

Impact of a Container Deposit System (CDS) on local government kerbside systems

The finances of kerbside recovery systems involve trucks, fuel, labour, MRF operation and landfill levies on the cost side and sale of recyclate on the plus side. Critics of a CDS only focus on the impact of reduced recyclate – however the last seven government initiated studies which examined the whole equation found that overall kerbside is not harmed by a CDS and in fact its financial position is improved. On the other hand the bin alternatives proposed by the packaging industry will cost local councils as they have to pick the costs of – bin lift, transport and landfill fees.

There will inevitably be issues of transition especially with waste collection contracts. However contracts usually have a ‘force majeure’ clause for circumstances beyond a party’s control (eg, state legislation). It could also be possible for the legislation enabling CD to include a clause protecting councils from liability if the contract purports to supply a certain amount of material. It should be noted that Visy have included a clause in their contracts excluding obligations in the event of container deposits being introduced in NSW.¹

1. Equilibrium, 2013, An assessment of the potential financial impacts of a Container Deposit System on Local Government in Tasmania²

“This study finds that on a best case scenario, reduced kerbside costs in Tasmania as a result of a CDS may at best be up to \$26.8 million over 20 years or on average up to \$1.3 million per year. This finding is based primarily on the reduced tonnes of material collected through kerbside systems and assuming that Tasmanian councils can achieve a corresponding reduction in gate fees...

With respect to changes to the value of materials in the kerbside recycling bin, a CDS will increase the value of the materials and therefore potentially provide the sorting operator with more revenue which may be able to be passed on to councils as a reduced processing cost / gate fee. It is assessed that the value of the materials in kerbside in Tasmania will increase from an average of about \$90 per tonne to \$130 per tonne. This is due to the CDS materials remaining in kerbside which are assumed to be able to be redeemed for their

1

Case Title: Visy Paper Pty Ltd v Glass Granulates Pty Ltd

3. SUPPLY

- (a) Visy agrees to supply Glass Fines produced by it in New South Wales to Granulates and Granulates agrees to accept them on the terms and conditions set out in this Agreement.
 - (b) During the Initial Term, Visy will supply, and Granulates will take, a minimum of 200,000 tonnes of Glass Fines. This clause will not apply if Visy is unable to supply sufficient Glass Fines produced by it in New South Wales to meet the minimum tonne requirement due to the introduction in New South Wales of a **container deposit** scheme.
 - (c) Visy shall deliver the Glass Fines to the Site at its own cost. Title and risk will pass to Granulates on delivery.
- 30 Sept, 2011 contract

² Equilibrium also undertook a local government study for Sustainability Victoria and MAV but its conclusions are disputed as unlike the Tasmanian study it did not include savings in collection costs and did not suggest any quantified savings in litter management. Even without these corrections cost per household was ‘98cents per year in 2025’ which is easily recoverable from rates.

1

10 cent value. The PICRIS finds that 80% of CDS materials will go directly to collection depots and 7% will remain in the kerbside recycling system. While a CDS will remove valuable materials from kerbside (PET plastic and aluminium in particular) the redeemable deposits increase the value in total and overall as long as the containers are able to be separated and the deposits redeemed...

While detailed findings cannot be made with respect to litter management and public place recycling in Tasmania, in line with PICRIS estimates Tasmanian Local Government as a whole may benefit from reduced litter management costs of about \$160,000 per year if there is a reduction in the incidence of litter and therefore associated management, clean-up and disposal costs." (pp vi-ix)

2. Mike Ritchie and Associates, 2012, The Impacts (Cost/Benefits) of the Introduction of a Container Deposit/Refund System (CDS) on Kerbside Recycling and Councils, for NSW LGSA

The study finds that under a CDS:

- Kerbside recycling would contain 17% less material.
- 5% of the material in the remaining kerbside bin would be unreturned CDS material.
- Due to the value of the unredeemed deposits, MRF revenues would be 31% higher.
- Recycling is likely to result in a payment as opposed to a charge to councils at the MRF gate.
- Councils' overall recycling costs would be reduced by 19-47%.
- NSW councils could save \$23 to \$62 million annually on recycling costs.
- Councils across Australia could save \$69 to \$183million annually. (p5)

3. The 2012 Victorian Parliamentary CDS Inquiry

Mr Tony Circelli, acting Chief Executive Officer of the Environment Protection Authority (South Australia), informed the Committee that container deposit schemes mean lower revenues for kerbside operators, but also lower operating costs. "Really what they are saying is that with those containers taken out they do not need to do as many trips because their trucks do not get full as quickly. They can collect more bins in a day...**From that perspective I think it would be complementary, no matter where it is brought in.** There would be cost savings to local government and to ratepayers because the contracts that you would arrange with waste management people would take these things into account."

