



Government of **Western Australia**
Department of **Water and Environmental Regulation**

Container deposit scheme: Minimum network standards review

Summary of submissions and recommendations
Third review

Department of Water and Environmental Regulation
March 2023

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1 Background

The container deposit scheme (CDS), Containers for Change, commenced on 1 October 2020 providing for Western Australians to return their empty beverage containers to a Containers for Change refund point and receive 10 cents for each eligible container.

The Department of Water and Environmental Regulation (the department) developed the [*Minimum network standards: Refund point locations and hours of operation*](#) (May 2019). The minimum network standards seek to balance consumer convenience with scheme costs, as the number of refund points is a key driver for each.

As part of developing the minimum network standards, the department consulted key stakeholders and the community in 2018. Following consultation, the department released the [*Minimum network standards: Consultation summary*](#) (May 2019) which modelled the collection network to provide indicative locations and refund point numbers.

This report provides an overview of comments provided by the scheme coordinator, WA Return Recycle Renew Ltd (WARRRL), and the Western Australian Local Government Association (WALGA), along with the recommendations of the review.

2 Legislative requirements

The CDS was established under the *Waste Avoidance and Resource Recovery Act 2007*. The Waste Avoidance and Resource Recovery (Container Deposit Scheme) Regulations 2019 (regulation 12) require that the minimum network standards are reviewed:

- as soon as practicable after the six-month anniversary of the scheme commencing
- after that, at intervals of not more than six months for the first three years
- after that, at intervals of not more than one year.

The scheme started on 1 October 2020.

3 Review process

The second review of the minimum network standards considered issues related to the structure of the collection network, particularly refund points that opened for shorter hours than specified in the standards. In considering the submissions and issues raised, the department recognised that economic viability is a concern for refund points in some communities and, additionally, labour shortages can also constrain operating hours.

As part of the first review, the department commissioned Metrix Consulting to undertake a benchmark study of community perceptions of CDS (Metrix, June 2021). This information is relevant to the considerations of the current review. The scope and key findings of the benchmark study are summarised in Appendix 1.

This issues paper supported consultation with key stakeholders including WALGA, and the scheme coordinator, WARRRL.

Following the review, the department may update the minimum network standards in accordance with the Waste Avoidance and Resource Recovery (Container Deposit Scheme) Regulations 2019.

The department will liaise with WARRRL regarding timing and implementation of any changes to the minimum network standards.

The department considered all comments and feedback received and has made recommendations that seek to balance consumer convenience with scheme costs.

4 Issues considered

4.1 Refund points below 500-person population threshold

Context

The first reviews of the minimum network standards considered definitions for flexible refund points and the variability in refund point operating hours.

A flexible refund point is defined in the minimum network standards as follows:

- Flexible refund points can be stationary facilities which must provide at least 16 ordinary business hours per fortnight, at least eight of which must be weekend hours.
- Flexible refund points can be mobile refund points, which will not be required to adhere to specified minimum hours, as they need the flexibility to cater for seasonal, mobile, or event-based circumstances.

The definition and application of 'flexible refund point' is an important issue for customer convenience and access, particularly in remote areas where travel distances are relatively high. The department noted that requiring refund points to remain open for the specified hours in all circumstances could preclude points opening for limited hours in lower return volume locations with marginal economic returns.

Refund points are paid a handling fee per container, making the volume of containers received the determinant of revenue. The volume of containers received can be influenced by a refund point's developing opportunities such as engagement with local businesses, schools, and community groups to return containers.

The main costs for refund points are labour. Lease/rental costs can also be significant. Labour costs are typically on a per hour basis and are higher on weekends and in regional and remote areas. Labour cost issues are exacerbated by labour shortages.

The CDS was designed so that the logistics costs of the collection network were borne by the scheme coordinator, rather than refund point operating costs. This was to provide a similar cost basis between metropolitan and regional/remote refund points.

The Waste Avoidance and Resource Recovery (Container Deposit Scheme) Regulations 2019 provide that the coordinator is to have regard to the economic viability of each proposed refund point (regulation 8(a)).

WARRRL has continued to expand the collection network. At the end of April 2022, there were a total of 260 refund points established across Western Australia – exceeding the minimum requirement of 229 refund points.

The additional refund points are increasingly located in towns with small populations (population less than 500, the threshold where a flexible refund point is required under the minimum network standards). For example, refund points have been set up in Newdegate (population 167), Marble Bar (population 174), and Leinster

(population 405). Refund points operating in these smaller towns provide an important service to the local community and extend the statewide collection network.

