

Attn: DWER

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Due: 5pm Sept 9th

Response to:

Consultation Regulation Impact Statement, WA Container Deposit Scheme

1. Statement of the Problem

Data from other jurisdictions shows that the introduction of a CDS is likely to significantly reduce the volume of litter and increase recycling rates. In South Australia, where there has been a CDS for over 40 years, in 2015-16 beverage containers made up 17 per cent of litter by volume and in the Northern Territory, which introduced a CDS in 2012, beverage containers made up 24 per cent of litter by volume.²

- No information is presented about increase in recycling rates.
- How effective has the CDS been in increasing domestic reprocessing of the materials recovered in those states?
- I believe SA has zero domestic reprocessing of plastic beverage containers which is an indicator that the CDS design has not addressed a market failure in which an market environment is not present that encourages domestic reprocessing

³ The proposed CDS excludes containers below 150 millilitres. This aligns with current and proposed schemes in New South Wales, Queensland and the Australian Capital Territory, however differs from South Australia's and the Northern Territory's CDS's – which include these containers.

Why are we excluding these containers? If we are going to the effort of bringing in a CDS to reduce litter and increase recycling, we should be aiming for as broad a coverage as possible? Otherwise are signalling that it is okay to litter and not recycle if the volume is under 150mL. Follow the lead of SA and NT and include them unless there is a good reason for not wanting to collect and recycle these?



By not implementing the scheme universally, the government is creating a loop hole that can be exploited by beverage manufacturers selling smaller bottles to avoid the 10c deposit such as the small fanta and coca-cola bottles show in the image above. These could potentially be sold in large multipacks which actually increases the opportunity for litter (ie 4 small 150mL bottles to replace one 600mL bottle) which would be a negative outcome of not applying the levy across the beverage spectrum

The amendments to the WARR Act will include a requirement that all eligible beverages sold in Western Australia carry a label that meets the requirements prescribed in the regulations. Further, beverage suppliers will need to obtain an approval for their beverage containers and suppliers that bring containers into Western Australia will need to enter into a supply arrangement with the CDS scheme coordinator appointed by the Government. These requirements, and some other elements of the scheme, may be considered to impose 'further requirements' under the MR Act or TTMR Act. For this reason, an exemption is required under the MR Act and TTMR Act.

If you are going to be liaising with manufacturers and importers about labelling, and implementing labelling requirements, this is a good opportunity to ensure packaging designs support recycling.

For example, shrink wrap labelled product are a challenge for reprocesses as they are explicitly designed in a way to not easily slide off like regular labels do.



All of these shrink labeled products have something in common....

They all provide "gripping points" for the shrink labels to hold onto.

- 1.) Shrink labels are non-adhesive, so they are only held on by hugging the container.
- 2.) If applied to a straight surface, they will slide right off the container.

This is also an opportunity to move away from sticky paper labels which are also hard to remove mechanically from plastic bottles and instead require chemicals to dissolve the paper and glue. This is not good for the environment.

Regular plastic labels are easy to remove, and can be recycled through soft plastics recyclers such as Replas. (WA based PET plastics reprocessing enterprise Greenbatch has an off take agreement with Replas meaning zero waste with this type of label)



Whilst speaking to manufacturers and importers, this would be a good time to restrict coloured PET bottles. They are a minority product in the industry (<1%) however during melting and extrusion the colour spreads so a single coloured bottle in a batch of coloured plastic can contaminate very large volumes. This leads to requiring either large investment in expensive colour sorting technology or additional labour costs to have someone manually removing and discarding the coloured bottles, increasing the recycling cost, and decreasing recycling viability.

2 Objectives of government action

The Western Australian CDS discussion paper (DWER 2017a) states that the objectives of the Western Australian Government action are to:

- reduce litter;
- increase recycling rates;
- protect the environment; and
- help engage the community in active and positive recycling behaviours.

In regards to the goal of increasing recycling rates, is the goal to increase reprocessing rates or our collection and export rates. As a state government who is focused on new jobs and new industries, The introduction of a CDS, if done right, is an opportunity to support a local reprocessing industry which will introduce new jobs. Local reprocessing will create a lot more local jobs and economic gain for WA than simply putting the resource on a ship and sending it away, creating jobs in other countries.

The CDS has been designed to support the achievement of the strategic objectives in the waste strategy which is currently being reviewed⁶. The strategy's proposed revised objectives are to:

- minimise the environmental impact of waste;
- reduce waste generation; and
- increase the recovery of resources from waste.

Again, is the goal of recovery including actual reprocessing? Without reprocessing, we aren't closing the recycling loop and are missing the opportunity to move WA towards a circular economy model and instead remain stuck in a linear economy model where we dispose of our resources to another country.

Western Australia has sought to minimise the costs to the beverage industry

Why is WA seeking to do this. As this report states, pricing of beverage is not very elastic. As such, why not aim to introduce the best system for litter rates, and recycling and reprocessing rates.

