



Dr Jon Gorvett
Chief Executive Officer
Environment Protection Authority
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By Email: epainfo@sa.gov.au

25 October 2024

Dear Dr Gorvett

Re: WMRR comments on the draft *Environment Protection (Beverage Container Deposit Scheme) Amendment Bill 2024*

Thank you for the opportunity to provide feedback on the draft *Environment Protection (Beverage Container Deposit Scheme) Amendment Bill 2024* ("CDS Draft Amendment Bill"). The Waste Management and Resource Recovery Association of Australia (WMRR) is the national peak body representing Australia's \$17 billion waste and resource recovery (WARR) industry. With more than 2,300 members from over 410 entities nationwide, we represent the breadth and depth of the sector, including representation from business organisations, the three (3) tiers of government, universities, and Non-Government Organisations (NGOs), including research bodies. In South Australia, WMRR represents over 250 individual members from more than 45 entities. The state generates 5.35 million tonnes of waste each year with a resource recovery rate of 80% delivering an economic value of \$1.37 billion employing 4,410 South Australians.

As fierce proponents of the resource and waste management hierarchy, WMRR advocates for beyond end-of-life material management and the reinvestment of valuable resources back into the economy in order that *less can be used for longer*. WMRR advocates for regulated schemes, noting that government intervention and oversight can ensure a level playing field whilst creating efficient, equitable and transparent systems that can also capture reliable data to identify and then address the barriers to community participation.

Mandatory schemes have the real ability to necessitate change from all sections of the community and industry away from linear 'disposal' behaviours and the design of single use products, towards making considered purchasing and design choices that promote circular outcomes for the materials within the products we use and consume. Further, the consolidation of materials through larger, streamlined networks enhances opportunities for end-product markets and for broadscale, clear and consistent messaging and awareness initiatives. It is for these reasons that WMRR endorses extended producer responsibility (EPR) and product stewardship schemes, and advocates for moving towards consistent state and territory-based container deposit schemes.

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The South Australian CDS experience to date

South Australia (SA) introduced Australia's first container deposit scheme (CDS) in 1977 and has established one (1) of the most effective schemes in the world. Beverage containers account for less than three (3) per cent of litter items in SA and more than 600 million CDS beverage containers (more than 40,000 tonnes) are presented for refund and recycling each year. The global shift towards circular thinking and stewardship finally means that the SA CDS scheme is no longer operating alone. Currently the ACT, NSW, Northern Territory, Queensland, Victoria and WA have Container Deposit Schemes, and Tasmania has announced its scheme model which is expected to launch in 2025. Whilst SA has achieved impressive results to date, WMRR agrees with the EPA's view that the SA CDS does not meet the expectations of a contemporary EPR scheme, and that updating the scheme to more closely align with other Australian jurisdictions can further enhance opportunities to improve the recovery and recycling of SA's container materials within the broader national market.

The key reforms in the CDS Draft Amendment Bill

The CDS Draft Amendment Bill provides for a Minister appointed not-for-profit scheme coordinator to oversee the scheme. Profits would be reinvested back into the scheme and/or passed on to beverage suppliers through supply agreements. WMRR appreciates that under the CDS Draft Amendment Bill, the Board of the scheme coordinator organisation must include the following members:

1. a chair who is independent of the beverage and waste industries, and approved by the Minister
2. at least one (1) director representing minor beverage producers (producing less than 300,000 beverage products per year) based in South Australia
3. at least one (1) director representing a major beverage producer
4. at least one (1) director representing a container refund point operator association in South Australia
5. at least one (1) director who has expertise in recycled commodity markets
6. at least one (1) other director who is nominated by the Minister
7. at least two (2) directors who have legal or financial qualifications and experience and are independent of the beverage and waste industries.

WMRR does however query the make up of the Board, whilst we agree that there should be an independent chair, in the interests of good governance and governing for the scheme as a whole (rather than vested interest), we would argue that consideration should be given to broader industry experience for both the beverage and WARR industry representatives, as opposed to specific experience. By stating specific sector representation there is a real risk that other parts of the value chain, for example material recovery facility (MRF) operators, wine industry and local government, may request a specific director.

Beyond initial startup costs, WMRR understands that the scheme coordinator would have the ongoing responsibility for the scheme funding (including advertising and promotion) via a product stewardship model with the beverage industry. The scheme coordinator will establish supply agreements with beverage suppliers, refund point agreements with container refund point operators, and Material

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Recovery Agreements with eligible MRF operators (who manage commercial, and kerbside collected materials). Compliance fees will be paid to the EPA who will approve eligible containers, refund points, MRFs and donation partners. WMRR notes that at this stage, the scheme commencement date is to be determined.

