

# CORRECTED VERSION

## STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

### LEGISLATION COMMITTEE

#### Subcommittee

#### **Inquiry into Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011**

Melbourne — 17 November 2011

#### Members

Ms S. Pennicuik  
Mrs I. Peulich

Mr J. Scheffer  
Mr L. Tarlamis

Chair: Mrs I. Peulich

#### Staff

Secretary: Mr K. Delaney

#### Witnesses

Mr J. Ward, national environment manager,  
Mr T. Gray, director, public affairs, and  
Mr M. Eadie, general manager, commercial, Visy.

**The CHAIR** — I welcome you to the public hearing of the Legislative Council's Standing Committee on Environment and Planning Legislation Committee in relation to the inquiry into the Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011. As you can see, all evidence is being recorded by Hansard. In a few days time you will receive a transcript, and you will have an opportunity to correct any typographical errors and return that to our executive officer. It will become part of the public evidence in due course.

All evidence taken today is offered the benefit of parliamentary privilege as provided by the Constitution Act 1975 as well as various provisions of the Legislative Council standing orders, so anything you say within this room is okay, but as soon as you step out the door it is said at your own risk. I ask that you give your names and titles as well as the organisation you represent and an address to which these transcripts can be directed individually.

**Mr EADIE** — I will start. My name is Michael Eadie. I am the general manager, commercial, for Visy industries, and that is the capacity in which I appear here today. Our address is level 11, 2 Southbank Boulevard, Southbank 3006.

**Mr WARD** — My name is Jon Ward, and I am the national environment manager with Visy.

**The CHAIR** — Same address?

**Mr WARD** — Same address.

**Mr GRAY** — Tony Gray, director of public affairs for Visy, of the same address.

**The CHAIR** — Wonderful. Welcome. If you could perhaps speak for 5 to 10 minutes, then committee members will no doubt be keen to ask some questions.

**Mr EADIE** — Visy have been invited here today to share their experience on the subject, but firstly I thought it would be worthwhile to give a short Visy introduction and just work through the PowerPoint handout that has been provided.

**Mr EADIE** — Visy is a packaging, recycling and clean energy business with assets of over \$3 billion invested. We are continuing to invest in sustainable projects such as our Coolaroo, Victoria, \$50 million clean energy plant, which is being opened this month, and a planned \$40 million PET-recycling facility for New South Wales, which is a bottle-to-bottle plant. We employ over 5500 people on 114 sites across Australia, almost half of whom — 2700 — are employed in Victoria. We recover recyclables from over 2.3 million households nationally — just over 600 000 here in Victoria — to process through our material recovery facilities, making us the largest national kerbside recycling processor.

In 2010–11 Visy recovered and processed more than 1.9 million tonnes of recyclables from industry and post-consumer waste, contributing a significant part to the national recycling effort. The largest collectables were: paper at 1.42 million tonnes; liquid paperboard at 6000 tonnes; clear PET at 14 000 tonnes; HDPE at 14 000 tonnes; other plastics at 33 000 tonnes, including low-density polyethylene; glass at 390 000 tonnes; aluminium at 8000 tonnes; and steel at 18 000 tonnes.

Visy looks at sustainability matters through the lens of being a closed-loop packaging and resource recovery business. We acknowledge and respect the waste hierarchy from design to disposal and therefore support initiatives which increase recycling, reduce landfill and, importantly, deliver lowest overall cost. We continue to evaluate our position on all initiatives presented based upon the sustainability impacts to Visy and its stakeholders, which include councils, major food and beverage brands, employees and the wider community.

We acknowledge CDL has proven results in South Australia in terms of the recycling rate achieved since its introduction in the 1970s. However, in Victoria, with a cost-effective kerbside collection and processing system already operating, CDL will remove valuables from the kerbside stream. The result will be a net negative impact on Visy and its key stakeholders. Visy is not convinced that the additional recycling volumes which will come from CDL will justify the cost of the new CDL system and the net negative impact it will have on the kerbside system.

Visy is the only kerbside processor operating in both South Australia and Victoria. By comparing data from our South Australian and Victorian materials recovery facilities we have assessed the impact of a beverage container deposit system in Victoria on kerbside volumes. We model that a like model to South Australia, which has a collection depot approach to collection, will reduce total volume on the high side of the 15 per cent to 20 per cent range. This is impacted by removal of 55 per cent of the glass, 92 per cent of the aluminium and 73 per cent of PET. Should an extended model be considered for Victoria which includes return to retailers or reverse vending machines, we would expect this would further reduce total kerbside volume by another 1 per cent, removing all the residual deposit containers still left in the kerbside stream.

The Victorian kerbside system has functioned well through the combined efforts of the recycling industry, the government and the public. It is well supported by public opinion. Visy is yet to be convinced that imposing a CDL system on top of the kerbside system will justify the cost to the community. In Victoria we process over 250 000 tonnes of material through our MRFs; 90 per cent of that material comes directly from councils, and 10 per cent comes in through commercial collections. Commercial collections have been on the increase. We process those through two sites at Banyule and Springvale. We operate a total of five shifts, employing 65 people directly in that operation. Across Victoria we have 131 people employed around kerbside recycling.

