



Municipal Association of Victoria

Submission Paper

MAV Submission to the Packaging CRIS

March 2012

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MAV Submission to the Packaging CRIS has been prepared by the Municipal Association of Victoria (MAV) for discussion with member councils

While this paper aims to broadly reflect the views of local government in Victoria, it does not purport to reflect the exact views of individual councils.

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Executive Summary

The Municipal Association of Victoria (MAV) is the peak body for local government in Victoria. The Association welcomes this opportunity to provide comment on a potentially significant reform to the way packaging and litter is managed in Australia.

Victorian local government is responsible for a range of domestic waste management services, including transfer stations and landfill, kerbside recycling, green and hard waste collection, waste education and litter prevention. The cost for providing the range of services in 2009-10, excluding landfill management costs was \$348 million. Therefore the sector has a very strong interest to ensure that its investments are maximized and expenditure is minimized. Councils in Victoria provide a very efficient kerbside system dealing with wastes to landfill, dry recyclables including packaging, and organics recycling. All of Victoria's 79 councils now provide kerbside recycling, with 95 per cent of Victorian households*, over 2.1 million, able to access these services. The current annual cost of providing the service across the state is \$73.3 million, equating, on average to \$33.85 per premises, or \$119.61 per tonne. This compares with the South Australian cost per household for kerbside recycling of \$ 64.87¹. Many councils have also extended their recycling services to commerce and industry, with close to 58,000 served in Victoria.

The MAV has a formal policy position, formed at the 2011 MAV State Council, on packaging and container deposits: *That the MAV support the introduction of a broad based packaging/container recovery scheme supported by legislation; integrating initiatives such as Container Deposit Legislation.*

To assist MAV's response to this Consultation Regulatory Impact Statement (CRIS), key principles have been drawn out from previous work and from representations made by individual councils. These include maximizing the capture of resources, minimising litter, should be cost effective not providing additional pressure on municipal rates and charges and shift responsibility onto producers and consumers of goods. This assessment, coupled with the CRIS analysis suggest the following options:

- All Packaging – Option 2c – the Extended Packaging Stewardship approach appears to offer the best mix of value and matching of the MAV's principles. Should this measure proceed, local government would require much stronger consultation and acknowledgement of the sector's actual role, rather than assuming that the sector will be responsible for collection of all packaging and litter.
- Beverage containers – CDS is clearly the most effective tool with strong benefits, but at a very high cost and with uneven and uncertain impacts on existing local government infrastructure.

The final decision will rest on the weighting of beverage containers in particular, against packaging in general and the cost that governments are willing to impose on the community.

* May include some commercial premises.

1 Introduction

2.1. The Municipal Association of Victoria (MAV)

The Municipal Association of Victoria (MAV) is the peak body for local government in Victoria. The *Municipal Association Act 1907* named the MAV as the official voice of local government in Victoria and requires the Association to represent all 79 councils in the state.

The MAV is a driving and influential force behind a strong and strategically positioned local government sector. The MAV's role, broadly speaking, is to represent and advocate the interests of local government, lobby for a 'fairer deal' for councils, raise the sector's profile, ensure its long-term security, and provide policy/strategic advice, capacity building programs and insurance services to Victorian local government.

This submission is made by the MAV as part of its ongoing commitment to supporting the role of local government in resource efficiency, recovery and waste management.

2.2. Resource recovery and Victorian local government

Victorian local government is responsible for a range of domestic waste management services, including transfer stations and landfill, kerbside recycling, green and hard waste collection, waste education and litter prevention. Councils have strong partnerships that assist them to deliver effective services, in particular the regional and the metropolitan waste management groups and Sustainability Victoria. The cost for providing the range of services in 2009-10, excluding landfill management costs was \$348 millionⁱⁱ. In 2005-06, the last year that statewide data was available, landfill management costs were \$58 millionⁱⁱⁱ. Given we're almost six years on and the EPA Victoria Best Practice Environmental Management for Landfill standards have anecdotally resulted in a 30-40 per cent increase, this figure is likely to be considerably more.

In regards to recycling, all of Victoria's 79 councils provide kerbside recycling, with 95 per cent of Victorian households[†], over 2.1 million, able to access these services. The current annual cost of providing the service across the state is \$73.3 million, equating, on average to \$33.85 per premises, or \$119.61 per tonne. As is to be expected the costs for rural and regional Victoria are considerably higher. The average for 'rural townships is almost double the average at \$60.48 and \$236.34 per tonne, this contrasts against 'inner metropolitan' councils average costs of \$30.09 per household and \$114.73 per tonne. While direct comparisons cannot be made between states due to variations including market accessibility and population density it is interesting to note the average cost per household for kerbside recycling in other states: NSW \$201.97, Queensland \$104 and South Australia is \$ 64.87^{iv}.

