



Container deposit scheme (CDS) regulatory impact statement and draft regulations

Submission

June 2022

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1 Executive summary

Of the five options considered in the regulatory impact statement (RIS) for Victoria's container deposit scheme (CDS), the MAV's preferred option is Option 5. This option involves an expanded scope of eligible containers, a 20-cent refund amount and a higher community access standard.

The RIS clearly shows that Option 5 has the highest Net Present Value (NPV). Beverage container redemption rates and associated recycling rates would increase significantly and litter rates would decrease significantly. Despite also having higher costs, the RIS also shows that Option 5 has the strongest benefit-cost ratio.

Despite having the second lowest NPV and coming third in terms of benefit-cost ratio, the RIS identifies Option 1 as the preferred option. This decision largely appears to be driven by national consistency considerations. We do not agree with this recommendation.

With South Australia and the Northern Territory already considering expanding the scope of their schemes to include glass wine and spirit bottles and milk bottles, it makes no sense for Victoria to introduce a scheme that will likely quickly be inferior to the schemes in other jurisdictions.

If the Victorian Government is as strong a supporter of product stewardship as it claims to be, now is the time for the State to walk the talk and implement as comprehensive a scheme as possible.

As the last state to commit to a CDS, the Victorian Government should strive to deliver a scheme that is ambitious and best practice, setting a new CDS benchmark for other states and territories to follow.

Our recommendations are:

- More emphasis be placed on the product stewardship elements of a container deposit scheme, with the goal of tying waste and resource recovery costs and impacts more directly to production and consumption choices.
- The CDS include as broad a range of containers as practicable, regardless of whether those containers are predominantly consumed in the home.
- A refund of \$0.20 be adopted
- The higher access standards described in the RIS be implemented.
- Require at least one collection point in the largest remote or regional town in each local government area and unincorporated alpine resort area, even if the regulations would otherwise not require that area to have a collection point.

- Requirements be set for distribution of collection points throughout a major urban area, and for remote and regional towns that require multiple collection points
- Define weekend hours as between 7am and 8pm on either Saturday or Sunday, not between 7am Saturday and 8pm Sunday
- Any landfill disposal exemptions granted under the Act should be prescribed to be reported in the Recycling Victoria annual report (in addition to the legislated requirement for the exemption to be gazetted)

2 Introduction

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide a submission in response to the [container deposit scheme regulatory impact statement](#) and [draft regulations](#).

The MAV and councils were strong advocates for introduction of a container deposit scheme (CDS) in Victoria. Our focus now is on ensuring the Victorian scheme is the best it can be in terms of embedding product stewardship in our recycling practices, maximising the number of containers recovered through the scheme, supporting an accelerated transition to a circular economy and reducing litter.

We applaud the decision to introduce a CDS in Victoria and strongly urge the Government to not miss this opportunity to deliver a nation-leading scheme.

The regulatory impact statement (RIS) considers five different options for the CDS:

- Option 1 – Consistency of Victorian CDS with other Australian jurisdictions: This option will involve national consistency on key scheme elements such as a 10-cent refund amount and containers eligible for refund. It also includes a community access standard of an average of one refund collection point per 11,604 people.
- Option 2 – Extended scope of eligible containers: This option is the same as Option 1 except that the scope of eligible containers is extended to include glass wine and spirit bottles.
- Option 3 – 20-cent refund: This option is the same as Option 1 except that a 20-cent refund is provided for eligible containers.
- Option 4 – Lower community access standards: This option is the same as Option 1 except that there is a lower community access standard of an average of one refund collection point per 16,098 people.
- Option 5 – Maximum regulations: This option combines the extended scope of eligible containers and the 20-cent refund amount with a higher community access standard of an average of one refund collection point per 9,932 people.

A cost-benefit analysis found all options are likely to deliver a net community benefit, with Option 5 returning the highest Net Present Value (NPV) followed in descending order by Option 3, Option 2, Option 1 and Option 4.

