

**Container Deposit Scheme**

**Discussion Paper**

**Submission**

**November 2020**

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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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# Introduction

The Municipal Association of Victoria (MAV) welcomes the opportunity to provide a submission in response to the Department of Environment, Land, Water and Planning’s ‘Victorian container deposit scheme discussion paper’.

The MAV is the peak representative and advocacy body for Victoria’s 79 councils. The MAV was formed in 1879, with the Municipal Association Act 1907 appointing the MAV the official voice of local government in Victoria.

Today, the MAV is a driving and influential force behind a strong and strategically positioned local government sector. Our role is to represent and advocate the interests of local government; raise the sector’s profile and ensure its long-term security; facilitate effective networks; support councillors; and provide policy and strategic advice, capacity building programs and insurance services to local government.

In recent years, the MAV has taken an increasingly active policy advocacy role in waste and resource recovery. China’s decision to severely restrict importation of recyclable materials sent shockwaves through Victoria’s and several other jurisdictions’ recycling sectors, ultimately impacting kerbside recycling services.

The MAV and Victorian councils have long advocated for the introduction of a Container Deposit Scheme (CDS). We welcome the Victorian Government’s commitment to introduce a scheme, and note the significant opportunities to learn from implementation of CDS both within Australia and internationally.

A well-designed and implemented CDS can deliver numerous benefits. These include:

* Increasing the proportion of material recovered and available for reuse, remanufacture, and recycling
* Improving the quality of material collected through efficient stream separation
* Attaching a price to products that better reflects whole-of-lifecycle impacts
* Reducing litter
* Attaching a tangible and public value to the resources embedded in packaging
* Providing opportunities for community organisations to generate revenue

This submission has been structured around the headings and questions found in the discussion paper.

1.
2.

## Key Points

The MAV and Victorian councils strongly support the introduction of a Victorian container deposit scheme (CDS).

The MAV’s position is:

* An obligation on retailers above a certain size to provide return points would be the best way of promoting convenient access to a CDS across Victoria
* The split-responsibility model for governance is the preferred of the two models proposed in the discussion paper. Split-responsibility ensures the network operator has a clear incentive to maximise the number of containers collected through the CDS
* While the refund value ($0.10) should be consistent with other Australian jurisdictions, Victoria should take show leadership by introducing a CDS that captures as broad a range of containers as possible, including jars and wine and spirit bottles
* Councils and MRFs should share revenue generated by the CDS through the kerbside stream, with a default 50:50 share of profits if no alternative agreement has been negotiated
* A mix of scheme design (through varying fees) and prescribed access standards should be used to ensure equitable access to the CDS across Victoria
* The Victorian Government should negotiate with their New South Wales and South Australian counterparts for equitable arrangements for border communities to access a CDS

# Objectives of Victoria’s CDS

1. **Do you agree with the objectives of Victoria’s Container Deposit Scheme?**
	1. **Yes**
	2. **No**
	3. **Maybe**
	4. **Comment Box**

Yes. We strongly support the CDS being primarily concerned with circular economy and product stewardship outcomes.

# Proposed scheme governance

1. **What do you see as the risks and benefits of each of these scheme administration options for Victoria?**

A combined Product Responsibility Organisation (PRO) would be severely conflicted. There is an in-built tension between maximising container returns and minimising the costs of the scheme. A single organisation would struggle to resolve this tension.

The beverage industry effectively retains the levy from unreturned containers, and thus have a financial incentive to minimise returns. The beverage industry also lacks operational knowledge of waste and resource recovery that will be necessary to implement an efficient and effective collection network.

There is risk of monopolistic behaviour by network operator/s within their assigned region. This can be addressed through regulation of the scheme and intervention by the regulator if necessary. This risk can be more easily managed than the fundamental conflict of interest in the PRO model.

Having a single network operator in a region (or state-wide) will make it easier to design a network to ensure equitable access. It will also help a consistent approach to planning and local law requirements and other regulatory measures.

1. **Is the proposed model the right one for Victoria?**

Requiring retailers above a specified size to provide return points should be part of Victoria’s CDS. This, complemented with dedicated drop-off points for larger volumes, would provide convenient access to the scheme across Victoria.

Of the split responsibility and PRO models, a split responsibility model is strongly preferred. A split responsibility model ensures that the scheme co-ordinator has incentives in minimising the cost of delivery, while the network operator is driven to maximise container returns.

1. **What model of funding should Victoria’s CDS adopt?**

Victoria should adopt the in arrears funding model. This will allow scheme contributions to match the costs of the scheme without the need to frequently reconcile amounts.

1. **How should the float for the initial start-up of the scheme be designed?**

The float should be provided via a loan to the scheme from the Victorian Government, to be repaid through the operation of the scheme.

1. **How do you think scheme participant responsibilities be set to promote achievement of scheme objectives?**

The breakdown of responsibilities in the discussion paper is a good starting point.