The average contamination rates of the kerbside bins are at their lowest, 7.5 per cent, since the baseline was established in 2000-01 with 8.8 per cent contamination, indicating that households are better educated in their efforts to effectively recycle. The wider range of plastic polymers that are now commonly recycled is likely to have contributed to the reduction in the contamination rate.

[†] May include some commercial premises.

2.3. Victorian local government priorities

Victorian local government is guided to a large extent in its waste and resource recovery strategies and priorities by the policy and targets within the current, but under review, state waste strategy *Towards Zero Waste*. Although councils are responsive to emerging and pressing issues that have emerged since the strategy's development such as electronic waste, and other difficult products, as well as greenhouse gas emissions, soon to have a price tag attached. One of the biggest drivers stemming out of *Towards Zero Waste* has been the resource recovery and landfill diversion targets. With Victorian councils early adopters of modern kerbside systems, incidentally incentivised through the first National Packaging Covenant funds, the focus has been on diverting and recycling the largest component of the municipal waste stream – organics. Food and garden organics for many councils accounts for between 40-50 per cent^v of the municipal landfill bin. The imminent commencement of the carbon price will make this even more pressing, not to mention the landfill levy.

Of course, packaging and paper recovery, through the kerbside and transfer station system remain key pillars of municipal waste and resource management. With almost all Victorian councils now having 'best practice' kerbside systems in place, the objective is to maximise the use of this system, reduce contamination, reduce waste to landfill and provide a cost-effective service to the community. While the Consultation Regulatory Impact Statement (CRIS) notes council systems have largely driven the increase in the national packaging recycling rate from 39 per cent in 2003 to 62.5 per cent in 2010, there are diminishing returns on effort. As the Problem Statement estimates, 80-85 per cent recovery nationally^{vi} is likely to be the economic threshold for recycling. Victoria is seeing a plateauing of recycling yield per household, with similar figures (289-283 kg) for the past three years^{vii}. Programs such as the Metropolitan Waste Management Group's Improving Kerbside Recycling project, with funding from the Australian Packaging Covenant, will achieve increases in the recycling rates, but councils have to work much harder. Rural and regional councils, with expectations from many ratepayers of equivalent services to those in the large cities and large distances it is simply not feasible to provide the full range of recycling services. The status quo, as the CRIS puts it where "continued improvements in recycling rates will rely on local government who provide municipal services"^{viii}, will not provide significantly large contributions.

Many councils have extended their recycling services to commerce and industry, with close to 58,000 served in Victoria. The barriers to further extension, are not for Victoria, as the CRIS – Attachment A: Problem Statement for Packaging suggests^x simply with the *Local Government Act* 1989. Rather the compatibility of the domestic system to the needs of commercial and industrial sector who require more frequent collections, with typically large amounts of cardboard and the principles of 'competitive neutrality', by virtue of imposing a collection service and excluding broad competition for collection contracts.

2.4. MAV Policy Position on Packaging Measures

Packaging pervades our lives and is a visible symbol of resource use and potential environmental damage, making up around 57 per cent of kerbside recycling materials^x and is highly visible in the litter stream. As Ministers acknowledged in requesting the Regulatory Impact Statement process, packaging is of significant interest to the community and for MAV's members, with waste and recycling make up the largest single line item in most council budgets.

The MAV has been a member of the Australian Packaging Covenant (formerly National Packaging Covenant) since its inception in 1999. The Association recognised that while this

initiative was not the panacea for all packaging ills, it would be a useful opportunity to open the dialogue between packaging manufacturers and all levels of government, particularly as it operates at the national level, across state borders. The Covenant in its third iteration has evolved to provide much stronger direction and requirements for packaging manufacturers to improve their packaging design to reduce environmental impact.