To determine the preferred option, the RIS assesses the five options against three criteria:

1. a benefit cost ratio significantly greater than one, which will provide a high benefit per unit of cost
2. national consistency, which will reduce scheme compliance and operating costs for industry, and reduce confusion for industry and consumers
3. high community access standards, which will drive high redemption rates, and provide equity, so that all Victorians are able to participate in the scheme.

Despite returning the second lowest NPV, the RIS identifies Option 1 as the preferred option. The decision largely appears to be driven by national consistency considerations. We do not agree with this decision. As the last state to commit to a CDS, the Victorian Government should do as it said it would and deliver a scheme that is ambitious and best practice.

The MAV supports, and calls on the Government to support, Option 5 which has the highest NPV and benefit-cost ratio and would deliver a far stronger, more comprehensive CDS.

3 The goal of a Container Deposit Scheme

The Victorian Government has repeatedly portrayed the main function of a container deposit scheme as being a response to litter. A container deposit scheme is at its core a form of product stewardship. In addition to reducing litter it can improve the quality of recyclable materials being collected.

The Victorian Government needs to move on from its framing of a CDS as primarily a litter response and accept and promote its benefits as a product stewardship scheme that connects the impacts of waste to production and consumption decisions, improves the quality of recyclable material being collected, and reduces litter.

As noted in the RIS, beverage suppliers and individual consumers in Victoria currently do not bear the costs of disposal of containers once the beverage has been consumed, including the cost of landfilling or recycling, or potential harm to the environment through containers being littered. The costs are borne by society and the environment which creates a negative externality.

A CDS can address this externality by requiring beverage first suppliers to pay for the recovery and recycling of beverage containers. The cost of reducing litter, increasing recycling, and reducing waste going to landfill is shifted from society and the environment back to the producer. This shift to a polluter-pays approach is critical if we want to avoid waste and incentivise improved recycling behaviours. This is why the MAV and councils strongly support and continue to advocate for product stewardship schemes.

4 Container eligibility and refund

The draft regulations as proposed represent a missed opportunity to develop a nation-leading CDS.

We want a CDS that is ambitious in terms of the containers it captures. Glass wine and spirit bottles should be included. No clear argument has been given as to why unflavoured milk, cordial, or large fruit juice containers have been excluded. If there are technical challenges to incorporating them into the CDS that should be discussed.

To date it appears the reason for their exclusion is simply that they aren't in the CDSs implemented by other jurisdictions. This is short-sighted however, given South Australia and the Northern Territory are already considering expanding the scope of their schemes to include

glass wine and spirit containers and milk bottles. It makes no sense for Victoria to opt for a scheme that will likely soon be considered inferior to those in other jurisdictions.

As the last state to commit to a scheme, the Victorian Government should be striving to deliver a scheme that is both ambitious and leading practice.

With the Victorian Government's proposed single-use plastic items ban failing to address problem items such as single-use coffee cups and fast food outlet soft drink cups, consideration should also be given to including these items in the CDS. The MAV's preference remains for the ban to capture these items, as is occurring in Western Australian, but failing this, including them in the CDS would at least transfer some of the cost of dealing with these items to those producing and consuming the goods.

As noted throughout the RIS, a higher deposit of 20c would increase the capture of containers through the CDS, as well as better reflect end of life cycle costs in production and consumption decisions. The Government would also benefit more if there is a 20-cent refund.

We acknowledge that a higher refund amount would create some challenges, not least for our border communities and councils. We are confident however these could be worked through, with South Australian and New South Wales residents likely quick to apply pressure to their own state governments to increase the refund amounts in their state's CDS. The desire for consistency should not be used as an excuse for delivering a substandard scheme.