In the development of the minimum network standards, some of the nominated localities were considered potential seasonal refund points, such as Bremer Bay and Coral Bay, and did not meet the required population threshold. Other nominated refund point localities, such as Kalumburu in the Kimberley and Ngaanyatjarra-Giles in the Goldfields-Esperance region, also did not meet the required population threshold but were included to provide a more comprehensive collection network.

A smaller population can be expected to return a smaller volume of containers, thereby limiting revenue compared to refund points servicing larger populations. If labour costs are not correspondingly decreased, such refund points are not likely to be viable in the absence of additional revenue sources.

4.2 Refund points above 500-person population threshold

Context

The minimum network standards set a requirement for 114 full-time refund points and 115 flexible refund points to provide a statewide network. Refund point data provided by WARRRL showed a total of 127 full-time refund points and 134 flexible refund points, with a breakdown of operating hours for each refund point as of May 2022.

Of the 115 nominated flexible refund points, 39 (34 per cent) are not meeting the minimum operating hours due to a lack of total hours or a lack of weekend hours. Of the 134 flexible refund points in operation, 59 (44 per cent) are not meeting minimum operating hours. These locations are often described as 'pop-up' refund points and are considered exempt from the minimum operating hours by the scheme coordinator.

While 34 per cent of the nominated flexible refund points did not meet the minimum operating hours, each region exceeded the total minimum required opening hours based on the allocation of flexible and full-time refund points.

Submissions to the first and second reviews of the minimum network standards advised that WARRRL has been working with refund point operators to establish bag drop facilities in those circumstances where minimum operating hours are not being met.

In some regional and remote areas, operating costs and labour shortages prevent refund point operators from opening their premises as required by the minimum network standards. The minimum network standards for flexible refund points require at least 16 ordinary business hours per fortnight, at least eight of which must be weekend hours. WARRRL has advised that extending hours to weekends in some instances may adversely impact on the economic viability of refund points. Managing opening hours is a critical issue, particularly for relatively small refund points in regional and remote areas.

5 Issues identified

5.1 Remove requirement for minimum operating hours for refund points servicing less than 500 people

The minimum network standards could note that refund points operating in towns with a population less than 500 are not required to meet the minimum operating hours.

Table 1: Summarised stakeholder comments – remove requirement for minimum operating hours for refund points servicing less than 500 people

Issue	WALGA comments	WARRRL comments
Remove requirement for minimum operating hours for refund points servicing less than 500 people	<p>WALGA does not support removing the requirement for minimum operating hours.</p> <p>Removing the requirement entirely does not support or guarantee community access.</p>	<p>Support: Allowing refund point operators to work with the local community to establish a service level that suits that community.</p> <p>WARRRL would like this option available so that the community can establish points that better suit their community and cultural needs rather than scheme requirements.</p>

The department's response and recommendations

Refund points in towns with a population less than 500 are not required to meet the minimum operating hours. Generally, these locations are not part of the modelled minimum network standard.

The threshold criteria were developed to accommodate economic viability in small population centres.

Extending the collection network to small population centers will improve community accessibility.

5.2 Increased handling fee

The economic viability of such refund points may be improved with a larger handling fee. To ensure equality between refund points, the CDS has a uniform handling fee. Unless this policy was changed, such an increase would apply to all refund points across the state, resulting in increased scheme costs which would be expected to flow on to increased beverage prices.

Potential unintended consequences of this option include the perverse incentive it could create for refund point operators.

Table 2: Summarised stakeholder comments – increased handling fee

Issue	WALGA comments	WARRRL comments
Increased handling fee	<p>Further investigation required.</p> <p>If refund points are not viable with the current handling fee, considerations should be given to increasing the fee.</p>	<p>WARRRL does not support an increased handling fee.</p> <p>An increase would create inequality among refund point operators.</p>

The department's response and recommendations

No recommendation to increase the handling fee at this stage. WARRRL is currently responsible for increasing handling fees in accordance with the Consumer Price Index. WARRRL is encouraged to continue to explore alternatives to increase community access, for example bag drop facilities.

5.3 Additional services refund point agreement

To enable refund point development in some remote areas, the department approved a refund point agreement that allows WARRRL to provide additional payments to a refund point for additional services. The types of services delivered are typically basic processing of received containers. The agreement can only be used where WARRRL has established a case that a refund point cannot be viably established based on the standard refund point agreement.

Table 3: Summarised stakeholder comments – additional services refund point agreement

Issue	WALGA comments	WARRRL comments
Additional services refund point agreement	<p>Support: Additional services refund point agreement.</p> <p>The extra processing on-site increases the efficiency of the scheme and provides local employment.</p>	<p>WARRRL would prefer to continue to have the option to utilise the additional service fee and potentially extend this fee into metropolitan areas where justified. This fee should cover any point that requires additional costs to service a refund point.</p>

The department's response and recommendations

WARRRL to continue with the additional services refund point agreement ensuring the agreements are only used where WARRRL has established that the refund point cannot be viable if established on the standard refund point agreement.