WMRR is supportive of the CDS Draft Amendment Bill and believes that its key reforms will enable SA to build upon the scheme's success in four (4) essential ways that are very much lacking under the current system. That is, through:

- a) establishing a streamlined scheme that enables monitoring and measurement of the scheme's performance including what material is and is not collected and which material has secure supply agreements in place. An integrated data collection system – providing a single source of truth that is transparent – enables analysis for system improvements to be made and circular opportunities for increased recovery to be sought out;
- b) having the total cost of the scheme funded, ensuring that there is funding directed to the scheme's promotion and community education to further increase opportunities for participation;
- c) The formalised inclusion of MRFs in the scheme and a movement away from weight-based redemptions; and
- d) Access arrangements established across the state to provide equitable coverage for all South Australians

WMRR's recommendation to promote systems thinking by the scheme coordinator Board

WMRR recommends that the CDS Draft Amendment Bill is slightly amended so that the Board of the scheme coordinator organisation includes at least two (2) directors with broad waste and resource recovery industry experience – rather than specify that at least one (1) director represents a container refund point operator, and one (1) director has expertise in recycled commodity. It is envisaged that these two (2) directors from the WARR sector will represent the broader systems thinking with regard to the considerations of the circular economy supply chain, particularly when considering the scheme's unique challenges and opportunities. These include:

i. Collection of quality data focused on recovery outcomes

The current scheme lacks cohesion to provide quality data about the scheme's performance, and due to its design for implementation in 1977, focused on reporting against litter and waste reduction targets, rather than to measure circular metrics such as end-market value and demand of the recovered material. The Draft CDS Amendment Bill proposes changes that streamline the operation of scheme, thereby supporting opportunities to revise the metrics about the scheme's performance. Notably, the scheme coordinator will be required to establish a digital register of container approvals along with a database of scheme agreements that would enable digital reporting and payment of contributions under supply agreements (new s.68A(2)(d)). This should greatly assist with identifying those materials in demand and those without strong end-markets. The new agreements held by the scheme coordinator should also include provisions for audits at the MRFs to identify the number of CDS eligible containers within the waste stream.

ii. Material Recycling Agreements that reflect market demand and operating costs with material ownership residing with the MRF

Currently, beverage containers that are placed into kerbside or commercial collection systems are sent to material recovery facilities (MRFs) where some container deposit scheme (CDS) containers are recovered and presented to collection depots for an agreed amount. Consequently, MRFs established in SA subsequent to CDS have been designed to support high labour, high recovery operating models that support higher end uses, such as bottle-to-bottle recycling. This contrasts with other jurisdictions where MRFs pre-existed CDS, and may use a low cost, high throughput model which results in lower end uses, such as more glass to aggregates.

The CDS Draft Amendment Bill proposes to formally recognise eligible MRF operators within the CDS (new s.68A(2)(h)). MRF operators will be responsible to the scheme coordinator to ensure circular economy outcomes for recovered containers (new s.68A(2)(i)(iii)). Therefore, it is crucial that MRF operators continue to be incentivised to maximise the value and return from the CDS commodities they receive.

Material Recycling Agreements (MRAs) need to be cognisant of the recovery amount, handling fees and rebates. Declarations (glass related) and collection cages also need to be factored in. Similarly, the transport component needs to be negotiated, as currently the Super Collector, Statewide, is responsible for PET and Aluminum transport. This requires 'systems thinking' to consider balancing operating costs against the demand for commodities and opportunities for recycled product.

The CDS Draft Amendment Bill allows for the MRF operator to seek a recovery amount directly from the scheme coordinator providing pre-determined criteria are met (such as circular outcomes for the recycled containers). WMRR suggests that it may be prudent for material ownership to reside with the MRF's. Any auditing costs or other administrative costs associated with the running of the scheme should be funded by the scheme itself (not out of the refund provided to the MRFs). This will encourage MRF operators to invest in capital that can generate a higher order reuse, which should derive higher value returns. Data on end-markets secured for the CDS materials received and supplied by the MRF operators would still be reported on, enabling the scheme coordinator to be able to measure the success of the scheme and the security of recycle markets.

iii. Continuing the growth of the SA CDS scheme whilst retaining the non-economic benefits of the existing CDS infrastructure

Over the 47 years of the CDS scheme, SA has developed an extensive network of 130 independent collection depots across the State. These have played an important role in supporting recycling from regional and remote areas, including offering opportunities for regional and rural councils to create improved community access to circular economy outcomes. The Draft CDs Amendment Bill allows existing depots to become container refund points that will be managed under a single agreement with the Scheme Coordinator.

As aforementioned in relation to MRFs, adequate handling fees and payments for all materials are also critical for the viability of existing depot sites. In particular, agreements must recognise the



nuanced day-to-day operating costs and logistical impacts of running a regional collection point. Appropriate assessment of changes to handling fees, transport, technological changes and adaptation, should be built into the scheme coordinator's assessment. By ensuring that the scheme coordinator Board is inclusive of at least two (2) members of the WARR sector, this nuanced understanding of operating a regional resource recovery community facility or service can be applied to the updated scheme so that the existing scheme's achievements are not diminished.

WMRR looks forward to participating in stakeholder discussions throughout the updated scheme's development and implementation, and welcomes the opportunity to discuss our recommendations further. Please contact the undersigned if you wish to further discuss WMRR's submission.

Yours sincerely

Gayle Sloan

Chief Executive Officer

Waste Management and Resource Recovery Association of Australia