



**Government
of South Australia**

12SEC0561

27 March 2012

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Dear Ms Delahunt

Please find attached South Australia's submission on the Packaging Impacts Consultation Regulatory Impact Statement (CRIS). I appreciate that South Australia has been closely involved in the Senior Officers Oversight Group and the Working Group during the development of the CRIS.

As you are aware, I raised a number of concerns at the Standing Council for Environment and Water meeting on 30 November 2011 when the release of the CRIS for public consultation was approved. These included concerns in relation to assumptions over the infrastructure which would be established under a national container deposit scheme (CDS).

The Cost Benefit Analysis (CBA) assumes that under option 4B, industry will primarily establish 'store front' style depots (which are widely used in British Columbia). Industry has not established this type of infrastructure in South Australia (SA) as it is more expensive to operate (due to the premium land value and rental cost) and less convenient for customers (compared to the 'drive through' style depots used in SA). Ultimately, the type of infrastructure needed to be established should be determined by the market, not by Government. Issues were also raised in relation to the base case estimates, litter projections and co-benefits of a CDS. These matters are discussed in more detail in the attached submission.

A further significant issue in relation to the assumptions made regarding CDS infrastructure has also become apparent during the consultation period. Option 4A assumes that a national CDS would be run by an independent body. The infrastructure would therefore need to be new infrastructure without use of existing recycling infrastructure. It has also been assumed that the infrastructure established under option 4B would not be based on existing infrastructure. This approach does not reflect a market based CDS, which would have infrastructure established by industry based on the best cost benefit ratio for the industry. A market

based CDS would be established at the lowest possible expense and would utilise as much existing infrastructure as possible. This indicates that the cost of establishing a national CDS would be much less than estimated in the CRIS. This matter is also discussed in more detail in the attached submission.

The South Australian Government strongly supports the implementation of a CDS at a national level as it has a proven track record, having operated in SA for over 30 years. The analysis of the non-CDS options under consideration, however, is based largely on assumptions and the details of how these options would operate in reality are not known in many cases. Some of the benefits of the other options may be overly optimistic.

It is recognised that even if many of these issues are addressed it may not significantly influence the overall cost benefit ratio. It is important to ensure that the data presented is as accurate as possible, as it will no doubt be used as a reference guide in the future for other bodies and jurisdictions analysing potential recycling schemes. For this reason, it is essential that the eventual decision gives adequate weight to qualitative benefits not covered in the CRIS, to ensure that any future national decision adequately accounts for these factors.

I thank you for considering the issues raised in the attached submission and look forward to South Australia's involvement in the continuing process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Caica', written in a cursive style.

PAUL CAICA
MINISTER FOR SUSTAINABILITY, ENVIRONMENT AND CONSERVATION

Submission on the Packaging Impact Consultation Regulatory Impact Statement

1. Base Case

The Cost Benefit Analysis (CBA) uses targets set by the Australian Packaging Covenant (APC) to set projections for recycling rates for the based case. The APC Strategic Plan 2010-15 sets a target of 70% recycling rate for used packaging materials by 2015. Since the achievements of the APC have previously been 2.5% below their target, it is assumed in the CBA Assumptions report that by 2015 the recycling rate will be 67.5% of all packaging (both recyclable and non-recyclable).

Targets beyond 2015 are based on WCS and PwC assumptions that the recycling rate will continue to increase at a steady rate until it reaches 79% by 2030. So the overall recycling rate increases as follows:

2010 - 62.5%
2015 - 67.5%
2020 - 72.5%
2025 - 77.1%
2030 - 79%

The increase for recycling of non-beverage packaging is quite low; 40.2% in 2010 to 50% in 2030, only a 9.8% increase in total. The Flexible Packaging is quite high, 70.2% in 2010 to 85.9% in 2030, a 15.7% increase in total. Recycling of beverage containers has the biggest assumed increase; 48.7% in 2010 to 69.7% in 2030, a 21% increase.