5 Access standards

The RIS models three community access standards for analysis: medium, lower and higher:

Proposed community access standard	Major cities	Inner regional areas	Outer regional areas	Remote areas	Victoria total
Population	5,237,495	1,205,836	250,240	3,079	6,696,650
Medium access standard (Options 1, 2, 3)	1 CP per 14,500 people	1 CP per town of minimum 750 people, and 1 CP per 14,500 people		1 CP per town of min. 300 people, and 1 CP per 14,500 people	Estimated state-wide average of 1 CP per 11,604 people
Indicative number of refund collection points	378	162	35	2	577
Lower access standard (Option 4)	1 CP per 20,000 people	1 CP per town of minimum 1,000 people, and 1 CP per 20,000 people		1 CP per town of min. 500 people, and 1 CP per 20,000 people	Estimated state-wide average of 1 CP per 16,098 people
Indicative number of refund collection points	263	128	24	1	416
Higher access standard (Option 5)	1 CP per 11,500 people	1 CP per town of minimum 600 people, and 1 CP per 11,500 people		1 CP per town of min. 300 people, and 1 CP per 14,500 people	Estimated state-wide average of 1 CP per 9,832 people
Indicative number of refund collection points	443	190	46	2	681

Table 4.2 from RIS.

The RIS notes that only fixed refund collection points, including reverse vending machines, over the counter points and automated and manual depots, may be used to meet the community access standards. This is to ensure Victoria has a stable and consistent service across the year.

The RIS also notes that network operators may decide to establish more refund points than required because of the financial incentives of collecting more beverage containers. This has occurred in NSW.

The experience of other schemes clearly shows that, beyond per head and distance considerations, convenience of access will be critical to maximising the return of containers. Councils are keen to work with network operators to help determine the best locations for collection points.

5.1 MAV modelling of access standards

The MAV doesn't have access to the modelling for the network system design, and the methods for calculating minimum collection point requirements under the regulations are somewhat ambiguous (see Technical Issues). However, we have attempted to model what the rollout would look like under the three levels of access standards described. These numbers have some variation from the totals presented in the RIS.

Based on our modelling, under a medium access standard there would be no collection points in West Wimmera. Under a low access standard there would also be no collection points in Loddon. None of the proposed access standards would require collection points in any of the unincorporated alpine resort areas. Some metropolitan councils are included in the table below – the numbers against these councils represent only the localities in those municipalities which are outside a major urban area.

Collection points outside major urban areas			
Local Government Area	Medium access	Low (change)	High (change)
Alpine	3		+1
Ararat	1		
Ballarat	8	-2	+1
Bass Coast	9	-3	+2
Baw Baw	7	-2	+1
Benalla	1		
Buloke	2		+3
Campaspe	5		+1
Cardinia	4		+1
Casey	1		+1
Central Goldfields	2	-1	+1
Colac Otway	2		+1
Corangamite	4	-1	
East Gippsland	7	-1	+3
Gannawarra	3	-1	
Glenelg	3		
Golden Plains	3	-1	+1
Greater Bendigo	9	-3	+3
Greater Geelong	5	-1	+1
Greater Shepparton	6	-2	+1
Hepburn	4	-1	
Hindmarsh	3		
Horsham	2	-1	
Indigo	5		
Latrobe (Vic.)	7	-1	+4
Loddon	2	-2	+1
Macedon Ranges	7		+1
Mansfield	1		
Melton	1		
Mildura	6	-1	
Mitchell	4		

Moira	4		
Moorabool	1		+1
Mornington Peninsula	0		+1
Mount Alexander	2		
Moyne	3		
Murrindindi	5	-2	
Northern Grampians	2		
Pyrenees	2		
Queenscliffe	1		
South Gippsland	5	-1	+1
Southern Grampians	2	-1	
Strathbogie	3	-1	+1
Surf Coast	6	-1	+1
Swan Hill	3	-1	
Towong	2	-1	
Wangaratta	2	-1	
Warrnambool	4	-2	+1
Wellington	8	-1	+2
West Wimmera	0		+2
Whittlesea	1		0
Wodonga	4	-1	+1
Wyndham	0		+1
Yarra Ranges	7	-1	
Yarriambiack	2	-1	
Total Regional/Remote	196	-39	40
Melbourne Major Urban Area	323	-89	84
Geelong Major Urban Area	15	-4	3
Total Victoria	534	-132	127

