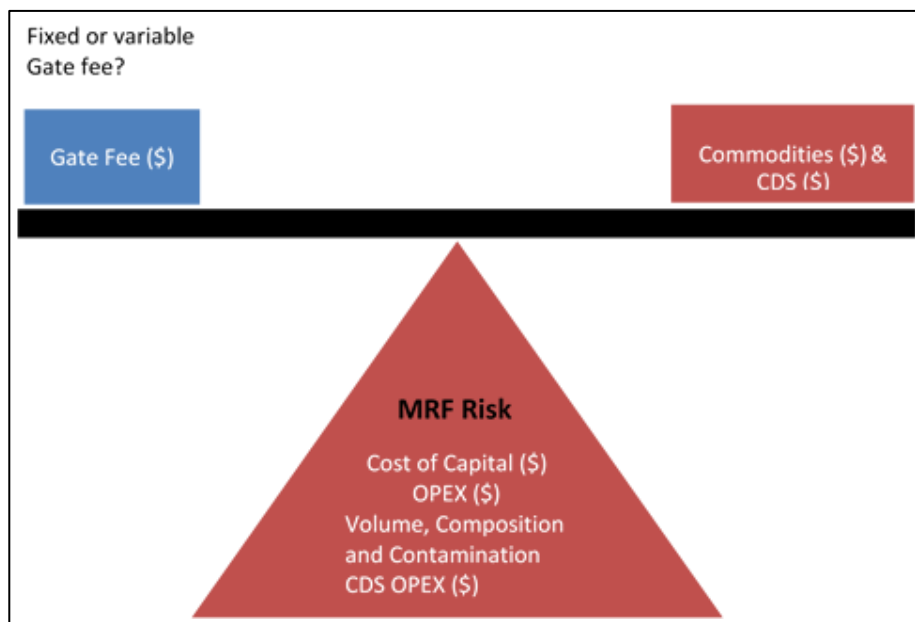


Figure 1: Material Recovery Facility (MRF) operating costs

³ Schollum, P. (2011). Evaluation of the Social Optimum for the Landfill Levy in WA. Available online http://www.wasteauthority.wa.gov.au/media/files/documents/Social_Optimum_for_Landfill_Levy_in_WA.pdf

⁴ WALGA (March 2018). Information Session Outcomes. Available online. http://www.wastenet.net.au/Profiles/wastenet/Assets/ClientData/Document-Centre/FINAL_MRF_Information_Session_Outcomes_28_02_18.pdf.

The other benefits of a CDS to the kerbside collection system, include increased compaction rates for recycling vehicles, increasing the efficiency of collection⁵.

5. Consultation Questions

1. Do you think that the reform objective is appropriate?
Partly support, refer to Section 2 of this Submission: Objectives of Government Action.
2. Do you think that the proposed CDS will achieve the reform objectives in Western Australia?
Yes
3. Do you support the introduction of the proposed CDS in Western Australia?
Yes
4. Do you believe the proposed CDS will deliver a net benefit to Western Australia?
Yes
 - a. Do you believe that the analysis of the costs and benefits under-estimate, over estimate or omits any of the costs or benefits arising from the Scheme?
Yes, as identified in preceding sections.
5. Do you believe the proposed CDS will result in an appropriate distribution of the costs and benefits between stakeholder groups?
Yes. The Scheme will result in a more appropriate distribution of costs.
6. Do you think there would be any unintended consequences from the proposed CDS?
No
7. Do you think the proposed implementation process and timing are appropriate?
Partly support - refer to Section 7 of this Submission: Implementation and Review.
8. Do you have concerns with Western Australia obtaining exemptions under the MR Act and the TTMR Act?
No

6. Implementation and Review

The timeline for implementation of the Scheme has shifted several times since it was announced. These changes reflect the time required to develop and amend legislation, put in place regulation and to ensure that the correct governance arrangements are in place. Local Government expects that the Scheme will commence in early 2020. Further delays to implementation, without the provision of a compelling case by the Department, will not be acceptable to the sector

The DWER Consultation Summary Report⁶ provided limited commentary on review mechanisms. However, CRIS provides an indication that the Department has formed a view on this matter:

⁵ A. Prince Consulting (2013). Optimum Compaction Rate for Kerbside Recyclables for Zero Waste SA and Local Government Research and Development Scheme. Available online <https://www.greenindustries.sa.gov.au/publications-reuse-recovery-recycling>

⁶ DWER (2018). Container Deposit Scheme Consultation Summary Report. Available online https://www.der.wa.gov.au/images/documents/our-work/programs/CDS/CDS_consultation_summary_report_FINAL.PDF

“The WARR Act includes a provision for a review every five years. In addition, the Minister can require a review of and/or amend the regulations at any time. This would allow alignment with any multi-jurisdictional review of the scope of eligible containers or the value of the refund.

The performance of the scheme coordinator and network will be reviewed on a regular basis through the reporting required of the scheme coordinator, and through regular reviews by the Western Australian CDS’s administrator, DWER.”

Further consultation is required with stakeholders on this issue. The Association recommends that the Scheme be reviewed within two – three years, to determine if:

- The refund amount and handling fees should increase
- The scope of eligible Containers should be increased
- Different handling fees should be applied to problematic materials

The Association also strongly recommends the scope of the Scheme be expanded to include wine and spirit bottles as an eligible container for the Scheme.

Conclusion

Local Government supports the implementation of a Container Deposit Scheme, and largely accepts the rationale that a consistent approach should be adopted by States and Territories in designing the various Schemes. However, given current market conditions, there is an urgent need for all glass containers to be added to the scope of all Australian Container Deposit Schemes. It will be extremely difficult to reduce kerbside recycling contamination levels, while glass is still collected through this system as glass breaks when collected, contaminating the paper recycling stream.

In further developing the Scheme, additional consideration is needed on the level of access provided through the Scheme, to ensure that all Western Australians can enjoy the benefits of the Scheme. There is an expectation that stakeholders will be consulted in the development of the access requirements underpinning the CDS.