The justification given for this increase for beverage containers is:

"...beverage container recycling will improve slowly, from the current 48.7%, to peak at nearly 70% by 2030. This recycling rate reflects historical trends that recycling has been higher for beverage containers than non-beverage containers. It also reflects that the current APC has significantly more initiatives targeting beverage container recycling (particularly in away from home setting), and the beverage industry has been active in targeting recycling."

While it states that recycling rates for beverage containers will increase slowly, it is a significantly faster increase than for other types of packaging. The table below shows percentage increases. While the increases taper off for non-beverage and flexible packaging, beverage containers show a sudden larger increase in recycling rates of 8.7% between 2020 and 2025. This is a strange anomaly with no justification.

	2015	2020	2025	2030
Overall	5%	5%	4.6%	0.8%
Non-bev	4%	5%	0.8%	0%
Bev	5.1%	4.3%	8.7%	2.9%
Flex Packaging	5.2%	5.3%	3.4%	1.8%

Based on current consumption rates, an 8.7% increase is equivalent to 95,874 tonnes. Taking into account the increased consumption rate by 2025, this would be even higher. This is significantly more than the current away from home recycling rate of 74,000 tonnes. Over-estimating the future increased recycling rates for beverage containers unfairly prejudices against a CDS and other options by reducing estimated potential benefits.

The projected increases for all types of packaging should logically slowly taper off as it becomes more difficult to achieve higher and higher recycling rates. This means that the projected increase for 2025 for beverage containers should be about 3.7%; 5% (or 55,100 tonnes) lower than the projected 8.7%.

To base the assumptions on historical trends also implies that there will be no change in the mix of beverage containers which affects recycling rates. Any increase in the proportion of beverages sold in non-recyclable containers will further reduce the rate of recycling for this category of packaging. This does not appear to have been taken into account in the development of the projections despite the CRIS recognising that some trends in the packaging industry run counter to efforts to reduce packaging and increase recycling¹.

2. Away from home recycling

Options 2 (including all sub-options) and 3 focus on increasing away-from-home recycling through the provision of recycling bins.

Page 7 of the CBA states “there is a high level of uncertainty relating to the specific initiative in each option and when they may practically be implemented. For the purposes of the CBA there is a need to make assumptions relating to the initiatives to develop recycling, landfill and litter projections.” This is the case for all options, except for the CDS options for which the mechanisms, timeframes and achievable recycling rates are well known, as CSD has operated in SA for over 30 years and has also recently been implemented in the Northern Territory. It is therefore difficult to determine the basis for the projected recycling increases. Without further details on how these options will operate there is a high likelihood that the stated costs and benefits of these options are inaccurate.

These options rely heavily on achieving high recycling rates through the provision of public recycling bins. However, the high contamination rates of public recycling bins have not been sufficiently accounted for.

Page 58 of the CBA estimates that 20% of material in kerbside/public recycling bins is contaminated and landfilled. This is not an accurate assumption for public recycling bins. The CRIS itself does not discuss this issue.

In 2006/07 the Australian Packaging Covenant undertook away from home recycling infrastructure and behaviour trials. The final project report stated that contamination rates post trial ranged between 30% and 65%. This was despite shopper surveys showing a high level of awareness of the recycling bins (up to 76% of shoppers surveyed). These contamination rates are prohibitively high for any of the material to be recovered.

¹ COAG Standing Council on Environment and Water (2011) ‘Packaging Impacts Consultation Regulatory Impact Statement’ page 4-5

Some centres had new recycling bins installed as part of the trial which were equipped with rubber limiters. These recorded the lowest contamination levels in the post-trial audit. Contamination levels in these bins accounted for 13.3% by weight, the lowest recorded in any of the centre trials². It should be noted that the addition of rubber limiters would result in the almost all recyclables collected being beverage containers. This would not therefore result in higher recycling rates of non-beverage container packaging. A CDS could more effectively achieve the same outcome with the use of Reverse Vending Machines (RVMs) in shopping centres as RVMs would result in no contamination and higher recycling rates for beverage containers due to the incentive the refund presents for people to recycling.

