

HEALTH REPORT ON THE QUEENSLAND CONTAINER REFUND SCHEME

June 2020



Total Environment Centre was established in 1972 and has undertaken over 100 successful national and state environment protection programs. This report was not funded by any container refund scheme participant.

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SUMMARY

The Queensland Container Refund Scheme (CRS) is now in its second year with a target return rate of 85% by the year 2021/22. It is coordinated by a single body, Containers for Change (CoEX). After successfully campaigning for the CRS it is incumbent on community organisations to ensure it is operating effectively to achieve its environmental objectives. This review examines critical aspects of the performance of the CRS and its governance.

CoEX have been strongly criticised for its lack of transparency and accountability, in particular by the Qld Productivity Commission. Environment groups are also concerned about the absence of any formal and public consultation about the capacity of the collection network and forward strategies.

The integrity of data about recycling and sales is central to the scheme's credibility. The use of average weight based verification is inherently inaccurate, The NSW CRS has a far more rigorous and transparent approach. It appears to us there is excessive capacity for CoEX to massage data for public relations purposes and the incidence of fraud by collectors can exaggerate return rates.

The Qld CRS adopts the same definition of eligible containers as other Australian states (bar South Aust). There is a case for joint action to expand the definition, in particular to include wine.

TEC recently issued a report that found serious inadequacies in the network of SEQld refund points such as non-existent sites and an unacceptably high per person ratio to refund points, compared to NSW.

The CoEx Board is dominated by the beverage industry and CoEX nominees. It is also of great concern that a smaller group of beverage interests took highly significant decisions about the network, prior to the full Board being established. A primary focus on costs to the sector can adversely influence the type and spread of refund points, negatively affecting convenience.

Evidence from the NSW and Qld CRS Annual Reports show that the NSW scheme is cheaper per container returned. While drink prices are influenced by a range of factors, the Qld CRS has been found to cause higher price impacts on alcoholic drinks than in NSW; and marginally lower prices for non-alcoholic.

Successful schemes in overseas jurisdictions have a retail obligation to provide collection infrastructure. This limits the potential to site inconvenient refund points.

The current rate of container return to the new network is about 40% (plus 14% from kerbside), well below the amount required to meet the 85% target. The CRS faces significant challenges.

RECOMMENDATIONS

Recommendation 1: The State Government requires CoEX to change its culture and procedures to meet public expectations on transparency and accountability. The State Government should insist upon greater transparency regarding the progress and performance of the CRS; and ensure release of key reports and data.

Recommendation 2: CoEX needs to achieve the same quality of data and reporting as in NSW and subject it to independent audit.

Recommendation 3: The State Government should be considering an expansion to the scope of the CRS to include other beverage containers that could be collected by the CRS in the future. This should be done in collaboration with other jurisdictions and with input from industry and community stakeholders. The issue of recycled content could also be explored.

Recommendation 4: With two CRS governance models emerging in Australia, other jurisdictions considering the design of their CRS need to seriously investigate the benefits and costs of separating the roles of Coordinator and Network Operator; and the single PRO model.

Recommendation 5: Environment groups have consistently called for more engagement by the retail sector in locating refund points and TEC recommends government devise ways this can occur.

Recommendation 6: The State Government must require CoEX to publish its budget, strategies and plans for the coming year, and each subsequent year. CoEX as a not-for-profit business, should provide public reports and analysis about its strategies, procedures and performance. In addition, an annual strategy should be published explaining its investment strategies for the coming year to develop and implement its collection network in Queensland. Formal CRP operator consultations and with other stakeholders/public consultation should accompany this.

Recommendation 7: The State Government immediately review CoEX operations (including the performance of existing refund points) and future strategies and revise, where required, investment strategies that will ensure container return targets will be met. CoEX should publish identified milestone targets and updates on progress towards meeting its 85% + container return target by 2021/22.

Recommendation 8: The State Government should instruct CoEX to establish formal links and regular consultations with established community environment and social groups about the expansion and maintenance of an effective refund and donation point network.

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1. INTRODUCTION

After many years of political and industry opposition to the widespread community campaign for Cash for Containers, the Queensland Container Refund Scheme (CRS) started operations on 1 November 2018. In its first year, Container Exchange (CoEX), the Scheme Coordinator, reported that the new CRS network had collected 1 billion eligible beverage containers. This represents about a 33% return rate. There are approximately 3 billion beverage containers sold in Queensland each year.¹

In addition to this collection rate, 400 million containers were recovered through council kerbside collection services. Adding the two together, 1.4 billion containers were collected in the first year of operation, or about 50% of all eligible containers sold.²

Establishing a container refund scheme is a complex task. A collection network has to be set up, logistics and financial arrangements developed, and the Queensland community and consumers informed about and encouraged to use the new refund and collection services. All in all, the first year of the CRS represented a useful start but the focus on the type of depot and refund point based network has raised questions about its ongoing convenience and effectiveness.

The second and third years of the CRS are the real challenge for the scheme. Can CoEX not just maintain but double the new network return rate?³ And is the collection network they have set up convenient and accessible (and sufficiently expandable) to Queensland consumers wanting to return their eligible containers for a refund?

