



OUT19/6223

The Secretary
Legislative Council, Environment and Planning Committee
Parliament House, Spring Street
EAST MELBOURNE VIC 3002

Dear Secretary,

Thank you for the opportunity to submit comments to the Legislative Council, Environment and Planning Committee's (the Committee) Inquiry into the Recycling and Waste Management System in Victoria.

The NSW Small Business Commission (NSWSBC) advocates on behalf of small businesses, provides mediation and dispute resolution services, speaks up for small businesses in government, and makes it easier to do business through policy harmonisation and regulatory reform. The NSWSBC is focused on supporting and improving the operating environment for small businesses involved in the beverage industry throughout NSW.

In considering strategies such as container deposit schemes to reduce litter in Victoria, the NSWSBC provides the below comments for the Committee's consideration to reflect on the issues and concerns affecting many NSW and Victorian small businesses in the Victoria-NSW border area following the introduction of the NSW Container Deposit Scheme (NSW CDS).

Strategies to reduce waste generation and better manage all waste including container deposit schemes

The NSW CDS commenced on 1 December 2017. Under this scheme, businesses that supply beverages (manufacturers, importers, wholesalers or retailers) in eligible containers into NSW pay monthly fees to cover the costs of the scheme, and can increase the price of eligible container beverages to recover these costs. Consumers who return empty eligible beverage containers to the CDS collection points receive a 10-cent refund per container.

The payment and contribution methodology of the NSW CDS prescribes that first suppliers are billed one month in advanced, based on forecasts of the container volumes and types expected to be supplied, returned and recycled in the next month. Their bill amounts are then 'trued up' later, once the actual container volumes and types for that month are known.

Despite the success of the introduction of CDS in NSW, there have been a number of learnings in the design and implementation of the scheme as highlighted in this submission.

The short lead time in the introduction of the scheme and the fact that it occurred around the peak beverage season (summer) caused significant financial strain on small to medium sized beverage manufacturers (SMEs). The NSW SBC made representation on their behalf to the NSW Government and as a result, the NSW Government introduced a Transitional Loan Scheme to support affected beverage manufacturing SMEs.

There were also a number of complaints received from a significant number of beverage manufacturing SMEs concerned about the impact of the 'up front' payment methodology on the financial viability of their businesses. The NSW SBC advocated on behalf of these beverage manufacturers and the NSW Government is now considering the implementation of an arrears invoicing model instead of the payment in advance for the beverage manufacturers.

By April 2019, around 1.7 billion containers were returned State-wide through 645 return points. This has made a significant contribution towards reducing the volume of litter in the State by 40 per cent by 2020.

The NSW CDS has also demonstrated other positive benefits to the State including recycling (44 per cent reduction in eligible drink container litter in 18 months) and employment outcomes (250 staff in NSW, more than 50 per cent employed in regional NSW). The scheme has spawned the establishment of a new industry with new infrastructure and provided significant benefits to the existing kerbside system, and a much-needed additional revenue stream for material recovery facilities heavily affected by China's National Sword policy.

However, despite the significant benefits of the NSW CDS in a time that exceeded expectations, the feedback from NSW independent retailers in the Victoria-NSW border area indicated that they suffered significant loss in profit and sales volumes of greater than 30 per cent, due to the competitive disadvantage with their Victorian counterparts. This was corroborated by the investigation of the Independent Pricing and Regulatory Tribunal of NSW (IPART) on CDS implementation effects in beverage prices and competition. In its final report covering the first 12 months of the scheme, IPART concluded the following:

We found that the introduction of the CDS has had an adverse impact on independent retailers located near the Victorian border, and particularly on retailers that earn a large proportion of their container beverage sales revenue from multipack products (ie, products with seven or more containers, such as cases of soft drink and beer). This is because NSW retailers in this area incur additional CDS costs, which Victorian retailers do not.

For example, over a two-week period in May, we observed price differences between NSW and Victorian retailers in the border area of between 10 cents for a single container and around \$4.15 for a multipack of 30 cans. We considered that price differences towards the end of this range are sufficiently large to motivate customers who purchase multipack products to change their purchasing behaviour and adversely impact NSW independent retailers located near the Victorian border.

As anticipated, the retail pricing disparities on beverages eligible for a 10-cent refund per container are sufficiently large for NSW consumers to buy beverages at a lower price in Victoria but also other products as part of their grocery shopping.

At the same time, NSW independent retailers reported an increase of Victorians who return eligible containers - presumably purchased in Victoria at a lower price - to the NSW CDS collection points to receive a 10-cent refund. While it is an offence to claim a refund if the container was not acquired in the State or in a jurisdiction in which a corresponding law is in force¹, it is not illegal for a person living in another state to redeem a container they had purchased in NSW, hence the complexity of the issues experienced in the Victoria-NSW border area.

In addition to this, the NSW CDS collection points are often located in high traffic car parks close to services easily accessible to people such as supermarkets, pubs and restaurants. This could also contribute to change the purchasing behaviour of Victorians. While there is a need for more research on the long-term consequences of the introduction of the NSW CDS on border communities, the adoption of a comparable scheme in Victoria would alleviate the adverse impacts observed thus far.

The success of the NSW CDS lies in the overwhelming support of NSW residents comparable to the support showed by Victorians in an online poll conducted by IPSOS in July 2018 that suggested 84 per cent of Victorians are supportive of the introduction of a deposit and refund scheme for drink bottles and cans².

The support is also evidenced by the growing number of Victorians taking advantage of the NSW CDS which puts a strain on collection points. As an unintended consequence, the network operator is required to monitor closely the situation in the Victoria-NSW border and deliver operational improvements to increase the number of collection points and the clearance frequency.

This is a divisive issue for the business community and the broader community on either side of the Victoria-NSW border. The unequal access to recycling schemes is hindering the economic development of small businesses on either side of the Victoria-NSW border by increasing administrative and operational burdens. Through our ongoing engagement with the participants of the beverage industry, it became apparent that these issues affect the viability of small and micro businesses in the beverage industry.

For example, if a Victorian independent beverage manufacturer wants to expand into new markets in NSW, where there is a container deposit scheme in place, they will need to qualify as a drink supplier under the NSW CDS supplier guidelines. In addition to this, if the same Victorian independent beverage manufacturer wants to expand into new markets in other States and Territories, where there are container deposit schemes in place they will need to reiterate the same application process for every container deposit scheme.

For improved service outcomes for border communities, the NSW SBC strongly supports the introduction of a container deposit scheme in Victoria and greater harmonisation between State and Territory container deposit schemes.

The NSW SBC encourages the Victorian Government to consult with the NSW Small Business Commissioner in considering the adoption of a CDS. The NSW Small Business Commissioner is also available to attend any upcoming hearings related to this matter.

¹ *Waste Avoidance and Resource Recovery Act 2001 No 58 (NSW) - Clause 44 'Offence to claim refund for containers not subject to Scheme'*

² Online poll of 503 Victorians, conducted in the last week of June 2018 by Ipsos on behalf of advocacy group the Total Environment Centre

The NSW SBC welcomes ongoing engagement in regards to this matter. To discuss any issues raised in this submission please contact Cathy Suryasumirat, Advisor Advocacy and Strategic Projects, on [REDACTED]

Yours sincerely

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Robyn Hobbs OAM
NSW Small Business Commissioner
12 May 2019