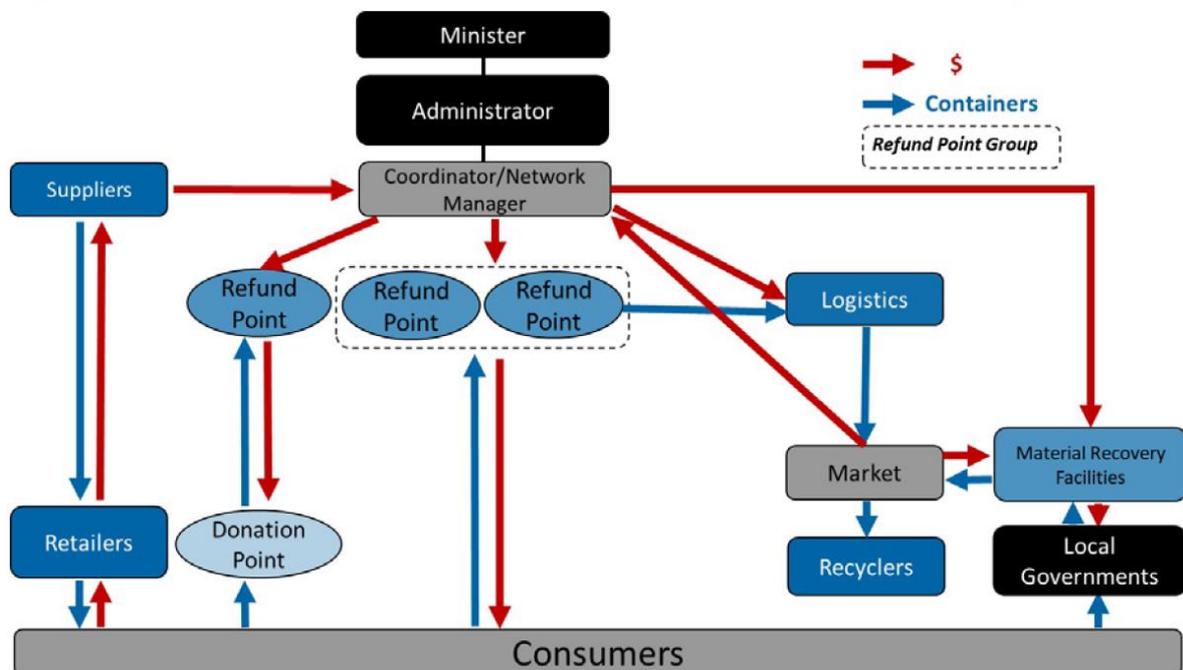
Beverage companies will adjust and survive. Lets put the environment first, before the bottom line of for-profit companies who over decades have tremendous impact on our environment.

Eligible containers in kerbside recycling will be able to be redeemed. The proposed scheme will allow material recovery facilities to use an approved method for accurately estimating the number of containers recovered in the facility and to claim the refund from the scheme coordinator. Under the proposed approach, a material recovery facility would only receive the refund amount and would not be able to claim a handling fee. It would not need to separate out containers or substantially change its existing recovery processes. The proposed scheme would also provide a regulatory incentive for material recovery facilities and local governments to share any benefits that may result from these arrangements.

It is great that some of the residual benefit only supporting local councils and MRF's. What about local reprocessors that face costs to reprocess the plastic and other materials. This is an opportunity to incentivise local reprocessing. Given the MRF doesn't own the materials (it has effectively been donated handed to them by the consumer), perhaps that material should be donated to any local reprocessors at zero cost, and the outstanding handling feeds passed onto the reprocessors to support the stimulation of this new industry.

Whilst there are no domestic reprocessors, the processed from donated material sales and handling fees should be allocated to a levy (similar to the landfill levy) to support reprocessing infrastructure. Eventually this unclaimed money will pool up enough to the point where there is enough to incentives players to come into the market.

Figure 2: Conceptual model of the Western Australian CDS administrative arrangements



Source: DWER (2017)

This model model has \$ flowing away from Market and to the Coordinator/Network Manager / Material Recovery Facilities.

Surely that is a flaw in the scheme design. This design supports MRF but disincentivises recyclers where as the state objective of the scheme is to encourage recycling rates.

2 Objectives of government action

The Western Australian CDS discussion paper (DWER 2017a) states that the objectives of the Western Australian Government action are to:

- reduce litter;
- increase recycling rates;

If we want to increase recycling rates, sure some of the revenue from the system should flow into the recycling, not away from it?

4.1 Cost-benefit analysis

A cost-benefit analysis was undertaken to assess the net economic impacts of the Western Australian CDS. The analysis compared the base case (no reform) scenario against the introduction of the CDS.

Assumptions and scope

General assumptions underlining the analysis were as follows:

- The base year of the appraisal is the 2018 financial year and the assessment is conducted over a 20 year period.

In Greenbatch’s recent Landfill Levy CIE application to establish a reprocessing facility, Greenbatch’s cost-benefit analysis was conducted over a 12 month period. As such the cost-benefit ratio resulted in the investment in a reprocessing infrastructure project being “not good value for money”. I am sure if CDS was assessed in a 12 month window, it would come out as “not good value for money”. If a 20 year window is appropriate for government, surely Industry project funding through CIE should be given the same treatment?