It is not surprising that local government, often acknowledged as being a leader amongst the three levels of government in environmental initiatives (eg. greenhouse gas management and green procurement), would continue to ask “can we recover more resources from our community?” By councils seeking to build and extend on the work of their peers the existing model of the South Australian Container Deposit System, appears to be a tool that could be used in Victoria. To this end, through the MAV State Council, an opportunity for members with to vote on council sponsored resolutions twice a year, several motions have been put on container deposits. Resolutions that pass become part of the MAV’s formal policy position. Two resolutions resolved in 2009 and 2011 refer to container deposit schemes. They are:

2009 That the delegates to this MAV State Council: –

- *support the introduction of a Container Deposit Scheme throughout the State,*
- *write to the State Government urging the introduction of legislation to implement Container Deposit Schemes throughout Victoria, because of the financial, social and environmental benefits, and*
- *actively promote the benefits of Container Deposit Schemes in the wider community. (May 2009)*

2011 That the MAV support the introduction of a broad based packaging/container recovery scheme supported by legislation; integrating initiatives such as Container Deposit Legislation. (May 2011)

The second, later resolution, while not discarding support for Container Deposit Schemes, broadens the intent of the MAV position, recognising the benefits of national approaches overcome cross-border issues. The MAV Board in reviewing actions to be taken in relation to these resolutions, determined to await the release of this CRIS, which has taken somewhat longer than expected.

2.5. Underlying principles

The MAV, as would be expected as the state local government representative body, has made many submissions informed by MAV State Councils resolutions (as above), member consultation to waste and resource government inquiries and other processes. The key principles of these, and more recently of the councils that made submissions to the Victorian Parliament’s beverage container inquiry guide this submission. In response to the Victorian Parliament’s inquiry Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011, 19 councils made written submissions, with around two-thirds supporting outright and the remainder supporting the principles, but not able to provide unqualified due to various concerns with the proposal. The principles and objectives underlying these two groups submissions were remarkably similar.

Councils seek to get the best environmental, social and economic outcome from the services they provide for their residents. The principles underlying councils’ support for measures, such as container deposits appear to include:

- They want to capture as much of the resources from the community's 'waste' to realise its full value and to prevent it being lost to landfill.
- They want to prevent litter being dropped to have a clean environment for the enjoyment of their community and protection of wildlife.
- Financial sustainability – measures should not be duplicative of existing infrastructure, and should pay for themselves without putting additional pressure on rates and charges. Councils are conscious of additional costs to industry, passed through to members of the community, in the era of the carbon price and significant landfill levies.
- Producers of goods, whether these are televisions or a beverage containers have a responsibility for their products to ensure they can be recovered
- Measures that provide multiple triple bottom line benefits are welcomed.

These measures will be used to provide a local government perspective on the packaging options provided in the CRIS.

2 Packaging resource recovery and litter management problems

3.1. Recycling rate

At a high level, Australia is performing quite well on the recycling of packaging, at 62.5 per cent recovery, just slightly down from the 2010 Australian Packaging Covenant target of 65 per cent^{xi}. This is up from 39 per cent in 2003. However, on examining the data further, opportunities emerge. This increase and the overall rate is largely supported by paper/cardboard recovery (75.5 per cent) and to a lesser extent aluminum cans (67.4 per cent). Glass (47 per cent), plastics (34.8 per cent) and steel cans (30.3 per cent) lag behind. By product type the non-beverage (40.1 per cent) and beverage (48.7 per cent) containers have fairly similar levels of estimated recycling, lower than flexible packaging (70.2 per cent), which is mainly paper and cardboard, with some plastic film^{xii}. The Problem Statement suggests that non-beverage container recycling is lower due to the lag with introducing recycling collection for plastic polymers 4-7.

Notwithstanding the theoretical economic maximum of 80-85 per cent, accepted on face value, there are a number of feasible opportunities to increase the recycling rate. Whilst in the Victorian municipal kerbside system there are current programs to increase the recycling rate, these are expected to deliver incremental improvements. The greatest increase will come from recycling 'away from home'.

3.2. Packaging littering

The Problem Statement suggests that the volume of packaging that may be litter each year to be between 40,000 to 160,000 tonnes, with the range reflecting the uncertainty in the different assumptions. Sustainability Victoria, as part of reporting progress against the Towards Zero Waste litter target prepares the Victoria Litter Report (VLR) annually. The 2010 edition of the VLR^{xiii} has Victoria trending downwards on the number of littered items, ahead of the 2014 target, probably linked with the higher levels of infrastructure management (tables, chairs, shelters, etc) and bin infrastructure. However, the levels of observed littering behavior have increased and are on an upwards trend. Victoria's approach to litter prevention combines having the right infrastructure, education and enforcement through provisions in the *Environment Protection Act 1970*. According to the National Litter Index^{xiv}, Victoria has the least packaging

litter (number of items and volume) of any state (excluding the Northern Territory), without adjusting for population.