The key to a successful, and best practice scheme is to attract as many eligible containers as possible; have a suitable incentive (a refund); and provide an accessible and convenient collection network that encourages as many consumers as possible to return their containers. In a State like Queensland that also means addressing access for rural and remote communities, bearing in mind that over 85% of the QLD population live in metro areas or in close proximity to relatively large conurbations and should therefore be easily serviced by the scheme.

Additionally, the scheme must be designed to encourage and maintain the interest of collectors to participate in the collection network and, be publicly accountable so that the Government and the community can be satisfied with its performance and credibility of reporting.

¹ CoEX - <https://www.containersforchange.com.au/qld>

Issues of data verification are discussed below

² Reported by Qld Productivity Commission (2020)

³ The kerbside return rate is around 12-15%. CoEX pers comm to QPC (2020) p11

The Queensland CRS has a legislated target of achieving a container return rate of at least 85% in the year beginning July 2021. Based upon 3 billion containers sold in QLD annually, that means a collection rate above 2.5 billion eligible containers per annum.

TEC is committed to best practise container refund schemes in order to maximise environmental benefits from reduced litter and recycling and the circular economy. In this *Health Report* we assess the prospects for the Qld CRS and current issues and performance, including structural aspects of the network and governance.

We have focused on five key areas:

- Governance and accountability
- Eligible containers scope
- A best practice, user-friendly collection network
- Meeting the container return rate target
- Community and charity group participation

Vital Statistics

Official start date: 1 November 2018
Container refund amount: 10 cents per container
Required minimum number of refund points: 307
Types of refund points: 42% drop-offs, 35% depots, 23% RVM/mobile
Number of operating refund points: requires further verification⁴
Number of containers reported collected through the scheme at 1 November 2019: 1 billion
Number of containers reported collected through kerbside at 1 November 2019: 400 million
Returned containers reported by region (at 1/11/19): Greater Brisbane 402m, Gold Coast 98m, Sunshine Coast 58m, Central QLD 3.5m, North QLD 6m, FNQ 9m, Townsville 73m, Cairns 58m, Mackay 35m, Fitzroy (Rockhampton) 75m, Darling Downs 75m
Returned containers reported by 7 June 2020 (19 months of operation): 1.846 billion
Average price increases due to CRS: 9 cents per container (non-alcohol), 9.9 cents (alcohol)
Number of eligible containers reportedly sold in QLD: 3 billion
Current container return rate as at first quarter 2020: scheme network 40% + kerbside 14%, TOTAL = 54%
Required annual container return rate: 85% (2.5 billion+) by financial year 2021-22

⁴ See TEC Review:

https://d3n8a8pro7vhmx.cloudfront.net/boomerangalliance/pages/3938/attachments/original/1586473410/Containers_for_change_CP_report_060420_final_1sm.pdf?1586473410

Each CRS in different states and countries has different features such as refund rates and involvement of retail and scheme maturity. Comparisons can be problematic, but at a broad level the following can be useful, as it can suggest successful features. There is nothing to prevent such features being considered in Australia and for the Qld CRS.

Comparison with Container Recycling Schemes in Australia and schemes around the world

	Queensland	New South Wales	South Australia	Germany	British Columbia	Lithuania
Start date	2018	2017	1977	2003	1970	2016
Refund amount	10 cents	10 cents	10 cents	0.25 EU	10-20 cents	0.10 EU
Population	5.11 million	7.5 million	1.7 million	80 million	4.4 million	3 million
Current return rate	54% (Feb 2020)	71% (Feb 2020)	76.9%	95%+	83%	92%
Number of refund points	307*	635	126	135,000	1,430	1,000
Refund points with retail centres	No	Yes (includes refund kiosks associated with retail centres)	No	Yes	Yes	Yes