Localities that would lose their only collection point by moving from a medium access standard to low

LGA	Locality
Bass Coast	Cape Paterson (L)
Bass Coast	Coronet Bay (L)
Bass Coast	Surf Beach - Sunderland Bay (L)
Baw Baw	Neerim South (L)
Central Goldfields	Carisbrook (L)
Corangamite	Timboon (L)
East Gippsland	Eagle Point (L)

Gannawarra	Barham - Koondrook (Koondrook Part)
Golden Plains	Inverleigh (L)
Greater Bendigo	Marong (L)
Greater Geelong	Batesford (L)
Greater Shepparton	Murchison (L)
Hepburn	Trentham (L)
Loddon	Boort (L)
Loddon	Inglewood (L) (Vic.)
Murrindindi	Eildon (L)
Murrindindi	Kinglake West (L)
South Gippsland	Venus Bay (L)
Southern Grampians	Coleraine (L)
Strathbogie	Avenel (L)
Swan Hill	Lake Boga (L)
Towong	Tallangatta (L)
Warrnambool	Allansford (L)
Wellington	Loch Sport (L)
Yarra Ranges	East Warburton (L)
Yarriambiack	Murtoa (L)

Localities that would gain their only collection point by moving from medium access standards to high

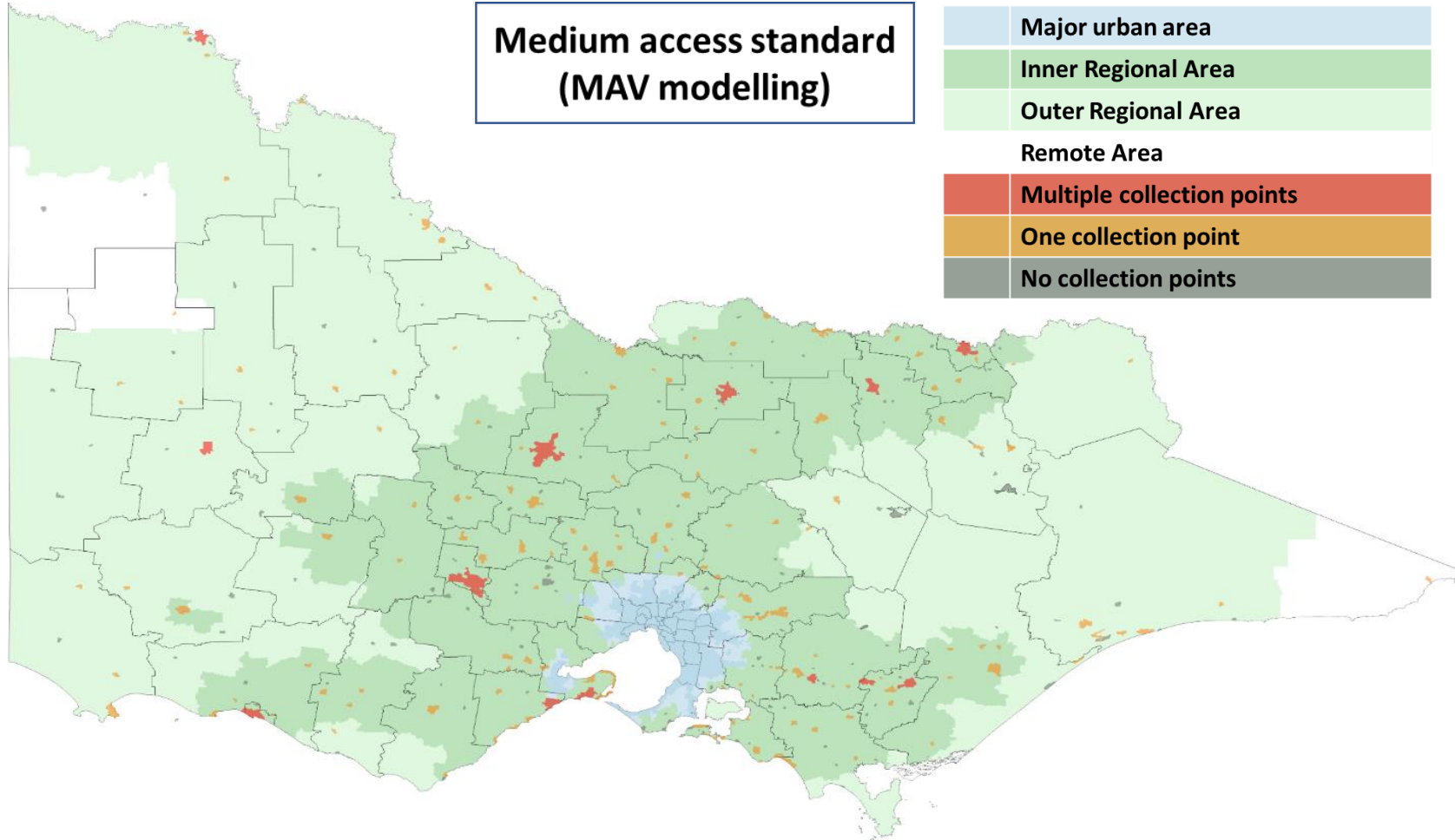
LGA	Locality
Alpine	Porepunkah (L)
Bass Coast	Corinella (L)
Bass Coast	Ventnor (L)
Buloke	Sea Lake (L)
Buloke	Wycheproof (L)
Cardinia	Maryknoll (L)
Casey	Cannons Creek (L)
Central Goldfields	Dunolly (L)
East Gippsland	Lake Tyers Beach (L)
East Gippsland	Newlands Arm (L)
Golden Plains	Lethbridge (L)
Greater Bendigo	Elmore (L)
Latrobe	Glengarry (L)
Latrobe	Yinnar (L)
Loddon	Wedderburn (L)