In regards to the composition of the litter stream, Victoria is largely similar to the national picture with cigarette butts the overwhelmingly the item most littered. Beverage litter is prominent, particularly when viewing the litter stream by volume. Beverage litter in the VLR is predominately 'bits', that is bottle tops, rings, broken bits of glass, rather than whole containers. Glass 'bits' have increased significantly from 16 per cent in 2005 to 31 per cent in 2010, of the 31 per cent that is, perhaps suggesting the impact of 'light-weighting' in glass packaging. Whole glass bottles made up As is demonstrated in South Australia, with container deposit legislation, specific approaches to part of the litter stream can be very effective, with the lowest beverage littering rates, by a long way, of any state.

Littering is complex, requiring a mix of responses depending on the source and type of litter. Australia can significantly improve its littering performance.

3 Packaging options

The MAV, while having a broad policy position of supporting initiatives, such as container deposits, has always strongly supported rigorous, independent cost-benefit and regulatory impact analysis of the suggested measures. The CRIS has largely provided such an analysis, and many of the costs and benefits to local government's recycling and waste service provision have been quantified. There remain questions for local government on the specific impacts on existing kerbside systems, for example the threshold of viability for systems when valuable commodities, such as aluminum are removed from the system.

For this assessment the analysis figures provided in the CRIS are accepted. However, the base case assumption that the recycling rate will continue to improve significantly without intervention appears questionable. The implication is that the options provided offer modest improvements in the national recycling rate (2.1 per cent to 8.4 per cent), whilst costing many millions of dollars to design and implement. It would seem likely that the base case projections are very optimistic and that the options provided would provide greater value, nevertheless these provide a benchmark for option comparison.

The MAV notes that the recovery and litter rates are national, and that their benefit may be lower or higher in individual council areas. For example, those options without a direct incentive may achieve less resource recovery and litter reduction in rural and regional areas than in metropolitan areas.

Of high concern to local government, being close to the community is the impact that any measures will have on their community. In some cases the costs and benefits have been apportioned, for example benefits to local government, however it is critical that the distribution of costs and benefits is fully explored should any of the options proceed to Decision Regulatory Impact Statement phase.

For each of the seven options outlined by CRIS, a brief evaluation is provided against the principles outlined in section 2.5. A summary is provided in section 5.

3.1. Option 1: National Waste Packaging Strategy

3.1.1. Maximises capture of resources, minimizes waste to landfill?

Low - This option in its scope and its contribution to this principle means that it is an effectively 'status quo plus'. It delivers only incrementally on the base case, increasing the national recycling rate by two per cent. This increase appears to be optimistic.

3.1.2. Litter prevention.

Medium – It is anticipated that this option would deliver a five per cent reduction across all packaging types above the base case. This increase appears to be optimistic.

3.1.3. Measure is financially sustainable and cost impacts are appropriately placed. Is not duplicative of existing infrastructure.

Medium – This option seeks to make better use of existing infrastructure, cost impacts on local government are likely to be offset with greater value generated from kerbside materials and reduction in littering. The Federal, State and Territory governments would bear the increased costs.

3.1.4. Places greater responsibility on 'producers'

Minimal – Voluntary recycling labeling only. Given the confusion the plastic polymer code (codes 1-7) has caused in the community and resistance to change this, it seems unlikely that a voluntary approach would be successful.

3.1.5. Additional benefits

Low - The option would increase sharing and cooperation between levels of government, which may lead to a range of other useful benefits.

3.2. Option 2a: Co-regulatory Packaging Stewardship - the Australian Packaging Covenant replaced by co-regulation under the Product Stewardship Act 2011

3.2.1. Maximises capture of resources, minimizes waste to landfill?

Low – This option is essentially status quo with an improved and streamlined regulatory approach. Although it is assumed under the CRIS to achieve an additional two and a half per cent recovery of materials.

3.2.2. Litter prevention.

Medium – It is anticipated that this option would deliver a five per cent reduction across all packaging types above the base case.

3.2.3. Measure is financially sustainable and cost impacts are appropriately placed. Is not duplicative of existing infrastructure.

Medium – The option provides the only positive net present value (NPV) of all the options and the highest benefit cost ratio. The existing Covenant, and those before it, have contributed to new infrastructure. The Covenant would be strengthened under this option, however, the biggest opportunity would be leverage the Sustainable Packaging Guidelines to maximize recoverability in existing infrastructure. Local government would remain responsible for delivering and funding municipal recycling and perhaps bearing increasing pressure to provide collection services for the commercial and industrial sectors

3.2.4. Places greater responsibility on 'producers'

Low - This measure does not measurably shift responsibility to producers.