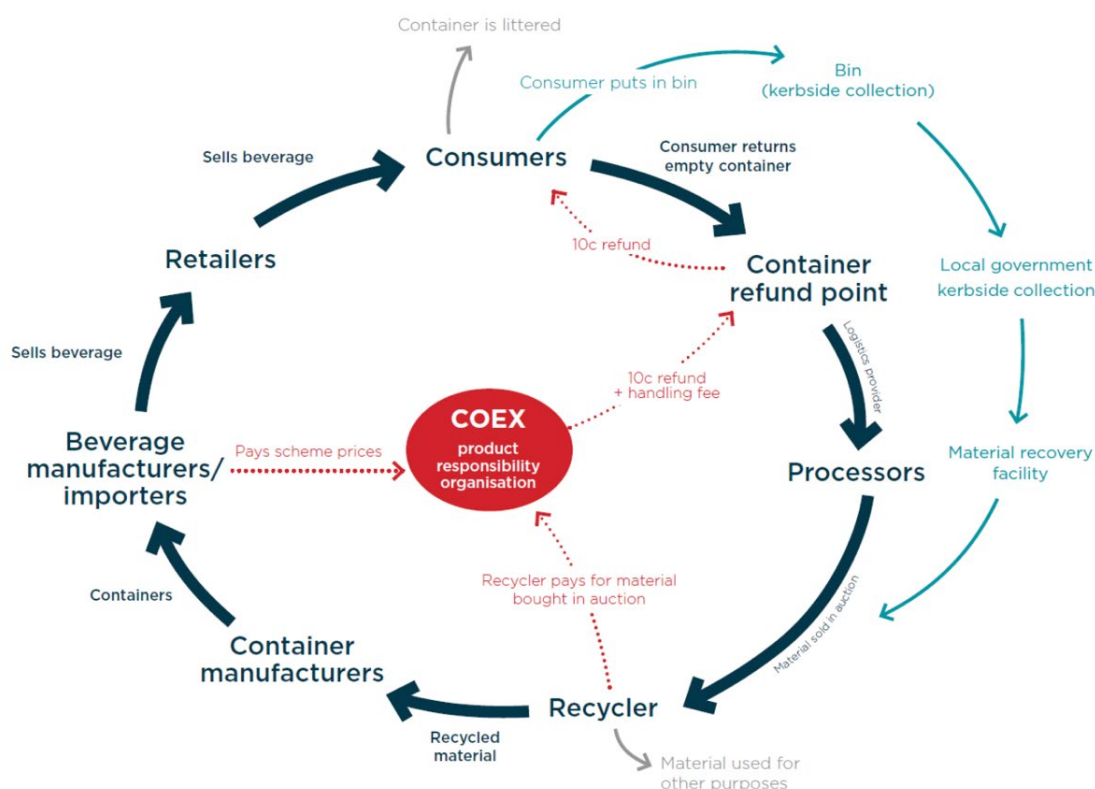
*subject to verification

2. ABOUT THE QUEENSLAND CONTAINER REFUND SCHEME

The legislated objectives of the scheme are to:⁵

- Increase the recovery and recycling of beverage containers
- Reduce number of containers that are littered or disposed to landfill
- Ensure manufacturers meet their product stewardship obligations
- Provide opportunities for social enterprise for community organisations
- Complement existing collections and recycling activities

Figure 2.2 Container Refund Scheme



(extract from Queensland Productivity Commission Final Report January 2020)

Governance and Accountability

The scheme was established under the Queensland Waste Reduction and Recycling Amendment Bill 2017 and is regulated by the Queensland Government. It is run and managed by a Scheme Coordinator, Containers for Change (CoEX), a not for profit company. CoEX are responsible for establishing and running the scheme, its collection network, paying all associated costs and meeting a container return target.

The 7 member CoEX Board includes 4 with beverage industry involvement at producer or retail level and an independent Chair, Legal, Financial and a Community representatives,

⁵ Queensland Waste Reduction and Recycling (Container Refund Scheme) Amendment Regulation 2018

appointed by the Minister. The other Directors are appointed by CoEX. Its website displays 5 objectives:

CUSTOMERS & COMMUNITY

We work closely with our customers and communities to safely deliver accessible services and opportunities.

RESPECT

The core of our relationships – we value our people and stakeholders, and treat them with professionalism and respect.

OWNERSHIP & ACCOUNTABILITY

We take responsibility for our actions so we can deliver on our goals.

ENVIRONMENT & SUSTAINABILITY

We protect and enhance Queensland's environment by delivering a sustainable, world-class scheme.

INTEGRITY

Courage, honesty and resilience underpins our culture, relationships, behaviour and decision-making.

CoEX publish an annual report and are required to provide an annual budget and a strategic and operational plan for the year ahead to the Minister, every March.

Eligible Containers

Most glass, aluminium, plastic, steel and liquid paperboard beverage containers with a capacity of between 150 millilitres and 3 litres are included in the Scheme. These are deemed amongst the most problematic containers in the waste and litter streams. The list is designed to be consistent with other container collection schemes in Australia.

Collection Network

Collection is through a network of refund points (CRPs), with an established population ratio or distance ratio provided to meet accessibility requirements. The QLD network has a mix of collection types that include depots (10 of which are automated with Reverse Vending Machines (RVMs), staffed over-the-counter depots, bag drops and temporary and part-time pop-up collection points.⁶ CoEX were required to establish a minimum 307 refund points by November 2019 and ensure they continue to operate. Additionally the Environment Minister issued a ministerial direction to CoEX in October 2018 outlining targets and timelines for remote and regional communities' access to CRPs.

⁶ Immediate refunds at depots, over the counter and RVMs; delayed refunds at bag drops.

Community organisations can also provide donation points where refunds are not paid to consumers but to those organisations as a donation. These points are not included in the list of refund points.

Consumers receive a 10 cents refund per eligible container returned.

Scheme Funding Arrangements

Container Refund Point operators pay the refund on returned containers and receive the refund and a handling fee (approx. 6 cents) from CoEX for every container returned for recycling. CoEX receive funding from beverage suppliers (in arrears) for all eligible containers projected to be returned. They charge a Scheme Fee that is calculated to cover the projected refunds, and any associated costs incurred for collection and transport collected containers; and publicity and administration. All collected containers must be recycled, no containers can be sent to landfill.

