CONTAINER DEPOSIT SCHEMES – INDUSTRY BRIEFING NOTE

Overview

The purpose of this briefing note is to provide the reader with key points (page 2) and evidence to draw upon when discussing the costs of including wine bottles in a Container Deposit Scheme (CDS).

The primary purpose of CDSs is litter reduction, and the encouragement of recycling.

CDS's are in place in South Australia, New South Wales, Queensland, ACT and the Northern Territory, with Western Australia to introduce its own CDS in early 2020. Victoria and Tasmania do not have CDS's. Currently, glass wine bottles and most casks are exempt from all Australian state and territory CDS's on the basis that wine makes up only 0.1% of the public litter stream, and the curb-side collection of recyclables in each state and territory provides the best mechanism for those who wish to recycle their wine bottles.

South Australia announced the release of a discussion paper to review its CDS on 13 January 2019, which will consider the future inclusion of wine bottles in the scheme. South Australia's Minister for the Environment and Water, the Hon. David Speirs MP has stated his support for the inclusion of wine bottles in the scheme.

Given the negligible impact of wine bottles on the public litter stream, and the high rate of recycling of wine bottles as a result of the curb-side collection system and the way it is generally consumed, it seems there is no sound policy rationale to include wine packages in South Australia's CDS. Certainly, the South Australian Government and Minister Speirs has not outlined why including wine packaging in a CDS would be beneficial in any way, and nor have they adequately considered the high financial and administrative costs on wine businesses.

However, many people believe wine should be included in CDSs on the basis that they don't understand why wine is not covered, or that they see an opportunity to generate more revenue for community groups.

If one jurisdiction includes wine containers in its CDS, it is highly probable that this approach will quickly spread to other jurisdictions. Furthermore, a federal government may in the future pursue a national CDS and choose to include wine containers in it.

Wine businesses would bear the costs of a CDS. Direct costs would include paying for the refunds for deposited containers, container registration and handling fees, while associated costs would include administrative and compliance costs and the redesign and printing of labels. In a very tight retail environment, there is little opportunity to pass these costs on.

It is up to the industry to dispel the myths around CDS and explain the true costs to decision makers and the public.

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Key points

Objectives of a CDS and why wine bottles are exempt.

- The key objective of a CDS is to reduce the number of beverage containers in the public litter stream
  - wine and spirit containers make up only 0.1% of the national public litter stream
  - almost all wine and spirits bottles are consumed at home, or in licenced premises
  - the curb-side (yellow bin) collection system collects the overwhelming majority of wine and spirits bottles across Australia.

Costs to wine businesses

- If a CDS that included wine packaging was introduced, the annual direct costs to the Australian wine industry would be very high (approximately $50-$70 million nationally), but there is no evidence to suggest recycling rates for wine and spirits bottles would increase.
  - The annual direct cost for wine sales in NSW would be around $21 million
  - The annual direct cost for wine sales in WA would be over $8 million
  - The annual direct cost for wine sales in SA would be over $4.5 million
  - The annual direct cost for wine sales in QLD would be around $17 million
- In addition to these costs, compliance and administrative requirements, red tape and the redesign and printing of new labels would place real and significant stress on the profitability of Australian wine businesses.
- For example, businesses would be required to
  - meet quarterly reporting requirements
  - pay a quarterly bill (producers are responsible for funding refunds and associated Scheme costs), impacting on cash-flow.
  - redesign their labels to include the refund amount etc
  - register each container in each jurisdiction with a CDS (either one-off or annual fees)
    - South Australian charges for container approvals vary from $295.50 (for 1 label) to $2,147.30 (for more than 20 labels).
    - Costs would of course increase in line with registrations across jurisdictions.
- A conservative estimate for administrative and compliance costs is 5 cents per container, although other beverage industry representatives suggest the true cost will be higher.
- If one jurisdiction includes wine containers in its CDS, it is highly probable that this approach will quickly spread to other jurisdictions. Furthermore, a federal government may in the future pursue a national CDS and choose to include wine containers in it.

Wine businesses cannot pass on costs to consumers

- The retail market environment is extremely tight, and prevents wine businesses from passing on even the smallest of price increases to consumers.

If asked: Isn't a CDS the best way in improve the quality of glass available for recycling?

- The Australian wine industry supports the recycling of wine-bottles and is aware that some have expressed concerns about the inter-mingling of bottles with paper, cardboard and other recyclable materials can make decrease the amount of high-quality glass available for recycling.

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- However, we have seen no evidence to suggest there really is a problem to be addressed. It would therefore up to government to
    - assess and clearly articulate what (if any) the policy problem they want to address is
    - undertake a thorough and comprehensive review of best practice arrangements internationally (eg the UK's system of separate recycling bins for glass), and
    - undertake a hard-headed cost-benefit analysis of any proposed policy initiatives.
- To simply suggest including wine in a CDS as a solution is putting the cart before the horse, and is an example of lazy policy analysis.

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