3.2.5. Additional benefits

Low – may strengthen the delivering of the Sustainable Packaging Guidelines to achieve multiple environmental objectives. Doesn't appear to deliver in any other area.

3.3. Option 2b: Co-regulatory Packaging Stewardship - Industry Packaging Stewardship

3.3.1. Maximises capture of resources, minimizes waste to landfill?

Low – offers 0.8 per cent increase in the recovery rate above the 'status quo plus' Option 1.

3.3.2. Litter prevention.

Medium – offers a 2.4 per cent reduction in litter. Given the targeted nature of this proposal it is surprising that it is forecast to provide only a 0.4 per cent reduction over that of Option 2a, the Covenant shifted under the Product Stewardship Act 2011

3.3.3. Measure is financially sustainable and cost impacts are appropriately placed. Is not duplicative of existing infrastructure.

Low – Local government would welcome the injection of new funds for away from home infrastructure. However, it is not clear if local government would be expected to provide services, and therefore incur costs for servicing this infrastructure in public places. The degree of shifting cost to local government is not clearly stated, although the savings through reduced litter clean up and operation are captured. This option would add new infrastructure, to areas where there is currently waste only services. It may also seek to make better use of existing municipal kerbside infrastructure.

3.3.4. Places greater responsibility on 'producers'

Medium – packaging producers would be required to contribute greater funds, an additional \$20 million a year. The packaging industry would be responsible for scheme administration, infrastructure and communications. As mentioned in 3.3.3, it is not clear if local government would be expected to provide additional services to the new infrastructure.

3.3.5. Additional benefits

Medium – the option has the scope to directly provide incentives to community groups to facilitate education programs or clean up initiatives.

3.4. Option 2c: Extended Packaging Stewardship

3.4.1. Maximises capture of resources, minimizes waste to landfill?

High – forecast to achieve the equal highest level of packaging recycling at 86.4 per cent, 7.4 per cent over the base case

3.4.2. Litter prevention.

Medium – on par with Option 2b, the industry Packaging Stewardship proposal at 15.4 per cent reduction.

3.4.3. Measure is financially sustainable and cost impacts are appropriately placed. Is not duplicative of existing infrastructure.

Medium - this option is in the middle of the range of costs to establish, yet it delivers the equal highest benefits, providing a benefit-cost ratio of 0.8 (higher number better). This benefit-cost ratio is on par with Option 1, a little less than the industry packaging stewardship option and about two and half times that of the two container deposit options. A number of the suggested initiatives under this option would directly improve upon local government infrastructure, such as

support for national uniformity in bins, seed funding for transfer stations in more remote council areas. It would provide a saving to local government of approximately \$259 million

The suggested extension of council kerbside collections to small-to-medium enterprises (SMEs) is accepted in situations where the commercial requirements match those of households. Victorian local government currently provides such services to close to SME 58,000 premises^{xv}. However, in many cases SMEs need different or more frequent services than councils are able to provide.

3.4.4. Places greater responsibility on ‘producers’

Medium – uses a similar arrangement to options 2a and 2b of transitioning the Australian Packaging Covenant under the Product Stewardship Act, but infers much stronger industry involvement and requirements to achieve an 80 per cent recycling rate by 2020. The initiatives listed also suggest significant funds from industry.

However, the MAV is concerned with the statement made in the Packaging Options report, that *“it is assumed that local government would continue to be responsible for collection of packaging waste and litter...”*^{xvi}. In Victoria, local government is required under the *Public Health and Wellbeing Act 2008 s. 24*, to ensure that the *“municipal district is maintained in a clean and sanitary condition”*. Councils are not responsible for collection of packaging waste and litter. They have provided kerbside and drop-off facilities to their communities as the leading tier of government for environmental action. For step change in recovery of packaging materials and reduction of litter the responsibility, particularly away-from-home needs to rest much more squarely with the packaging industry.

3.4.5. Additional benefits

Low – none noted.

3.5. Option 3: Mandatory Advance Disposal Fee

3.5.1. Maximises capture of resources, minimizes waste to landfill?

High – forecast to achieve the equal highest level of packaging recycling at 86.4 per cent, 7.4 per cent over the base case. However, there is less certainty on these outcomes being achieved than other options

3.5.2. Litter prevention.

Medium – on par with Option 2b, the industry Packaging Stewardship proposal at 15.4 per cent reduction.