Even if RVMs were not widely used in shopping centres (although the CRIS does assume that RVMs would be widely used), SA's experience shows that a CDS would still increase the amount of beverage containers recovered in shopping centres. APC's trials have clearly shown that properly designed bins can lead to high recycling rates of beverage containers with low contamination rates. These types of beverage container specific recycling bins are already widely used in SA, as the beverage containers can be collected by shopping centres which can then collect the refund. This provides incentive and funding for shopping centres to provide these recycling bins without the need for government or industry intervention.

These trials aimed to achieve higher recycling rates through consistent signage on recycling bins. It should be noted that the signage stated "please recycle cans and bottles here" and included pictures of cans and bottles. The trial did not focus on encouraging recycling of other packaging. It is highly likely that, if the trial was more broadly aimed at packaging in general, the contamination rates of the recycling bins would be even higher, due to the added confusion of what materials are recyclable and food scraps being left on much of the packaging. Therefore, targeting all recyclable packaging rather than just beverage containers would likely actually lead to lower recycling rates overall rather than higher. This creates serious doubt about the ability of public recycling bins to achieve higher recycling rates of non-beverage container packaging.

The final project report states that "while in most instances the above signage appears to have led to an increase in recyclable materials placed into recycling bins, contamination rates remained fairly steady throughout most of the centres during the trial."³

A further trial was undertaken in 2008 with a revised style of recycling bin. This bin included signage stating "do the right thing, use the right bin" and included circular bin limiters suitable for inserting cans and bottles. This trial was much more successful and was able to achieve virtually no contamination but the recycling bins were only suitable for collecting cans and bottles. These bins were able to recover about 3,500 kilograms of cans and bottles per month.⁴ They would therefore have no effect on the recycling of packaging other than cans and bottles.

² National Packaging Covenant (2009) 'National Packaging Covenant Project #07/06 Away from Home Recycling Infrastructure and Behaviour (Shipping Centre Recycling Trials and Guidelines)' page 7

³ National Packaging Covenant (2009) 'National Packaging Covenant Project #07/06 Away from Home Recycling Infrastructure and Behaviour (Shipping Centre Recycling Trials and Guidelines)' page 10

⁴ National Packaging Covenant (2009) 'National Packaging Covenant Project #07/06 Away from Home Recycling Infrastructure and Behaviour (Shipping Centre Recycling Trials and Guidelines)' page 12

While education campaigns may lead to an increase in at home recycling, it is not clear from the evidence how any of the options would be capable of achieving an increase in away from home recycling for any material other than cans and bottles which had been used as beverage containers.

The APC trials clearly show that supplying recycling bins is only successful in increasing recycling rates of cans and bottles used as beverage containers, and not of other packaging material. Options 2(c) and 3 ultimately project an 85% recovery rate for beverage containers, by relying largely on education and supplying recycling bins. This is the same recycling rate as is ultimately projected for the CDS options which is a market based measure. There is no justification for this conclusion. There is also no discussion of the different issues involved in the collection and recycling of beverage containers other than cans and bottles (e.g. non-recyclable and flexible packaging containers).

Recycling bins are only effective when placed close to the point of consumption. This is not going to be possible in all cases and achieving increased recycling rates will inextricably be linked with increased cost. A CDS is the only option that will increase away-from-home recycling rates even in places where recycling bins are absent. This is particularly significant in areas where providing recycling bins and regularly emptying them proves to be expensive and impractical. Most often these are the areas, such as nature reserves, where litter is most noticeable. A CDS aims to provide an incentive for people to hold onto beverage containers, rather than litter them, when there is no disposal options (e.g. along remote highways, national parks etc.).

Considering these facts it is impossible that any of the options presented in the CRIS could ever achieve a recycling rate for beverage containers comparable to that of a market based measure such as a CDS.

3. Option 3 – Advanced Disposal Fee

The mechanics of option 3 are poorly outlined, only stating that an ADF will be charged and used to fund initiatives. It is not specified when this would be charged and it is likely that the costs of this option are understated as the complexities are not fully considered in the CRIS.