Kerbside Collection

The CRS operates alongside, and complements, existing kerbside collection services. Containers collected through kerbside receive the refund, although this is payable according to an agreement between the MRF and the relevant local authority. There is no handling fee.

Price and Consumption Impacts

In February 2019 the Queensland Productivity Commission (QPC) was asked to monitor the CRS and report on the effects of the CRS on beverage prices, the conduct of beverage manufacturers and suppliers and any impacts on consumers. The final QPC Report ('Container Refund Scheme Price Monitoring Review') was published in January 2020.

The QPC found that on average prices rose by 9 cents per container (non-alcohol), 9.9 cents (alcohol):

Table 1.1 Average price increases of beverages sold in eligible containers attributable to the Scheme over its first 12 months

Beverage	Price increase (cents per container)
Soft drinks	10.3
Bottled water	8.0
Flavoured milk in small containers	8.9
Fruit juice	3.8
Beer	8.6
Cider	16.2
Ready-to-drink spirits	9.5

Note: Data was unavailable for October 2019 for non-alcoholic beverages, so the estimates for soft drinks, bottled water, flavoured milk and fruit juice are estimated using data from the Scheme's first 11 months.

Source: CIE estimates based on Nielsen data for non-alcoholic beverages and the Drinks Association data for alcoholic beverages.

Price increases due to the Scheme appear to be similar in regional Queensland and in Brisbane.

The QPC also found that between November 2018 and September 2019 consumption of non-alcoholic beverages fell by 6.5% per month as a result of the scheme. Due to a lack of useful data, the QPC was unable to draw any conclusions about alcoholic beverages.

The QPC was also asked to report on any other specific matters that impact upon consumers and the consumer interest.

Other Issues

The QPC raised six matters of concern:

- The importance of an accessible collection network for consumers
- How the return rate was to be increased
- Expanding the scope of the scheme
- The need for greater transparency and public scrutiny of COEX's operation
- How public complaints were being handled.

The QPC outlined recommendations to improve the CRS in regard to these concerns.

3. OUR REVIEW

It is desirable for government and the community to know how well the CRS is operating. The advent of the QLD (and other states) CRS is of course a direct result of community sector advocacy over many decades.

A number of studies have or are being completed including by the QPC reported above (made public); and in April 2019 a CRS Health Check was commissioned by the State Government and produced by PriceWaterhouseCoopers (PWC). The Health Check was designed to gauge progress on the CRS after 6 months, and to identify any issues that needed to be addressed to ensure the scheme was operating well and could meet its targets.

The Health Check process also involved interviews with a number of identified stakeholders on their perspectives. There was an understanding that the Health Check would be published, at least to those stakeholders, to recognise their engagement and assist any improvements to the scheme.

Since then, despite repeated requests, the Health Check has not been made available. The latest attempt, through FOI by the Total Environment Centre, was refused on 6 May 2020.⁷ It is claimed to be 'commercial in confidence' and still being assessed by the department - one year later.

As a result, and prompted by our concern about the health of the CRS, this critique has been produced. It uses the public data available; our own investigations; the 'Review of Containers for Change (CoEX) Refund Points in South East Queensland 2020' report by Total Environment Centre; and the information presented in the Queensland Productivity Commission Report (2020).

In this report we have focused on five key aspects:

- Governance and accountability
- Eligible containers scope
- A best practice, user-friendly collection network
- Meeting the container return rate target
- Community and charity group participation

3.1 Governance and Accountability

The scheme was set up with a nominated Producer Responsibility Organisation (PRO) to manage it. The PRO (CoEX) was established as a not-for-profit business, quite deliberately,

⁷ The refusal is being reviewed by the Office of the Information Commissioner.

to ensure that information related to performance, accountability and other relevant matters was available to the State, other stakeholders and the public.

By 31 March 2020, COEX was obliged by legislation to present to the State Government a report that included, their budget for the coming year, refund amounts for the coming year, the operation of refund points, and a strategic and operational plan.

The CoEX Board includes an Independent Chair and a Community Representative, nominated by the Environment Minister. These nominees were appointed to ensure a measure of balance and accountability, given that all other Directors are nominated by CoEX. **The Board has a number of key sub committees, the membership of which is not reported by CoEX on its website or Annual Report.**

The role of the Independent Chair includes, in addition to leading the Board - to provide any required and pertinent information on the performance of the CRS to the Environment Minister. The Community Representative is appointed to represent the views of the community sector, many of whom are involved in the refund or donation collection network. **We are not aware of any formal contact being made between this representative and key community groups, a matter raised to the PWC Health Report in 2019.**

With the exception of an Annual Report, media releases and social media postings, little detailed information has been published about the performance of the scheme. None of the reports/briefings outlined above have been made available. This is concerning given the very intent of establishing a not-for-profit PRO was to ensure accountability and transparency.