5.4 WARRRL to consider providing bag drop infrastructure or grants to assist refund points to meet minimum operating hours

Bag drop facilities may not be suited to all refund points, particularly where there are security and public access issues.

Table 4: Summarised stakeholder comments – WARRRL to consider providing grants for bag drop infrastructure, or retain ownership and loan bag drop infrastructure, to assist refund points to meet minimum operating hours where economic viability is considered a key factor

Issue	WALGA comments	WARRRL comments
WARRRL to consider providing grants for bag drop infrastructure, or retain ownership and loan bag drop infrastructure, to assist refund points to meet minimum operating hours where economic viability is considered a key factor	Partial support: Bag drop facilities are not suitable in all locations.	Support: WARRRL strategic initiative. WARRRL is currently exploring options to fund bag drop infrastructure and will continue this review in 2023.

The department's response and recommendations

WARRRL to continue investigating the provision of bag drop infrastructure where appropriate.

5.5 Temporary exemption

A temporary exemption could be granted for specific refund points from meeting minimum operating hours. The exemption, for a period of two years, could operate on the following basis:

- Scheme coordinator to provide advice to the department that, in the coordinator's opinion, the refund point location is unable to meet the minimum operating hours due to economic viability. The basis for this opinion would need to be set out.
- Scheme coordinator to confirm that efforts to negotiate a bag drop facility to extend operating hours has not been successful and provide reasons as to why.

- Where an exemption is requested, scheme coordinator to provide updated total refund point operating hours per month for that region. Total refund point operating hours per region will be reported on a quarterly and annual basis (this will require an amendment to the reporting code).
- Total refund point operating hours per region can be tracked to ascertain any trends in opening hours per region.

This could reduce public accessibility, especially if refund points that currently meet minimum operating hours seek to reduce their opening hours to improve profitability.

Table 5: Summarised stakeholder comments – temporary exemption

Issue	WALGA comments	WARRRL comments
Temporary exemption	<p>Partial Support: Temporary exemption as per the WALGA submission on the customer service standard.</p> <p>WALGA recommended:</p> <ol style="list-style-type: none"> 1. That refund point operators are provided with an opportunity to propose an alternate approach to the department that delivers the outcomes sought through the specified minimum service standards on the minimum level and type of service provided at refund points. 2. That the department assesses and approves any proposed reduction in services, in consultation with the local community. 3. That the scheme coordinator is required to provide the baseline level and type of service specified by the State Government, where no parties express an interest in operating a refund point. 	<p>Support: Refund point locations above 500.</p> <p>Support: Preference would be to remove the minimum hours required under 500.</p>

The department's response and recommendations

The department will establish temporary exemptions provisions within minimum network standards document to allow WARRRL to apply for a temporary (one year) exemption based on economic viability. WARRRL must provide support to refund point operators to meet minimum hours operation requirements after one year.

The department will implement an amendment to the reporting code to require the scheme coordinator to provide information for quarterly and annual reports on total refund point operating hours per month for each region. This will facilitate monitoring of trends for total opening hours per region.

Refund point operators will be afforded the opportunity to propose an alternative approach to meet minimum service standards for nominated population centres.

It is already a statutory requirement that the scheme coordinator must provide service if there are no parties to operate a refund point that is part of the minimum network.

5.6 Increased non-financial support

WARRRL support through:

- business development
- process review and enhancement to reduce unnecessary costs.

Table 6: Summarised stakeholder comments – increased non-financial support

Issue	WALGA comments	WARRRL comments
Increased non-financial support	Support: This could potentially benefit refund points in regional and remote areas.	<p>Support: Currently working on initiatives that support the refund point operators.</p> <p>WARRRL developed a benchmarking tool for refund point operators to identify wasteful activities which was rolled out with operators that have financial viability concerns.</p> <p>WARRRL has established a business development team to assist refund point operators with tools and knowledge on how to increase volumes and further redemption.</p>

The department's response and recommendations

WARRRL is encouraged to continue to support refund point operators through:

- business development
- process review and enhancement to reduce necessary costs.

References

Containers for Change, 2020, "Where to return", *Containers for Change*, available online: www.containersforchange.com.au/wa/where-to-return

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Metrix Consulting, June 2021, *Community perceptions of Containers for Change*, unpublished report provided to Department of Water and Environmental Regulation