The CRIS describes the difference between primary, secondary and tertiary packaging. It is not clear if the ADF would apply to all of these or just some. Significant packaging is often added at the tertiary stage in supermarket warehouses, where cling wrap and pallets are often used for transport of stock.

Page 29 of the CRIS states that “an ADF is intended to influence producer choices toward particular policy objectives”. This has a high risk of unfairly influencing the market. Some items, such as fruit and meat, can be purchased in various forms, i.e. fresh, frozen or long life. The packaging required for these depends on the form it is in; for example, long life foods are commonly tinned and tins weigh more than the plastic that is commonly used for frozen food. If the ADF is significant enough to add a noticeable price to certain products then it will no doubt influence consumer choices. If the ADF is so low that it does not noticeably influence the price of some products then it will not be significant enough to instigate change in industries packaging choices.

It is also not clear if an ADF would be applied to imported products. In this circumstance it is uncertain who would be charged the ADF. There is a risk that this could unfairly disadvantage Australian produced products.

Despite these issues the CBA states that the scheme administration costs would be zero. While it may be acceptable that some of these issues be determined if and when ADF legislation is developed, it is likely that many of these factors would have a significant influence on the time taken and cost of establishing an ADF. It is therefore considered that this option is too vague for its costs and benefits to be estimated unless considerably more of the details of implementation are developed.

4. CDS infrastructure costs

The CBA makes assumptions for options 4A and 4B about the type of infrastructure that will be established under a CDS. However, it is not clear exactly how these assumptions influence the infrastructure costs that have been calculated for the two options.

Option 4A assumes that the CDS would be run by an independent body. The infrastructure would therefore not be provided by industry or government and would need to be new infrastructure without use of existing recycling infrastructure. This would logically result in a higher cost scheme. The infrastructure costs of option 4A are \$4,379 million. It has also been assumed that the infrastructure established under option 4B would not be based on existing infrastructure. The infrastructure costs associated with option 4B are even higher than option 4A at \$4,716 million.

This approach does not reflect a market based CDS, which would have infrastructure established by industry based on the best cost benefit ratio for the industry. A market based CDS would be established at the lowest possible expense and would utilise as much existing infrastructure as possible. This indicates that the cost of establishing a national CDS would be much less than estimated in the CRIS.

Some concerns have been raised throughout the consultation process that a CDS would make existing recycling infrastructure (such as that established by local government) unviable since CDS containers would be diverted and this would lower the quantity of recyclable material being processed by these facilities. This should not be the case. A CDS should make these operations more viable since they would be able to opt in as a collection point under the CDS and collect the handling fee for the containers.

Aside from making a CDS unnecessarily costly, not using this existing infrastructure would be detrimental as it would require existing users of this recycling infrastructure to change their habits and use different infrastructure.

South Australia has previously raised concerns about assumptions made in relation to the type of infrastructure that would be established under option 4B. The first main concern is that the CBA (page 15) assumes that 1,900 collection points would be established under both option 4A and 4B. Under option 4A 310 of these are collection depots and 640 of these are reverse vending machines (RVMs). Under option 4B 600 are collection depots and 350 of these are RVMs. RVMs have a much lower processing capacity than depots. It therefore does not stand to reason that 310 depots and 640 RVMs would have the same processing capacity as 600 depot and 350 RVMs.

The second main concern is that page 15 of the CBA states that "option 4B is assumed to include a relatively higher proportion of 'shop front' style collection centres". These 'shop front' style collection centres are based on the British Columbia system which widely utilises these. However, this does not transfer to the Australia scenario. 'Shop front' style collection centres are used in British Columbia because of the weather conditions and because their CDS is government run. There are no 'shop front' style collection centres in South Australia because these are unnecessarily expensive (due to the premium land value and rental costs) and are less convenient for customers who have to carry their containers from their cars to the collections centres. Drive through style depots are exclusively used in SA (except for one RVM) as these are much more convenient and can be established in areas with lower land values (e.g. industrial zones). The weather in British Columbia prohibits the use of open style drive through depots; this is not the case in Australia. This has implications for both the infrastructure costs and participation costs.