Mr John Phillips OAM, Executive Director of KESAB Environmental Solutions told the Committee:

"Anecdotally there is a lot of information out there that talks about household kerbside collection not working in parallel with the container deposit legislation; that is untrue. **Household kerbside collection works very well in parallel with container deposit legislation.** As previously reported this morning, some councils benefit, subject to socioeconomic group — some community members leave their containers in the kerbside collection bin and in other areas they are very quick to take it to the recycling depot."

4. COAG SCEW (2011), Packaging Impacts Consultation Regulatory Impact Statement

The RIS finds [over 20 years], "\$2.72 billion in avoided collection, transport and recycling costs in the municipal and C&I waste streams and \$247 million in other avoided costs (regulation, landfill and litter clean up)." (p51). After deduction of lost material sales from kerbside, the savings are \$2.5 billion. (Most of the savings will go to councils as commercial premises are a smaller part of consumption).

CD collects more beverage containers than any other option and reduces container litter most. Note also that the RIS failed to account for the significant funds to councils from unredeemed deposits on containers still in kerbside.

5. BDA (2010) Beverage Container Investigation, commissioned by the EPHC (p96):

Table B1.11: Financial impact of national CDS on local government

Impact	Total value (\$m / yr)
Deposits collected by local government (\$m)	\$78
Kerbside savings (see Table B1.7)	\$24
Landfill cost savings (for new recovery)	\$13
Landfill levy savings (for new recovery)	\$7
Material values lost by local government (\$m)	\$90
Net financial saving	\$32

Notes: Assumes 7% of CDS returns are through kerbside systems, landfill costs of \$40 per tonne and average levies of \$20 per tonne.

6. Stakeholder Advisory Group Investigation Into Best Practice Container Deposit Systems For Western Australia, Final Report for the Minister for the Environment, Western Australia, By Stakeholder Advisory Group on Best Practice Container Deposit Systems for Western Australia (2007) (pp17-18)

“The following considerations, drawn from the experience in South Australia, have led the SAG to conclude that CDS in WA could reasonably be expected to reduce waste management costs for most local governments...The SAG therefore expects that any lost income to local councils from a reduction in material disposed of through the recycling system will be compensated by the increased value of the material, represented by redeemed deposits, less contamination in the material itself, and other factors mentioned above. As such, it is not anticipated that the viability of existing MRFs will be negatively affected.”¹ (more detail in endnote)

7. Institute of Sustainable Futures (2001), Independent Review of Container Deposit legislation in New South Wales for Hon Bob Debus, Minister for Environment (p218):

“...net benefits to local government...improve performance of kerbside recycling from the perspective of local councils by approximately \$8.50 to \$20 per household per year.”

¹ “• A proportion of applicable containers will still be disposed via the kerbside system, and local government will be able to redeem the deposits associated with those containers; • The total volume of recyclables requiring collection from households will potentially be reduced, thus reducing collection and transport costs (more household recycling bins collected in each truck load), and offsetting the need for future capital investment in Materials Recovery Facilities (MRFs) to cater for increased population; • There will be less glass in kerbside recycling streams. This can be expected to have a number of benefits including: less contamination of valuable paper and newsprint by glass fines; allow increased compaction rates resulting in transport efficiencies; and reduce wear and tear on vehicles and equipment; • There will be less glass contamination in kerbside residual waste streams. Given that a number of local and regional councils in WA have developed composting systems for their residual waste streams that are adversely affected by glass contamination, this is expected to represent a significant benefit; • The redemption of container deposits will stabilise income to councils, as deposit levels and disposal to kerbside are expected to remain relatively stable. This is an important consideration where councils have historically been subject to fluctuating commodity prices; and • There will be opportunities created for local government owned and operated MRFs as well as private sector operators of MRFs to become major profitable depots for the receipt of CDS and other recyclable material.”