3.5.3. Measure is financially sustainable and cost impacts are appropriately placed. Is not duplicative of existing infrastructure.

Low – the cost for this option is the highest of the non-container deposit options and depends upon the Federal Government setting an appropriate fee per gram/package. There is considerable scope for the government to set too high a figure causing undue burden and significant surpluses to the scheme. The CRIS identifies that it would provide a saving to local government of approximately \$259 million, and could theoretically be used to directly defray rural and regional local government recycling costs. The option provides a similar range of initiatives to Option 2c, with a high degree of flexibility being available.

3.5.4. Places greater responsibility on ‘producers’

High – it places the financial responsibility directly on the producer and in turn the consumer, and should reduce costs borne by ratepayers for recycling, passing this cost to consumers.

3.5.5. Additional benefits

Low – similarly to Option 2b, it could be used to provide incentives, or funding for community litter prevention and management.

3.6. Option 4a and 4b: Mandatory Container Deposit Scheme (CDS) - Boomerang Alliance CDS and Hybrid CDS

The two CDS options have a different mix of reverse vending machines, depots and collector hubs, yet their litter and recycling contribution is the same. The Hybrid CDS model is more expensive to establish and run, by some \$245 million over the 25 year analysis period. Given this the following assessment is based on the highest-performing Boomerang Alliance CDS

3.6.1. Maximises capture of resources, minimizes waste to landfill?

The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) was commissioned to provide an independent assessment^{xvii} of the methodology of the CRIS. In relation to CDS, ABARES notes that the recycling rates are likely to be the most precise of the options assessed

High (Beverage) - The CDS models are very effective at increasing the recovery rate of beverage containers, with an 80 per cent recovery rate achieved in five years following scheme and infrastructure establishment and 85 per per cent by year ten. While the 85 per cent recovery exceeds that of the current South Australia CDS recovery, the Cost Benefit Analysis Report notes that with a national scheme and higher awareness that this is reasonable to assume.^{xviii}

Medium (Other packaging) – other packaging recycling is estimated to increase by close to 4 per cent, presumably because of the establishment of new drop-off centres.

3.6.2. Litter prevention.

Very high (Beverage) – container deposit systems are acknowledged at being very effective to reduce beverage litter, literally turning littered cans and bottles into 10 cent pieces lying around. The CRIS analysis has the CDS reducing beverage litter by 25 per cent five years after the scheme is implemented, and 30 per cent after 15 years.

Low (other packaging) – The CRIS suggests that ‘all packaging’ litter would be reduced by 2.4 per cent over the base case. This is not to say that the CDS would have an impact on litter of other packaging, as the South Australian experience has shown^{xix} that it doesn’t, rather this represents the beverage container litter reduction to total packaging litter.

3.6.3. Measure is financially sustainable and cost impacts are appropriately placed. Is not duplicative of existing infrastructure.

Low – The Boomerang CDS model has the lowest net present value of all of the options presented at -\$1.4 billion and benefit-cost ratio of 0.33. This due to the very high costs of scheme operation and compliance, even though the market value of the resources collected is the highest of any of the options. The costs for running the system are covered through the handling fee and unredeemed deposits.

The CRIS provides a sensitivity analysis of reducing the capital and operating expenses by 30 per cent, which would bring the CDS option, in terms of NPV and benefit-cost ratio, to be second only to Option 2a and Option 2b. A 30 per cent reduction in costs is thought, by CRIS, to be unlikely as it is “*lower than the South Australian CDS costs and estimates used in recent published studies*”, including figures provided to the Boomerang Alliance in-confidence.^{xx}

A CDS, while seeking to utilize some local government transfer stations, would in effect be duplicating the collection infrastructure of the kerbside system through reverse vending machines and collection centres.