The response previously given by the consultants was that assumptions made about the type of infrastructure established did not impact on the overall infrastructure costs since the infrastructure costs have been calculated on a per container basis (i.e. based on the handling fee). However, comments made at the public consultation held in Adelaide showed that the per container cost is higher for option 4B than 4A because of a view that the type of infrastructure established would be more expensive. The details of these calculations are not made clear in the CBA.

The costs associated with option 4A and 4B have been significantly inflated as a result of these issues and must be revised. A market based system would enable existing infrastructure to be used, leading to lower costs for a CDS.

5. Recycling rates

Page 19 of the CRIS explores the current trend of industry moving to packaging which is lighter and lower volume in order to reduce transport costs. The CRIS states that "reducing packaging bulk through the use of soft plastics and pouches impacts negatively on recycling because such materials are less easily recycled than traditional packaging materials...Much of the newer, lighter packaging is made up of complex blends of plastics and other materials which are currently very difficult to separate..."

It is understood that the projections in the CRIS are based on the percentage of packaging recycled from all packaging, not just recyclable packaging. This ensures a true reflection of the amount of packaging recycled and the environmental impacts from packaging can be understood more fully.

Page 30 of the CRIS states that under a CDS "consideration could also be given to prohibiting the sale and import and manufacture of non-recyclable beverage containers". The SA CDS requires that beverage containers have an approved Waste Management Agreement (WMA). For the WMA to be approved beverage containers must have an appropriate end market (such as being recycled or reused) in order to ensure it can be diverted from landfill. The increasing use of non-recyclable beverage containers does not appear to have been taken into consideration in forming the basis of assumptions used to calculate projected recycling rates for beverage containers under the various options.

Page 35 of the Problem Statement (Attachment A to the CRIS) states: "A 100% recycling rate is not technically feasible. There are many packages that are not recyclable because the technology is not available, materials are composite or not useable as feedstock to other products, and others that are contaminated by food (e.g. pizza boxes)." This is not completely a technical problem; a scheme to improve recycling rates must include measures which will encourage or require, as is the case with CDS in SA, the food and drinks industry to avoid the use of packaging which is not recyclable.

This is part of why a CDS is so effective for beverage container recycling rates, since a CDS has the ability to prohibit non-recyclable containers or those that may contaminate the recycling scheme. A 100% recycling rate for beverage containers under a CDS is technically feasible.

Reliable data may not be available on the prevalence of non-recyclable beverage containers on the Australian market, but assumptions about the extent of their current and future use are essential in estimates for projected recycling rates, in the same way that many other assumptions have been made in calculating these projections. Explicit discussion of this issue is missing from the CRIS.

The projected beverage container recycling rates for options 2C and 3 are 85% by 2035. This is the same as the projected beverage container recycling rates by 2035 under the two CDS options, despite the fact that a CDS can ensure that 100% of beverage container on the market are recyclable. The other options under consideration in the CRIS cannot do this. The projected recycling rates for the CDS options should be higher than the other options in order to reflect this.

6. Litter

The Cost Benefit Analysis makes predictions about litter reduction for each option. For options 4A and 4B it is assumed that a 30% reduction in beverage container litter can be achieved by 2030, a 20% greater reduction than assumed for the base case and a 10% greater reduction than assumed for options 2C and 3.

Page 30 of the CBA states, "Litter projections are presented on a per tonne basis to ensure consistency with consumption and recycling projections. This enables analysis of the entire supply chain to test that all packaging that is consumed is either recycled, littered or landfilled, in other words, to check there is internal consistency in the modelling of projections."