What this means for Visy and our council customers is that removal of the valuables out of the kerbside stream changes the economics of processing the remaining 80 per cent of the material. To Victorian councils it means less payments. We pay by volume, and the volume will reduce 20 per cent, so that will be a direct impact. The rate that we pay will be adjusted in time downward by the value of the commodities removed, less the increased value of the residual deposit commodities, should they be in the mix. Our estimate of the cost to Visy and its customers is \$4 million to \$6 million per year, depending upon the residual volume left. For our employees we have five shifts, and taking away 20 per cent of the volume will reduce one shift for employees. Returns on past investments, including our plastics sort facility in Springvale and our glass sort facility in Laverton, will diminish. That is the conclusion of my formal presentation.

**Ms PENNICUIK** — My first question is that we did not seem to have all the pages that you were reading from.

**The CHAIR** — I think we were missing one at the end.

**Ms PENNICUIK** — The one which had all the figures in it. Perhaps we could get a copy of that?

**Mr EADIE** — We can certainly pass the extra pages on. I thought that would add a little bit more colour to the numbers.

**The CHAIR** — Yes, you could pass that on to Keir.

**Ms PENNICUIK** — I would like to follow up with some questions I have been asking most of the witnesses. We hear that we do well with kerbside recycling — everybody is recycling their household beverage containers — but we are not doing so well outside of kerbside. Containers from away-from-home consumption, the number of which is high and probably getting higher, are not being collected or recycled to anywhere near the same extent. The current system of the dual bins et cetera has pretty well gone as far as it can go. So how do we actually progress from there without some sort of incentive scheme like CD? Also, if I am following you correctly, are you suggesting that you rely on kerbside basically for your feedstock for your business and there is no way that you could fit in with an expanded scheme that has CD alongside kerbside?

**Mr EADIE** — There are a couple of questions in that. I think the first one was around the success of the at-home recycling and also that the away-from-home recycling rates are lagging behind that success. We believe there are a number of initiatives that can address away-from-home recycling. We have for some time, along with industry, been addressing that by putting bins into public places such as airports, shopping centres, train stations and the like, and I think continued investment in that area will improve that recycling rate, as will a continuation of education about recycling and anti-littering. Providing consumers with an option in public places to do the right thing and put it in the recycling bin will improve it.

In regard to feedstock for our mills and our PET plants, under a CDL system, yes, the feedstock will be there. It will be available at potentially a different price, and we would certainly need to take that on board when we are considering our PET plant that we are looking to build in Sydney in terms of feedstock security and price.

**Ms PENNICUIK** — Just following on from that, talking about dual bins and more bins around the place, one of the problems that occurs with those bins is that there is more contamination, whereas with the CD systems — from the evidence we have seen — that is reduced somewhat and in fact it is more efficient than the actual crushed feedstock would be and would be more readily subsumed into your processes than the contaminated product that comes from those dual bins. Do you have a comment on that?

**Mr GRAY** — We speak for Visy, not the recycling industry or any other bodies. We are sharing with you the impact that we assess on it. Visy is geared up for the receipt of what we call co-mingled recyclables. Having grown up with the kerbside system in Victoria, that is the way we have invested and that is the way our technology operates. We have very sophisticated sorting equipment which takes those co-mingled recyclables in and sorts them out into their various streams, so we have invested in that area. It is definitely true that the commodity, if we were in the CDL system, would be available and would come in cleaner. It is also available to the international market as well.

Our view would be that we would have to look at the CDL system once it was in place and see what the impact would be on the recycling stream and what the impact would be on our existing invested infrastructure and assess where it is going to go. Until that is operating we cannot know what it is going to do; we can only say what we now think the impact is going to be on us at the kerbside. The short answer is that we could certainly coexist with a CDL system. Whether we could do it as viably as we do now, having invested and in fact helped to grow the various other stakeholders in the kerbside system in Victoria, is a question we can only forecast; we cannot be certain about it.

**The CHAIR** — In earlier evidence from Mr Fraval we heard that the introduction of a CDL scheme that uses the reverse vending machines could generate something like 760 new jobs, and obviously you are raising concerns about the economic viability and the impact on Visy, as one of the players in the recycling industry, as well as the impact on your invested infrastructure. So there would be the creation of these new jobs, but can you say how many jobs would actually be lost in order for us to gain an appreciation of what the net gain would be, if there is one?

**Mr EADIE** — Reverse vending machines in public places will add to the collections. Again it is about having public place bins or reverse vending machines to accept something that may well be thrown into a waste bin or even littered. We would actually look forward to receiving more collectables through reverse vending.

**The CHAIR** — Supplementary to kerbside collection?

**Mr EADIE** — It would be supplementary to kerbside, because it is addressing out-of-home consumption. We would welcome that approach. It would be synonymous with our views on placing bins in public places — that we would be getting more back.