We note that the QPC highlighted this discrepancy and recommended that:

COEX should adopt transparency as a core organisational value. As a minimum, it should publish information about its costs, strategies and procedures. For example, it should report indicators of the Scheme's efficiency, its analysis of the reasons for changes in efficiency, and how these reasons affect its strategies. (Rec 6)

In our view CoEX has failed to be sufficiently transparent or accountable and has not met community expectations.

Recommendation 1: The State Government requires CoEX to change its culture and procedures to meet public expectations on transparency and accountability. The State Government should insist upon greater transparency regarding the progress and performance of the CRS; and ensure release of key reports and data.

3.1.1 Data Integrity

A critical aspect of accountability is the integrity of the data on which reporting is based. If it has been ‘massaged’ to give the best impression or lacks external audit, its credibility can be questioned.

To date the Qld CRS does not have a properly auditable train of publicly available data. Gross recovery figures for the entire state are reported periodically on the CoEX website. Reporting of recovery by almost all refund points is by manual method compared to the real time electronic data via RVMs and depot singulators (automated counting machines) in NSW. **Qld relies on average weight based verification which is inherently inaccurate compared to barcode verification which is based on the individual weight of each drink and brand type.**

The CRS needs effective checking not only of the collection point throughput, but also of the sales reported by producers. **Accurate sales data is essential as it is the benchmark against which the recovery rate is measured – if annual sales are reported as significantly lower than the current 3 billion drinks, then serious interrogation would be required.**⁸

There are no quarterly sales figures to which recovery can be compared (unlike in NSW where they are also publicly released). Additionally there are seasonal factors affecting consumption and lags in sales data. For example, significant summer holiday sales to retail outlets occur in December to stock up for January – thus sales to retail could appear quite low in January, but returns for refunds quite high – distorting the recycling rate, if taken as a general indication of scheme performance. Nor is it useful to use one month’s rate as an indication of the annual rate.

Additionally there are a number of legal disputes between CoEX and major collection points about the quantity of returned containers. This may involve significant fraud, in which case recovery numbers have been exaggerated.

Similarly care needs to be taken with per capita return rates. For example, Qld has a higher rate of per capita consumption than in NSW and consequently per capita return rates will be higher.⁹ This does not mean the CRS is performing better overall.

Recommendation 2: CoEX needs to achieve the same quality of data and reporting as in NSW and subject it to independent audit.

⁸ Annual eligible beverage sales are reported as “approximately” 3 billion. Sales during COVID restrictions have “remained strong”. <https://www.containersforchange.com.au/qld>, <https://mailchi.mp/ea65266c275c/the-beverage-bulletin> – accessed 12/7/20

⁹ Qld per capita consumption is 591 cpc; NSW is 450 cpc. See also QPC (2020) p26, Qld per capita consumption higher than Aust average.

3.2 Eligible Containers

A primary purpose of the scheme is to increase the recovery and recycling of beverage containers, and to reduce container litter and waste going to landfill. Currently the list of eligible containers is consistent with other jurisdictions but could include extra types subject to joint jurisdictional decisions.

For instance, whilst glass beer bottles are included, wine bottles are not. Fruit juice containers up to 1 litre are included; 1 litre + fruit juice containers are not. We note that the CRS is not just a litter prevention scheme, it is also a waste reduction scheme, and could include associated beverage container items routinely found in the waste stream.

With an increase in the recycled content of beverage containers under discussion, there are no requirements in place to encourage recycled content in collected containers by the CRS. Such a move would assist in achieving the aims of the National Waste Policy and Packaging Covenant goals.

In Germany, glass bottles are collected for refill/reuse, not recycling. It is estimated that over 50% of bottles are reused in Germany.

Eligible containers



Examples:

- Beer bottle
- Soft drink can
- Flavoured milk bottle < 1 litre

Excluded containers



Examples:

- Plain milk bottle
- Containers for concentrated/undiluted cordial or syrup.
- Glass containers for wine or spirits

Source: Containers for change 2019a.

On the matter of the CRS scope, the QPC recommended both consideration of expanding the scope and harmonisation with other jurisdictions. We note that South Australia is currently considering an expansion of the scope of its refund scheme which could translate into other state schemes.

The QPC concluded:

The Queensland Government should inform decisions about expanding the types of eligible containers through a thorough evaluation of costs and benefits, including the costs and benefits of achieving the same outcomes in different ways. (Rec3)

The Queensland Government should assess proposals for harmonisation with other jurisdictions against criteria such as the extent to which the proposals contribute to the effectiveness of the Scheme in achieving its objectives, generate net benefits, and can be implemented easily. (Rec 4)

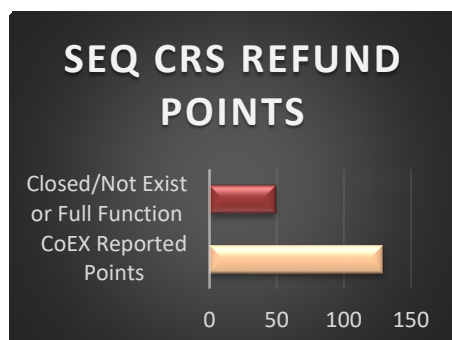
Recommendation 3: The State Government should be considering an expansion to the scope of the CRS to include other beverage containers that could be collected by the CRS in the future. This should be done in collaboration with other jurisdictions and with input from industry and community stakeholders. The issue of recycled content could also be explored.