The costs and benefits for local government are not complete for this option. The CRIS estimates the avoided costs for local government and commercial business from materials diverted from kerbside and commercial and industrial waste of \$2.72 billion. Applying the away-from-home / at-home split of 30/70^{xxi} to this figure provide an estimation of local government's avoided costs - \$1.9 billion. The lost benefits, ie. the value of the commodities has not been quantified, a significant shortcoming of the analysis. Additionally there would be savings on litter clean up and landfill operation of \$176 million. On the basis of the kerbside costs to rural/regional councils are several times more expensive than those of metropolitan councils, it would appear that rural/regional councils would be better off financially with a CDS, while metropolitan councils may be worse off. This assessment is supported by the analysis undertaken by Equilibrium^{xxii} for the National Packaging Covenant Industry Association, which surveyed a number of councils across the country. The MAV notes that this work was commissioned and delivered by a body with a vested interest in the outcome, however it does provide some indication of potential outcomes. The actual financial impact on local government is difficult to determine, as it largely depends on the degree to which residents leave redeemable containers in their kerbside bins for the council to receive the deposit, or whether these would be diverted from the kerbside system. On the positive side, rural and regionals councils with a higher density of transfer stations, that in many cases would be utilized by a CDS, will receive a direct offset for their current operating costs. The MAV concurs with ABARES that further work would need to be done in this area should a CDS proceed to the Decision Regulatory Impact Statement phase.

The CRIS being an economic assessment does not assess the financial sustainability threshold of maintaining the kerbside system should most of the high value containers be removed leaving the lower value paper and cardboard. Some parties have suggested that the material that would be left would be of higher value than what is currently in the kerbside bin, however work by IndustryEdge^{xxiii} suggests otherwise[‡]. There would be benefits through higher truck compaction rates and therefore a potential reduction in truck kilometres, which hasn't been reliably quantified. Councils would still need to provide a service to their community for this stream, yet it would be more expensive to provide, as it would not be offset to the same degree through the commodity value of beverage containers. Similarly, this area must be considered in the Decision Regulatory Impact Statement phase, as there is potential for kerbside systems to become non-viable. As was noted in section 2.2, the average cost per household for kerbside collection in South Australia is twice that of Victoria.

3.6.4. Places greater responsibility on 'producers'

High - Costs for the system are placed with consumers, who are incentivized to return their containers to redeem their deposit, and with producers (ultimately consumers) with the handling fee.

[‡] IndustryEdge, the industry source on pulp, paper and fibre, surveyed recyclers and reprocessors of cardboard and paper to understand the impact that glass contamination may have on fibre recycling. They found that: there was no discernable difference in contamination rates between South Australia and other states, there was no price variation caused by glass contamination and glass as a contaminant was less of an issue than wood, organics than metal.

3.6.5. Additional benefits

High – (Beverage) – CDS can provide direct benefits to community groups, such as Scouts and clean-up groups, providing them with new income sources. CDS demonstrates a clear link between the behaviour of a consumer and consequence, as they can choose to return their container and receive their deposit, or the container be littered, with the deposit lost to that individual.

Medium (Other Packaging) - Additional depots may provide avenues for collection of other materials.

4 Conclusions

The consideration of the options to improve management of packaging and to reduce litter will come back to priorities and ultimately the willingness to pay. The community has indicated through the PriceWaterhouseCoopers Willingness to Pay report^{xxiv} that at a high level they are prepared to pay for better recycling and litter outcomes. While that may be case, local government experience certainly highlights that residents don't want to pay anything additional through their rates.

The CRIS combined with the assessment in this submission suggest that for local government the following options (summary provided in section 5):

- All Packaging – Option 2c – the Extended Packaging Stewardship approach appears to offer the best mix of value and matching of the MAV's principles. Should this measure proceed, local government would require much stronger consultation and acknowledgement of the sector's actual role, rather than assuming that the sector will be responsible for collection of all packaging and litter.
- Beverage containers – CDS is clearly the most effective tool with strong benefits, but at a very high cost and with uneven and uncertain impacts on existing local government infrastructure.

The final decision will rest on the weighting of beverage containers in particular, against packaging in general and the cost that governments are willing to impose on the community.

5 Summary of Assessment of Options

Option / Principle	Maximises capture of resources	Litter prevention	Financially sustainable, appropriate allocation, not duplicative	Producer responsibility	Additional Benefits
National Waste Packaging Strategy	Low	Medium	Medium	Minimal	Low
Co-regulatory Packaging Stewardship	Low	Medium	Medium	Low	Low
Industry Packaging Stewardship	Low	Medium	Low	Medium	Medium
Extended Packaging Stewardship	High	Medium	Medium	Medium	Low
Advanced Disposal Fee	High	Medium	Low	High	Low
CDS - beverage	High	Very high	Low	High	High
CDS – other packaging	Medium	Low	Low	High	Medium