Macedon Ranges	Malmsbury (L)
Moorabool	Greendale (L)
Mornington Peninsula	Flinders (L)
South Gippsland	Nyora (L)
Strathbogie	Violet Town (L)
Surf Coast	Moriac (L)
Warrnambool	Bushfield - Woodford (L)
Wellington	Briarolong (L)
West Wimmera	Edenhope (L)
West Wimmera	Kaniva (L)
Wyndham	Werribee South (L)

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**Medium access standard
(MAV modelling)**

Major urban area
Inner Regional Area
Outer Regional Area
Remote Area
Multiple collection points
One collection point
No collection points



5.2 Fallback provision

There should be a fallback provision to ensure that where no towns within a local government area qualify on their own for a collection point, a collection point is still provided.

We recommend that if a local government area is entirely within inner regional, outer regional, or remote areas, and Regulation 13 would otherwise not require a collection point to be provided in any of the towns, a collection point must be provided in the largest regional or remote town within the local government area.

The same fallback mechanism should apply to each of the unincorporated alpine resort areas. Their permanent population does not reflect the significant tourist activity that occurs there.

5.3 Major urban areas and larger towns

Where more than one collection point is required in an area (such as in major urban areas or larger towns), there are no requirements for the distribution of collection points within those areas. This could lead to all collection points being located in the CBD of a town, or large metropolitan municipalities having little access to collection points.

There are several potential options to address. For example, for major urban areas, it could be a requirement that each local government area contain at least half as many collection points as they would were they to be divided between municipalities on a per capita basis.

Alternatively, and for regional and remote towns, there could be requirements on how far apart collection points that contribute to the minimum prescribed requirement must be from one another.

5.4 Hours of operation

In relation to the proposed hours of operation for collection points, weekend hours should be defined similarly to weekday hours, eg. between 7am and 8pm on a given day. Under the present definition, weekend hours could all take place late Saturday night or early Sunday morning.