**The CHAIR** — I am glad to hear your response. Is there a financial incentive or an economic incentive for players to actually do that, or is that something that would be reliant upon government subsidies?

**Mr SCHEFFER** — I think we were told that they would not really be viable unless there was a deposit.

**Mr GRAY** — It is a function of the volume, and it is no different to the way you would assess any prospective source of recyclables. You look at the volume that is available, what infrastructure you would need to put in place and the cost to service that. The answer is that some of them would be certainly viable without a CDL system; others are going to need it. It just depends on the particular circumstances. I would imagine that a huge amount of very convenient infrastructure outside a major sporting venue should not need any support at all, but other smaller bins in more remote locations would need a lot of subsidy.

**Mr SCHEFFER** — My question is a bit broader. I was looking at the most recent Towards Zero Waste Strategy progress report put out by Sustainability Victoria, and it says in there that for commercial industry the number of tonnes recovered that has not gone to landfill has increased, which is good, and that the amount that is going to landfill is less — so they are two positive indicators. But then it says that despite this, it is still not going to meet its targets. It then cites that the increase is offset by a large reduction in the recovery of paper and cardboard and that if that had been maintained, it would have met the 2014 target. I was just wondering whether you could talk to us about what is going on. Why is there that decline in the collection of paper and cardboard

which is putting Victoria in a situation where it is not able to meet its targets? If there was a CDL scheme, would that in any way qualify those sorts of outcomes? Although I think I know the answer to that now.

**Mr WARD** — I think you are talking about paper or cardboard collected through the commercial industrial waste system.

**Mr SCHEFFER** — Yes, that is correct.

**Mr WARD** — In a sense that is operating completely separately to CDL, which operates on beverage containers. Essentially it would not have any effect.

**Mr SCHEFFER** — Okay, so there is none.

**Mr WARD** — We are not in a position to give expert comment on why paper and cardboard has gone down. That waste is controlled by the conventional waste industry, not by the recycling industry.

**Mr GRAY** — I think we can add to that a little bit, though. Everyone will recall that acronym we all know about: the GFC. The period you are talking about was a time when the international markets for paper and cardboard, which is a very commonly traded commodity just like coal, iron ore and everything else, literally went through the floor. As a result, a number of collections that were less viable were cut off. A number of businesses did not generate as much either. From Visy's point of view — I cannot speak for the whole industry, but I am sure that from Visy's point of view — our volumes have gone right back up in terms of paper and cardboard.

**Ms PENNICUIK** — I just wondered what sort of involvement you have in South Australia. Are you involved with their scheme, do you take product from that scheme and what are your plans with the Northern Territory scheme?

**Mr EADIE** — In South Australia we operate three MRFs.

**Ms PENNICUIK** — Sorry?

**Mr GRAY** — Three material recovery facilities.

**The CHAIR** — We are actually visiting one when we go to South Australia at the end of the month.

**Mr EADIE** — We have some residual deposits — containers — that we collect from that and pass through to the collectors and onward. Visy was formerly a super-collector doing the collection contract for Foster's, but we are now not involved. South Australia is now down to the three super-collectors. We are not planning any involvement in the Northern Territory. We would look at the volume and the economics, but it is probably not looking like we will make an entry into that market.

**Mr GRAY** — We can say — again from our own data — that when South Australia increased the deposit rate from 5 cents to 10 cents we did not notice any discernible drop-off in the amount of residuals. You would need to do a lot more analysis than that, but a quick analysis of that fact would indicate that South Australia was at its maximum in terms of what is going to be pulled back from a CDL system, subject to making it a much larger deposit — for example, 30-plus cents, which it is in Germany. With the increase from 5 cents to 10 cents, you would have expected that would have reduced the amount that is left behind from kerbside, but it did not discernibly.

**Ms PENNICUIK** — It might have been a cultural thing, where people just do it anyway?

**Mr GRAY** — I think that sums up our attitude to the Victorian situation. I think it is fair to say, from Visy's point of view, that if kerbside did not exist — if we were starting from scratch — we would be in here absolutely advocating CDL.

**The CHAIR** — It would be a different ball game.

**Mr GRAY** — But in Victoria we have a system that people have grown up with, and all of our research and other research shows that more than 90 per cent of people participate in recycling, particularly at home, and

actually enjoy doing so. We think that culturally that system is well entrenched in Victoria. Everybody accepts that we need to find ways of improving the away-from-home performance; the question is, what is the best and most viable system? We are not sure.

**The CHAIR** — Thank you very much for coming along and for your evidence. We look forward to visiting your facility in South Australia. As advised earlier, transcripts will come your way in about three days. You will have an opportunity to make corrections of a typographical nature, but the substance of your evidence should obviously remain intact. Eventually that will become public evidence uploaded to our website and also become part of our report. Thank you so much. We appreciate the time you have given us and also your arriving early, which means we can close down the hearing a little earlier than forecast.

**Committee adjourned.**