6 References

- ⁱ National Environment Protection Council (2010) NEPC Report on the implementation of the National Environment Protection (Used Packaging Materials) Measure, available at: http://www.ephc.gov.au/sites/default/files/annual_reports/2010/AR_Jur_UPM_09-10.pdf
- ⁱⁱ Sustainability Victoria (2012), *Victorian Local Government Annual Survey 2009-10*, available at: http://www.sustainability.vic.gov.au/resources/documents/Victorian_Local_Government_Annual_Survey_2009-10_Report.pdf
- ⁱⁱⁱ Sustainability Victoria (2007), *Victorian Local Government Data Collection Survey 2005-06*, available at: http://www.sustainability.vic.gov.au/resources/documents/Victorian_Local_Governments_Data_Collection_2005-06.pdf
- ^{iv} National Environment Protection Council (2010) NEPC Report on the implementation of the National Environment Protection (Used Packaging Materials) Measure, available at: http://www.ephc.gov.au/sites/default/files/annual_reports/2010/AR_Jur_UPM_09-10.pdf
- ^v Ibid, p. 2.
- ^{vi} Price WaterHouseCoopers/Wright Corporate Strategy for COAG Standing Council on Environment and Water (2012) *Attachment A: Problem Statement on Packaging*, p. 35
- ^{vii} Sustainability Victoria (2012), op cit. p. 28.
- ^{viii} COAG Standing Council on Environment and Water (2012), *Packaging Impacts Consultation Regulation Impact Statement*, December 2011, p. xi.
- ^{ix} Price WaterHouseCoopers/Wright Corporate Strategy for COAG Standing Council on Environment and Water (2012) *op. cit.*, p. 34.
- ^x Sustainability Victoria (2012), op cit., p. 34.
- ^{xi} Price WaterHouseCoopers/Wright Corporate Strategy for COAG Standing Council on Environment and Water (2012), op cit., p. 13.
- ^{xii} Ibid, p. 30
- ^{xiii} Sustainability Victoria (2011) *The Victorian Litter Report 2010*, available at: http://www.sustainability.vic.gov.au/resources/documents/Victorian_Litter_Report_2010_Final.pdf
- ^{xiv} Keep Australia Beautiful National (2011) *National Litter Index*, available at: http://www.kab.org.au/files/NLI/NLI%20homepage/1011%20Reports/2_nli_1011_report_final.pdf, p. 2.
- ^{xv} Sustainability Victoria (2012), op cit. p. 49.
- ^{xvi} Price WaterHouseCoopers/Wright Corporate Strategy for COAG Standing Council on Environment and Water (2011) *Attachment B: Packaging options report*, p. 27.
- ^{xvii} Australian Bureau of Agricultural and Resource Economics and Sciences (2011) *Assessment of COAG Standing Council on Environment and Water Packaging Options Cost Benefit Analysis for a Consultation Regulatory Impact Statement (CRIS)*, available at: http://www.ephc.gov.au/sites/default/files/ABARES%20Comments%20on%20Packaging%20CB_A.pdf
- ^{xviii} PriceWaterHouseCoopers/Wright Corporate Strategy for COAG Standing Council on Environment and Water (2012) *Attachment C: Cost benefit analysis report*, available at:

http://www.ephc.gov.au/sites/default/files/Att%20C_Cost%20Benefit%20Analysis%20Report.pdf

, p. 26

^{xix} Keep Australia Beautiful National (2011) op cit.

^{xx} COAG Standing Council on Environment and Water (2012), op cit., p. 53.

^{xxi} Price WaterHouseCoopers/Wright Corporate Strategy for COAG Standing Council on Environment and Water (2012) *Attachment A: Problem Statement on Packaging*, p. 24

^{xxii} Equilibrium for National Packaging Covenant Industry Association (2012) *Impact of the introduction of a Container Deposit System for Local Councils with an established kerbside collection system*, available at: <http://www.npcia.org.au/images/stories/npciacds.pdf>

^{xxiii} Industryedge Report for the Packaging Stewardship Forum of The Australian Food and Grocery Council (2009) *Assessment Of The Significance Of Contamination By Glass In Recovered Fibre Packaging And Non-Packaging Material In Australia*, available at: <http://www.afgc.org.au/doc-library/category/9-packaging-recycling.html?download=100%3Athe-significance-of-contamination-of-glass-in-fibre-packaging-and-non-packaging-material-in-australia>

^{xxiv} PriceWaterHouseCoopers for Environment Protection and Heritage Council (2010) *Estimating consumers' willingness to pay for improvements to packaging and beverage container waste management*.