3.3 A Best Practice, User-Friendly Collection Network

CoEX chose a collection network that offered a number of different collection options. This involves depots, 10 of which include Reverse Vending Machine (RVM) technology as well as over the counter depots, bag drops (the largest proportion and which separate collection and payment of refunds) and pop-up services. They were required to provide a minimum 307 of these in Queensland by 1 November 2019. However, only 131 of these operate over 35 hours pw.

A recent ground-truthing exercise (prior to COVIC-19 restrictions) conducted by the Total Environment Centre (TEC) on the collection network in SEQ found that:

- Of 129 refund point locations reviewed – 38% either did not exist/or were closed or did not operate correctly
- All mobile/pop up points (except Return-it Victoria Point) were problematic due to restricted opening times
- Many bag drops had no signage other than on the ‘pod’, at times making it hard to locate and in one instance, wasn’t able to be located (DFO Brisbane). Many did not provide bags or QR tags on site and many did not direct users to other locations
- Over-the-counter manual and Reverse Vending Machine depots worked very well.¹⁰



¹⁰ https://www.tec.org.au/qld_container_refund_scheme_needs_major_reform

The highly defensive response by CoEx to the TEC report simply sought to discredit the author and was unnecessarily sensitive to criticism. Despite the CoEX public response, it is notable that CoEX removed the 'ghost' sites found by TEC from its website a few weeks later.

TEC also estimated that, in SEQ with the bulk of the state's population, there was only 1 refund point per 39,000 people. The regulations suggest a 1:20,000-30,000 in urban areas. In rural areas a distance metric of within 50 kms is used. The SEQ ratio compares unfavourably with NSW which has a ratio of 1:12,000, and twice as many refund points. In Europe best practise can achieve a standard ratio is 1:2500. The Qld refund points are also open almost three times less hours per week than NSW collection points.

3.3.1 The Influence of governance arrangements

The Qld CRS has a single coordinator responsible for all parts of the scheme operation including the rollout of refund points. NSW, on the other hand, has separated governance into two organisations:

- Scheme Coordinator which collects industry funds, data and undertakes reporting
- Network Operator which wants to maximize the number of containers refunded, in order to redeem the handling fee per container and will therefore focus on creating convenience (maximum refund points) and a good customer experience.¹¹

It is postulated that if a single industry based entity controls both roles, that the type and number of refund points will be significantly influenced by the cost considerations of industry and thus adversely influence the convenience for the community.

In Qld, the CoEX Board appears dominated by industry views with a key focus on costs that can distort decisions on convenience and number of refund points. This is not just the case presently but importantly they were very dominant when the scheme collection infrastructure was being designed and established, as the full Board with its extra non-beverage representatives did not exist when these critical decisions were being made. Certainly the preponderance of self-serve collection points and imposition of significant costs on refund point operators including charities, suggests a focus on lower costs for the beverage industry. The TEC report particularly highlighted problems with the resulting collection points.

Has the Qld CRS arrangement led to lower costs for consumers? The beverage industry has argued its PRO approach will lead to lower costs and thus reflect in consumer prices, but the data is not overly convincing.

¹¹ The NSW scheme has a single Network Operator for the entire state, but the original proposal was for various zones to have potentially different NOs.

The first part of the answer is the cost per container returned. By reference to the NSW and Qld Annual Reports,¹² it is clear that the NSW scheme is cheaper with 5.9c pcr v 8.42c pcr (See Appendix 1).

Second, is the issue of beverage price impacts which are varied but overall show the Qld CRS has a larger negative impact on alcoholic drinks than in NSW and a minor disparity with non-alcoholic drinks.

Beverage	Price impact (cents per container)	
	Queensland	NSW
Non-alcoholic	9.0	10.1
Soft drinks	10.3	10.8
Water	8.0	11.6
Flavoured milk (small container)	8.9	NA
Fruit juices	3.8	5.3
Alcoholic	9.9	5.1
Beer	8.6	4.2
Cider	16.2	10.0
Ready-to-drink spirits	9.5	6.9

QLD Productivity Commission (2020), p19

Price differences between the states will also be significantly influenced by brand marketing, production costs and discounting practices.

Recommendation 4: With two CRS governance models emerging in Australia, other jurisdictions considering the design of their CRS need to seriously investigate the benefits and costs of separating the roles of Coordinator and Network Operator; and the single PRO model.

3.3.2 Retail Location

We note that in many other parts of the world, high performing container refund schemes have more of a focus on retail-based individual refund points (RVMs for example), which limit the Coordinator’s discretion in siting inconvenient refund points - rather than relying

¹² These show the first 8 and 7 months of operation respectively: <https://www.containerexchange.com.au/wp-content/uploads/2019/09/Container-Exchange-Annual-Report-2018-2019-1.pdf> - p41
<https://www.parliament.nsw.gov.au/tp/files/77263/2017-18%20Return%20and%20Earn%20Annual%20Report.pdf> – p11

solely on depots or pods in other available locations. This can account for significantly different refund point returns.