	Minimum weekday operating hours	Minimum weekend operating hours
Major Urban Area	27 weekday hours between 7am and 8pm per week	8 hours between 7am Saturday and 8pm Sunday per week
Regional Area	16 weekday hours between 7am and 8pm per week	8 hours between 7am Saturday and 8pm Sunday per week
Remote Area	8 weekday hours between 7am and 8pm per two-week period	8 hours between 7am Saturday and 8pm Sunday per two-week period

5.5 Technical issues

There appear to be issues with the way the regulations define access standards.

Remote towns and regional towns are defined as areas categorised as Urban Centres and Localities under the ABS Urban Area Structure that meet a population threshold. Population is defined within the regulations as the estimated resident population of an area at or after 30 March 2021 as defined in ABS publication Regional Population 2019-20.

This raises two problems. Firstly, Regional Population 2019-20 contains population estimates to 30 June 2020. The publication required for estimates at or after 30 March 2021 would be Regional Population 2020-21.

Secondly, and more critically, Regional Population does not contain population estimates for Urban Centres and Localities. It contains estimates at Statistical Area Levels 2 (SA2) and above, as well as Local Government Areas, Significant Urban Areas, and Electoral Divisions. Urban Centres and Localities are made up of contiguous Statistical Area Level 1 areas, and thus do not necessarily directly relate to SA2 areas provided in that publication. Urban Centres and Locality populations are published with census data, so to arrive at our modelling for the previous section we have used 2016 census data with a population growth factor applied. This would not be permissible under the regulations, and it does not appear there is any way to calculate collection point requirements in line with the draft regulations.

It is expected that the Melbourne Major Urban Area would be split across multiple zones. The regulations do not make it clear how the minimum number of collection points should be calculated within a zone in this circumstance.

6 Other comments

In the materials flow analysis section on page 28 of the RIS, it is noted that all of the options under consideration assume “the gradual roll out of a glass kerbside recycling service across Victoria”. This is concerning given the State has repeatedly assured local government that alternative models of glass recycling service delivery, including drop off services, will be considered. We also note that page 34 refers to the rollout of “glass bin or services”, which better aligns with our understanding and preference for council service requirements. We would be interested to know what impact, if any, the assumption of statewide glass kerbside services might have had on the assessment of options in the RIS.

One of our most significant concerns about the State’s approach to designing the CDS is that DELWP appear to be more focused on protecting its decision to require councils to introduce a separate glass service than delivering a comprehensive circular economy policy. Many Victorian councils have undertaken a cost benefit analysis for a separate service for glass and have found that the costs of offering a fourth kerbside bin clearly outweigh the benefits. The business case is arguably weakened further once a CDS is factored in, especially if the CDS captures an expanded scope of containers and has a highly accessible network of collection points.

Despite multiple requests to do so, the Victorian Government has never released the business case that underpinned its decision to mandate a fourth service for glass. By contrast, the South

Australian Government in a recent review of its CDS, undertook and published a cost benefit analysis comparing an expanded scope CDS with a separate council service for glass that clearly showed an expanded CDS was more beneficial.

In relation to the appointment of the network operators for the CDS, we call on the State to ensure that the operators are required to genuinely consult with councils prior to making a decision on the location of collection points within their municipality. Council input at an early stage can help operators avoid traffic, noise and other amenity issues that may not be readily identifiable to operators without local knowledge. It is also important that the operators are made responsible for addressing any litter and dumping issues at collection points, with clear obligations written into their contracts with the State.

The RIS states (p.8) that within the regulations it is a condition of appointment for a network operator that “only one network operator is assigned to each network operation zone”. We note that this condition does not appear to be in the draft regulations themselves.

Under the Act, disposing of CDS containers to landfill is prohibited. A person may make an application to the Minister allowing them to dispose of CDS eligible containers in landfill in certain circumstances. The draft regulations prescribe the information that must be provided to the Minister when making an application. The legislation requires any exemption granted to be published in the government gazette. The gazette is an unwieldy document to keep track of both at the time and historically. Any exemptions granted by the Minister in a period should be reported in the annual report prepared by the Head of Recycling Victoria for that period.