The scheme regulator should be responsible for pre-implementation audits of various waste streams. This should include recycling and residual waste from both kerbside and public place bins, as well as litter and commercial streams. This is necessary to establish a baseline to assess how the scheme is affecting various streams. These audits should also be undertaken at regular intervals once operational.

# Proposed Victorian scheme elements

1. **What is your view on the best way to promote convenience in a CDS?**

As discussed under question 3, an obligation on retailers to provide return points would be the best way to promote convenient access to the CDS.

The scheme should adopt a mixed approach of incentives and standards. In addition to the scheme overall incentivising the operator to maximise returns, the scheme should incentivise access across Victoria. Fees should reflect the cost of handling containers. This may include elements such as transport cost, return volumes (as higher volumes offset fixed overheads), and material types.

The scheme regulator should also prescribe minimum access standards for the network operator/s to meet as a fall-back. In setting standards, the regulator should consider both how far Victorians say they will travel and how far they actually do travel. Data from the Detox Your Home program may provide valuable insight, although we expect people would travel further to access a Detox Your Home event once or twice a year compared to regular access to a CDS return point.

Convenience should also promote accessibility via public transport, and as much as possible align collection points with existing activities of consumers such as point of sale collection.

1. **How best can retailers engage with the proposed scheme? (Please select all that are relevant.)**
	1. **Providing over the counter-drop off services**
	2. **Integrating Automated Reverse-Vending Machines (RVMs) on premises**
	3. **Utilising car-park space for separate depot area**
	4. **No engagement with scheme**
	5. **Other (comment box)**

These solutions are all appropriate in different settings and should all be incorporated into the CDS as options for retailers.

1. **How can community organisations such as charities and sports clubs, best participate in Victoria’s CDS? (Please select all that are relevant.)**
	1. **By building and operating refund collection points themselves**
	2. **By hosting refund collection points that are built and operated by commercial recyclers**
	3. **By doing a bulk collection of containers to take to a local collection point**
	4. **By registering with the scheme as a nominated charity that is eligible to receive electronic funds donations through Automated Reverse Vending Machines**
	5. **Through mobile or ‘pop-up’ refund points as part of community fund-raising drives**
	6. **Other (comment box)**

Community organisations can benefit from the scheme through a range of activities, including all of the above.

The scheme regulator should consider mandating some allocation of collection points to community organisations and social enterprises.

1. **Which types of location/s would you find the easiest to return eligible beverage containers to? (Please select all that are relevant, and rank these from most preferred at the top to least preferred.)**
	1. **Supermarket**
	2. **Local retail outlet e.g. newsagency or convenience store**
	3. **Shopping centre**
	4. **Industrial/commercial area**
	5. **Waste transfer station**
	6. **Home pick up service (for fee)**

As stated above, returns at the point of sale provide the highest convenience for smaller container volumes. Dedicated return points or co-location at transfer stations may be more appropriate for larger volumes.

1. **How far do you normally travel for shopping, sporting, work or other regular activities?**
	1. **Less than 1km**
	2. **1-5km**
	3. **5-10km**
	4. **10-20km**
	5. **Greater than 20km**

Not applicable. Studies of container deposit schemes in other jurisdictions clearly show that convenient access to collection points is critical to the success of the scheme. As far as possible, we want consumers to be able dispose of their containers at a collection point as part of their everyday activities – rather than having to make a dedicated trip. This is why having collection points at retail outlets is so important.

# Refund collection point infrastructure types

1. **What mix of refund collection point infrastructure will achieve the highest redemption rates? Please select all that are relevant, and rank these from most preferred at the top to least preferred.**
	1. **Automated Reverse Vending Machines (RVMs)**
	2. **Large manual depots**
	3. **Over the counter (OTC) refund collection points**
	4. **Larger scale automated refund collection points**
	5. **Bag drop facilities**
	6. **Mobile or ‘pop-up’ refund points**

All these collection points have merit in different settings. Accessibility standards should address access to collection points suited to both smaller volumes (such as RVMs and over the counter) and larger volumes.

Mobile and pop-up refund points may be able to improve convenience in some places, but we are wary of them potentially leading to some Victorians having only sporadic access to the scheme. They should play only a supplementary role.

The network operator should be prohibited from requiring collection points to implement a specific piece of infrastructure, such as a nominated brand of RVM. Allowing competition in the choice of collection point infrastructure will promote a more efficient system.

1. **How would you like to receive your refunds for containers?**
2. **Cash**
3. **Electronic Funds Transfer (EFT) / online payment**
4. **Vouchers (e.g. to local stores)**
5. **Donations to local community organisations**
6. **Access to all options**

While vouchers offer obvious benefits to participating retailers, it is important that they do not form the only refund type available in an area.

1. **How can employment opportunities for Victorians be encouraged through the scheme?**
	1. **Direct employment via community-run refund collection points**
	2. **Employment and training partnerships with commercial recyclers**
	3. **Employment and training partnerships with beverage manufacturers**
	4. **All**

All of the above.