In Queensland, refund points (except in a few instances) are not located in retail centres. The concept that a consumer can return containers on a weekly shopping trip makes the most of accessibility and convenience. In many locations such as northern Europe and Germany where return rates are over 80% to above 90%, refund points in retail are common. The QPC has suggested consideration of supermarket locations.¹³

Recommendation 5: Environment groups have consistently called for more engagement by the retail sector in locating refund points and TEC recommends government devise ways this can occur.

3.4 Public and Stakeholder Input

A vital component of reviewing and improving the collection network is stakeholder and public input. CoEX has had a poor record in this regard. The QPC found:

COEX should review its complaints-handling process, to ensure that it is making good use of customer feedback and to build confidence in the Scheme. This review should involve wide and transparent consultation with scheme participants and COEX should publish its results. (Rec 5)

Further the QPC called for more stakeholder involvement in network development:

Transparency is particularly important as COEX has sole responsibility for administering the Scheme and there is limited external scrutiny or pressure to constrain costs. COEX should be more transparent about the composition of scheme costs and how they are evolving; its reasons for changing scheme prices, and its strategies and options for achieving its targeted recovery rate. Increasing public scrutiny of these matters would enable COEX to take advantage of information and ideas from participants in the Scheme about how to improve it. COEX should add transparency as a sixth organisational value to its current five. (pvi)

A particular concern of local government is:

Councils contribute to the costs associated with the legislative requirements of conducting audits of CRS material. However, there is a lack of transparency with audit data that is not made universally available to councils. Due to this lack of transparency, it is difficult for councils to enter into revenue sharing negotiations outside existing transitional arrangements. Recommendation 4: The LGAQ seeks a commitment (either legislative or via

¹³ QPC (2020), p34

protocol arrangements), to share audit data with councils allowing for greater transparency and accountability of the scheme.¹⁴

CoEX has more work to do to establish adequate stakeholder and public relationships.

Recommendation 6: **The State Government must require CoEX to publish its budget, strategies and plans for the coming year, and each subsequent year.** CoEX as a not-for-profit business, should provide public reports and analysis about its strategies, procedures and performance. In addition, an annual strategy should be published explaining its investment strategies for the coming year to develop and implement its collection network in Queensland. Formal CRP operator consultations and with other stakeholders/public consultation should accompany this.

¹⁴ LGAQ submission to QPC Review

4. MEETING THE TARGET RETURN RATE

As outlined above, the refund point network return rate at end of the first year was 33% of sales, with kerbside collections making up the total rate to about 50%.

According to the Containers for Change website and the public announcement of reaching 1 billion returns in October 2019, 846 million containers have been collected in QLD since November 2019 to 7 June 2020. This collection amount was over the period of annual highest sales (summer, Christmas and holidays) where collection rates are greater than in the autumn and winter months.

That puts the scheme on schedule to a small increase on the performance of the first year of operation. However, the target return rate target is *at least 85% of containers returned in the financial year beginning July 2021 and each later financial year.*

Over the 2021/22 year, CoEX needs to have a collection network that can realistically collect over 2.15 billion in one financial year or 71% of sales.¹⁵

In comparison, the current NSW return rate is estimated at 71%.¹⁶ While NSW began a year earlier than Qld, it was given a very short time to establish refund points, unlike Qld, and had to achieve catchup. Thus comparisons between the two states are not far-fetched. The NSW CDS network (ex-kerbside/MRFs) is currently receiving about 55% of consumption and is ramping up quickly.

The Qld CRS is facing significant challenges to achieve the legislated 85% return rate.

The way the scheme has been set up means there is a built-in incentive for CoEX to not maximise returns. As manufacturers include the refund in the product price and pay for the collection, the more containers lost from the CRS collection network, the less the cost to CoEX members.

The State Government needs to continue to monitor progress towards the returned containers target and minimise this incentive. One step is through a publicly disclosed and discussed strategy for the collection network, as recommended by the QPC above. Such a strategy can show if appropriate investments are being made to maximise the container return rate. It would also be of value to seek public input (through surveys) of consumer preferences for return locations to inform where COEX should be targeting its network. **We note significant effort will be required because once the fundamentals of a scheme are established – it can be very resistant to change.**

¹⁵ 85% of 3bill = 2.55bill. Kerbside collection of 3bill containers = 400mill. Leaving 2.15bill from the network to collect = 71% of sales.

¹⁶ Based on the quarterly reports published by Exchange for Change - <https://returnandearn.org.au/partners/drinks-suppliers/>

A primary objective of the CRS is to ensure that manufacturers and suppliers meet their product stewardship responsibilities. This has been expressed as ensuring the beverage industry and not only the government or consumers pay for the CRS and its associated costs. This principle must remain, even where associated costs could increase the price on beverage containers (minimised if the consumer obtains the refund). Increasing prices is a commercial decision and not necessarily a required decision.