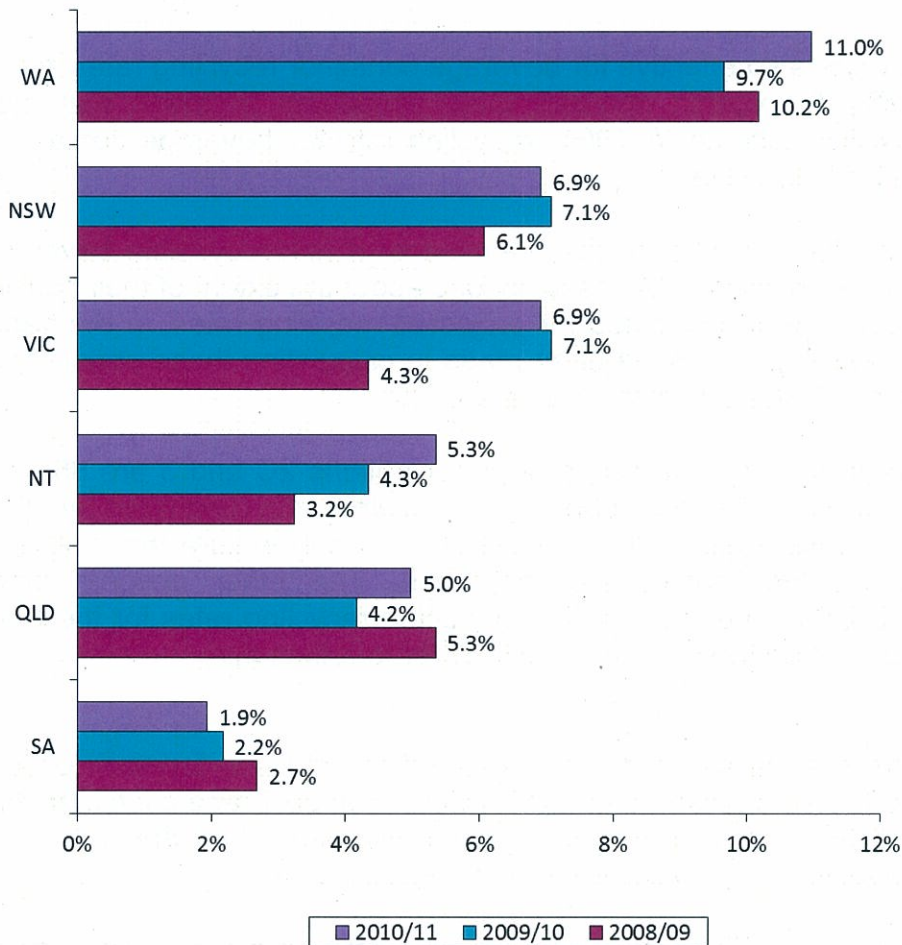
The CBA goes on to acknowledge that presenting litter projects by weight is problematic since "Most existing litter data is in items and volume and therefore, assumptions (such as the average weight of packaging litter being 89 grams) have been assumed to convert the project litter from items and volume into tonnes."

Despite this, data on the composition of litter in various states has not been used to inform the litter reduction projects. The CBA only assumes that a maximum of 30% reduction in litter would be achieved through a CDS by 2035. At the very least this assumed reduction should be increased significantly to a minimum of 50%.

Using data from the Keep Australia Beautiful National Litter Index, Keep South Australia Beautiful released a report analysing the prevalence of beverage containers covered by the SA CDS in the litter stream, by count. The report shows that in

2010/11 1.9% of litter items in SA were CDL beverage containers. Queensland had the second lowest prevalence of CDL beverage containers, at 5%. Western Australia had the highest at 11%. The report shows a steady decrease each year in the prevalence of CDL containers in SA's litter stream between 2009 and 2011, while in almost every other case there is a steady increase⁵.

% CDL Beverage Containers in the Litter Stream



This gives a weighted average of 6.9% in 2010/11 for all other states compared to 1.9% for SA. This equates to 72.5% less beverage container litter items in SA than the average for non-CDL states. It therefore stands to reason that up to a 70% reduction in litter by count could be achieved nationally by introducing a CDS. This data was previously supplied to the consultants several times via the Working Group.

Presenting the data by weight does not accurately represent the impact that litter has on visual amenity since weight depends very much on the type of material (i.e. glass versus plastic). Litter data by count may also present a more accurate way to calculate clean up costs since the same amount of effort is required to pick up an item regardless of its size and weight.