# Refund amount

1. **Do you support national consistency on the proposed refund amount of 10 cents?**
	1. **Yes**
	2. **No**
	3. **Not sure**
	4. **Comment Box**

Yes. However while national consistency is valuable, individual jurisdictions should retain the right to increase the refund amount if it is considered necessary for the scheme’s ongoing viability.

# Refund mark

1. **Do you support Victoria’s position on creating a national consistent refund mark to be used by all states and territories?**
2. **Yes**
3. **No**
4. **Not sure**
5. **Comment Box**

Yes. As above, should changes be deemed necessary jurisdictions should be able to implement them.

# Eligible containers

1. **Do you support containers included that are consistent with other states and territories and targeting those items that are commonly littered?**
2. **Yes**
3. **No**
4. **Maybe**
5. **If no, why not? Comment Box**

No. We believe the scheme should include as wide a range of containers as possible including wine and spirit bottles as well as jars.

The potential benefits of a CDS in improving resource recovery should not be diminished by focusing solely on consumption away from the home and litter impacts. Including a broader range of containers would also better reflect whole-of-lifecycle costs in the cost of purchase.

Victorian councils are currently transitioning to a four-service municipal waste and resource recovery system. This transition comes at a significant initial cost, and the service design will be influenced by the design of the CDS. Failing to include additional containers in the CDS initially will make it far harder to integrate with the municipal system in the future.

Victoria has an opportunity to be national leaders and implement a best practice and broad-based container deposit scheme. This opportunity should not be squandered.

# Complementary reforms: standardising kerbside collections

**18. How can the Victorian Government best support material recovery facilities and councils to determine revenue sharing arrangements for beverage containers collected through the kerbside recycling system?**

A revenue sharing model between MRFs and councils benefits both parties as well as the system. This provides incentives for both councils and MRFs to maximise capture of containers into the CDS system

Ideally, the share of CDS revenue should be a matter for councils and MRFs to negotiate. However we think that there should be a default profit sharing model in force where no agreement between a council and MRF exists. Scenarios where a default model would be useful include:

* When the CDS first becomes active neither council nor MRF will have an exact picture of how it will operate in Victoria. The volumes captured by the CDS will also change over the initial commencement period.
* It may be difficult for the two parties to negotiate a revenue sharing agreement where they already have an existing contract in place.
* Council may have a contract with the collector and no direct relationship with the MRF operator
* Material may be required to be diverted from one MRF to another at short notice.

While the initial commencement period is an important use case for the default model, other scenarios will continue on for years or indefinitely. As such, the default model should be in force wherever a negotiated agreement is not in place with no sunset date.

The default revenue sharing model would allow the MRF to recover net costs from the introduction of the CDS, and split remaining CDS revenue 50:50 between the MRF and the councils the containers originated in.

Costs recovered by the MRF may include loss of revenue from material being diverted from the kerbside system, as well as administrative costs for engaging with the CDS. Net costs should also recognise reduction in costs to the MRF such as reduced operating costs from reduced volumes, and potential decreases in contamination of material. It is important that net costs to the MRF be verified independently, including potential reduction in some costs such as decreased contamination.

To support confidence in this system, data on containers collected by MRFs must be made available to councils by the scheme co-ordinator.

In some cases it may be difficult to directly apportion containers to an individual council. Examples include aggregation of recycling from multiple councils prior to arriving at an MRF, or being combined while processing at the MRF. This will make a direct apportionment of refund challenging. Subject to submissions by relevant councils and the MRF, the Waste Authority should have the power to define ratios for apportionment between an MRF and councils to support operation of the default revenue sharing model if necessary.

# Next steps

**19. What considerations should be given when planning for Victoria’s CDS infrastructure?**

While the design of the CDS should guide a market driven infrastructure network, access standards are necessary to ensure equitable access across the State. Standards should consider the reasonable distances a person may travel, and not assume that all Victorians wishing to engage with the CDS have access to a car.

**20. What information or explanatory material will be most useful to help you/your business participate in Victoria’s CDS?**

Councils, and other organisations, will need access to sufficiently detailed data and case studies to help determine whether and how to engage directly with the CDS.

Ongoing, councils will need access to information on the operation of the CDS to assist negotiations on revenue sharing with MRFs and to better model impacts on kerbside and public place municipal collections. This information will also be vital to councils as they progress changes to their municipal collection services.

# Other issues

It is incumbent on State Governments to negotiate an approach to the operation of CDSs in border communities. In these communities the State border is porous. Volumes of containers may not support collection points on both sides of the border. State Governments should assess the degree to which cross-border refunds are an issue and arrange a process for transfer of funds between schemes as necessary.

Revenue sharing between councils and MRFs must also consider cross-border issues. Councils in Victoria’s north-east in particular are reliant on recycling infrastructure in NSW.