With beverage container waste and litter (especially plastics) identified as a globally important issue, we note that most of the largest global beverage manufacturers and packaging suppliers have endorsed the Global Plastic Pact (produced by the Ellen Macarthur Foundation). This includes a commitment that all plastic packaging is reused, recycled or composted in practice:

Businesses producing and /or selling packaging have a responsibility beyond the design and use of their packaging which includes contributing towards it being collected and reused, recycled or composted in practice.

The QLD CRS is a response to the unacceptably high number of beverage containers wasted and littered. That level was the result of beverage manufacturers refusing, for many years, to accept responsibility for their own product and failing to put in place adequate recovery measures. The CRS is trying to address this failing.

The QPC also recommends that:

COEX should publish estimates of the incremental costs and benefits of further increases in the eligible container recovery rate from its present level, and its strategy for achieving the 85 per cent target. (Rec 2)

TEC endorses the need for a published strategy to achieve the 85% recovery target and full public consultation, especially with no apparent sign of an essential expansion of the collection network in terms of number of sites, accessibility to consumers' day-to-day shopping / travel behaviour, and opening hours.

Recommendation 7: The State Government immediately review CoEX operations (including the performance of existing refund points) and future strategies and revise, where required, investment strategies that will ensure container return targets will be met. CoEX should publish identified milestone targets and updates on progress towards meeting its 85% + container return target by 2022.

5. CHARITY GROUP PARTICIPATION

A primary objective of the CRS is the opportunity for charities, not for profits (eg schools, sports clubs) and social enterprise through the collection of refunded or donated containers.

Like in NSW, the Qld operator's efforts have led to many community organisations benefitting through charity donations and specific donation points. There is no evidence the charity sector in either state has a lesser interest and capacity in garnering refunds.

The Qld scheme has a more formal process for NFPs to be collectors for a refund or receiving a refund from any refund point; and also as a donation point. This allows better tracking of charity donations. **NSW can and should benefit from incorporating this approach.** Notably the more convenient the network, the more refunds that are possible.

A particular aspect of the Qld CRS law is that social enterprises are officially recognised as potential participants.¹⁷

Aggregation points (refund depots run by social enterprise) are a challenging enterprise and it is our experience and from discussions with major charity groups, that the NSW Network Operator arrangements are more conducive to sustainable operations by charities (and for other for-profit depot businesses) which could also help general network viability. This is because:

- Fewer container type splits (NSW has 2, Qld 9)
- Need to remove lids in Qld
- Greater depot storage and rental requirements in Qld to handle the splits
- Significant paperwork to report Qld CRS collections, while NSW is fully automated
- Ease of the leasing, maintaining and insuring of singulators in NSW - rather than the more challenging Qld procurement, meaning greater need to access more capital putting social enterprise at higher levels of financial risk
- Clear 5 year contracts in NSW safeguarding collection volumes (Qld starts with one year contracts which allocate a territory, then open up the area for competition risking erosion of financial health).

Notably, Vinnies and the Salvation Army have been withdrawing from the Qld CRS.

¹⁷ New schemes in other states should also be explicit in their recognition of social enterprises.

6. CoEX COMMUNITY REPRESENTATIVE

We are particularly concerned that the NFP and community sectors having provided significant support; strategic advice on the design of the CRS; and invited to recommend a community nominee for the CoEX Board - are not being formally or regularly engaged to provide input into CoEX operations. We understood that a Community Representative on the Board would be able to communicate community group issues.

There has been no formal process put in place and this does not reflect best practice product stewardship principles. This is in stark contrast to the arrangements the QLD Government undertook prior to the introduction of the CRS.

Recommendation 8: The State Government should instruct CoEX to establish formal links and regular consultations with established community environment and social groups about the expansion and maintenance of an effective refund and donation point network.

APPENDIX 1: COMPARISON OF NSW AND QLD COSTS FOR EACH RECOVERED CONTAINER



QLD	QLD costs \$	QLD Volumes	Per unit cost
Refunds	54,799,627	602,795,897	9.03cents
Handling	37,593,357		
Logistics	9,320,468		
Processing	7,538,523		
	54,452,348		
QLD extra	23,573,543	259,308,973	Incl MRF volumes
Admin support	6,677,107	862,104,870	
Professional services	5,062,545		
Marketing and comms	3,344,314		
Employee benefits	2,415,240		
Other	4,702,373		
Finance costs	2,227,359		Incl MRF vols
	24,428,938	0.091498481	8.42cents
Nett of material sales	6,857,000		
TOTAL COSTS	72,581,286	0.083544692	

SOURCE: Container Exchange 2018/19 Annual Report

NSW	NSW Costs \$	NSW Volumes	Per unit cost
Refunds	39,601,935	435,621,285	
NO fees	36,255,704	8.3228	cents
MRF Volumes	34,625,773	380,883,503	
		816,504,796	
NSW Extra			
SC admin	7,869,169		
SC compliance	3,500,000		
Ext audit	652,956		Incl MRF vols
	12,022,125	48,277,829	5.9cents

SOURCE: Return and Earn, 2017/18 Annual Report