⁵ Keep South Australia Beautiful (2011) 'CDL Containers & Plastic Shopping Bags in the Litter Stream' pages 4-5

The litter reduction projections need to be revised, using data from the National Litter Index to inform them. It is not considered reasonable that this data has been ignored on the basis that it is presented by count and volume rather than by weight, particularly when the CBA demonstrates that assumptions can be made to convert this data. Litter is a multi-faceted issue which should be analysed from various perspectives and this should then be used to inform the projections.

7. Co-benefits

Some of the co-benefits of a CDS system have been previously raised by SA through discussion with the working group. CDS supports a network of recycling depots which facilitates greater recycling of other materials. Data from a number of SA depots has shown that around a quarter of the recyclable material collected at depots is non-CDS material. The CRIS and supporting Cost Benefit Analysis discuss these benefits qualitatively to some extent.

It is understood that these benefits have not been discussed quantitatively due to uncertainty as to whether or not other states would experience the same co-benefits of a CDS, since the infrastructure may vary. Including these benefits quantitatively would also require that the co-benefits of other options be similarly assessed. However, further qualitative discussion of the co-benefits of a CDS is warranted to ensure that these benefits are discussed fully and given appropriate weight. Options could also be ranked by their level of co-benefits.

While the network of depots established through CDS provides infrastructure for South Australians to recycle materials that cannot be recycled through kerbside (e.g. electrical items, various metals, large and bulky items), SA has also experienced that CDS itself creates a culture of recycling. This is demonstrated through SA's high recycling rates and high level of support for CDS.

The National Waste Report 2010 showed that in 2006-7 SA had one of the highest recycling rates in Australia at 66%, with only the ACT (with its more educated demographic and compact city-state scale) ahead at 75%⁶. This is expected to be even higher now since the increase on container deposits from 5 cents to 10 cents in 2008.

In 2004 a survey was undertaken in SA on community awareness and acceptance of the states Container Deposit Legislation (CDL). In SA, 92% of respondents supported CDL and 97% believed that CDL is good for the environment⁷. This survey was undertaken before the deposit was increased to 10 cents in 2008.

The network of depots also means that SA is better placed to maximise benefits from future recycling initiatives. As stated in the National Waste Report 2010, SA's network of bottle and can depots across the State is "considered well-placed to support the collection of further recyclable materials, such as electronic wastes, and a survey of depots by Zero Waste SA this year demonstrated that around 80% of depots would be willing to participate in such a scheme."⁸

⁶ Department of Environment, Water, Heritage and the Arts (2010) 'National Waste Report 2010' table 2.5, page 28

⁷ Environment Protection Authority of South Australia (2004) 'Community Awareness and Acceptance of Container Deposit Legislation', page 2 and 5

⁸ Department of Environment, Water, Heritage and the Arts (2010) 'National Waste Report 2010' page 99

Another important co-benefit of CDS that has not been discussed in the CRIS is that CDS enables low income persons to supplement their income by collecting and refunding deposit containers. Community groups and sporting clubs also commonly collect deposit containers as a source of funding.

8. Avoided Regulatory Costs

Page 77 of the CBA discusses the regulatory costs avoided by implementing a national program. It refers to the National Waste Policy RIS which states that a state based approach has the potential to result in additional government administration costs in the order of \$3 million per annum.

This analysis does not differentiate between the options. It is instead used as a broad based argument for implementing any national scheme. However, some states are considering a CDS in isolation from its consideration nationally, due to strong public support for a CDS. As stated on page 13 of the CRIS, "There is a high level of community support for container deposit schemes. A Newspan survey taken in 2007 revealed 82 per cent of Australians surveyed are in favour of container deposit legislation."

If this process results in a national waste measure being introduced, but not a CDS, some states may opt to implement a state CDS regardless. Even if more states do not opt to ultimately adopt a CDS, inconsistency will still exist since CDSs currently exist in SA and NT. The additional regulatory costs associated with various state schemes would therefore still be imposed. Only the implementation of a national CDS can truly avoid regulatory costs due to inconsistency and support a seamless national economy. Pursuing any of the other options will not stop public campaigning for a national CDS and a likely political response in at least some jurisdictions.