- The development period for the scheme is during 2018-19, and the scheme commences in mid-2019.

Hasn’t scheme commencement been postponed to 2020?

Table 8: Recyclate value

Recyclate type	Central estimate**	Industry assumptions*	CDS premium
	(\$/tonne)		
Paper/cardboard	30	0	0
Glass	0	0	+40
PET	90	230	+30
HDPE	90	620	+30
Aluminium cans	1,300	1,500	+100

If the CDS model stacks us with these Central Estimates (which it does according to this plan), will the government consider selling recyclates to domestic reprocessors at the central estimate price to encourage and stimulate domestic reprocessing, creating local jobs in the process?

Without some sort of stimulus, it is likely the recyclates will continue to be sent offshore where labour is cheaper and we will continue to lose out on local job opportunities. Perhaps some economic analysis of the net effect of some reduced income via recyclates sales locally vs the offset of reduced unemployment/welfare benefit as a result of the job creation.

It is a lost opportunity if the CDS does not support and stimulate reprocessing.

The high value for willingness to pay to avoid litter is used in the cost benefit analysis. This value was selected from well-conducted studies in the literature; however, it does not necessarily reflect the willingness to pay to avoid marine and/or riverine litter.

There is an extremely high desire to avoid marine and riverine litter amongst the public right now. Social media and main stream media (eg ABC's War on Waste) have helped bring it to the public's attention. To not reflect the public's willingness to pay to avoid marine and riverine litter is a major shortcoming of this analysis. This one fact alone could be a major driver in the public's willingness to adapt this system, and to support local reprocessing and local reuse of plastic to keep it out of the environment.

The projected impact of the CDS on litter, landfill and recycling rates can also be considered in terms of container numbers. By 2037, the CDS is estimated to result in a total accumulated impact (over 20 years) of:

- 706 million fewer beverage containers being littered;
- 5,902 million fewer beverage containers ending up in landfill; and
- 6,608 million more beverage containers being recycled.

6068M extra containers recycled – does that mean just extra collected but just exported, or does it mean 6,608 will be fully recycled and reprocessed in WA. The number of containers being domestically reprocessed needs to be a key factor in the CDS design otherwise we are going to be beholden to international markets and we have seen what has happened in China and other countries are talking about following. Local reprocessing should be the desired outcome as it creates local jobs, however this is not even listed as a metric above. Unless it's a metric we won't strive towards it.

The stakeholder groups considered for the distribution analysis are consistent with those selected for previous distributional impact assessments of container and packaging deposit schemes. The analysis focuses on the following stakeholders:

- The Western Australian Government;
- the Australian Government and the governments of other states and territories;
- Western Australian local governments;
- service providers (material recovery facilities and refund point operators);
- charities and community groups;
- the food and beverage industry;
- beverage consumers; and
- the environment.

Why is the reprocessing industry not considered a stakeholder?

It is great that MRF's are considered but we need to design a system that goes further than just supporting MRF's. The system needs to flow onto the final step after collecting and sorting which is reprocessing. Without reprocessing, recycling (which is supposed to be a loop) is not complete. We need to design a complete solution. Not just a bandaid solution that addresses select parts of the cycle.

Service providers (material recovery facilities and refund point operators) will benefit from expanded business opportunities and, in the case of the material recovery facilities, a reduction in net processing costs.

It is nice that the MRF's will get support out of this and a reduction of processing costs. Given the free market has not resulted in a healthy reprocessing industry in WA, we need to ensure adequate reduction in reprocessing costs, not just reducing the costs to put our resources on a ship and export it to somewhere else that has lower operating costs to benefit from it. Lets create local jobs by stimulating reprocessing

- The development of the CDS is being informed by a Western Australian CDS advisory group that includes representatives from:
 - beverage manufacturers;
 - retailers;
 - local government;
 - waste management and recycling industries;
 - environmental non-government organisations; and
 - community groups.

In regards to waste management and recycling industries, is there anyone on this advisory group who represents reprocessing, or just recycling companies who sell and export materials, and not actually doing the reprocessing themselves?

4) Do you believe the proposed CDS will deliver a net benefit to Western Australia (Cost benefit analysis is set out in section 4.1)?

a) Do you believe that the analysis of the costs and benefits under-estimates, over-estimates or omits any of the costs or benefits arising from the proposed scheme?

Yes – reprocessing. At the moment the scheme puts zero value on actual reprocessing. There is a cost associated with this. We need to take full responsibility for what happens to our packaging. Getting it off the streets and out of litter is a nice start but let's close the loop.

The handling fees should have a proponent for reprocessing costs.

Alternatively some of the 10c deposits from forfeited bottles (ie those put in a recycling bin) should be passed on to the reprocessors, not exclusively to MRF's who don't finish the process, they just export at the moment.

If there is not a local reprocessor, the processed should be pooled to create a pool of funds to enable the investment in the infrastructure required to do the reprocessing.

Let's not just copy schmes from the 1970's. Let's use CDS as a chance to create a domestic reprocessing industry and be world leaders!