

# CORRECTED VERSION

## STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

### LEGISLATION COMMITTEE

#### **Inquiry into Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011**

Melbourne — 9 November 2011

#### Members

Mr A. Elsbury

Mrs J. Kronberg

Mr C. Ondarchie

Mr S. Pennicuik

Mrs I. Peulich

Mr J. Scheffer

Mr L. Tarlamis

Ms G. Tierney

Chair: Mrs I. Peulich

Deputy Chair: Ms G. Tierney

#### Staff

Secretary: Mr K. Delaney

#### Witness

Mr D. West, national policy director, Boomerang Alliance.

**The CHAIR** — Mr West, I assume you heard the preamble.

**Mr WEST** — I did, thank you.

**The CHAIR** — Let me just repeat it for you. I welcome you to the Standing Committee on Environment and Planning Legislation Committee. This hearing is a part of the inquiry into the Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011. I remind you that all evidence taken at this hearing is protected by parliamentary privilege as provided by the Constitution Act 1975 and further subject to the provision of our standing orders of the Legislative Council. What you say here is protected but what you say outside is not protected. All evidence is being recorded by Hansard, and you will be provided with a proof in three days or thereabouts to correct typographical errors but nothing of substance.

Would you please state your name, the organisation that you represent and also an address? Please take the opportunity to give us your presentation. How long do you think you might need?

**Mr WEST** — I hope I am well inside 10 minutes.

**The CHAIR** — Fantastic. Then we will open it up to questions. Firstly, please state your name, address and organisation.

**Mr WEST** — My name is Dave West, I am the national policy director of the Boomerang Alliance and my address is 217-239 Montague Street, South Melbourne.

**The CHAIR** — Please feel free to commence.

**Mr WEST** — Rather than actually make a speech per se, I would like to touch on four critical issues that I think frame this debate. The first and most obvious one, and the biggest challenge for the committee, is to deal with the notion of cost around this. There is nothing profound in saying that everything costs money. One of the most intimidating things for committees and parliaments to get their heads around in CDL is that when you are talking about something that is in the vicinity of 15 billion containers being consumed a year, gross costs are obviously really quite big numbers.

I would like to give you a base point of comparison. If you measure the cost of public MSW or council bins that are collected — say, street bins and recycling bins, council recycling services and litter abatement, so the straight governmental or ratepayers cost in Victoria — we are talking about \$75 million a year on litter, a further \$75 million a year on public place recycling bins, \$149 million for the running of kerbside net the value of recyclet sales that are another \$70 million. I suggest that as a committee it would be quite interesting to be sitting here trying to debate the merits of whether we should be running basic MSW services at a cost of some \$369 million a year, without dealing with rubbish.

By comparison, even using what I have to characterise as the very flawed figures of the Australian Food and Grocery Council, Ms Hartland's bill compares quite well at a gross cost of about \$140 million a year. Based on our savings, when you add back the key revenue items of this — the sale of scrap, the advertising that is generated out of the depots and the unredeemed deposits, which quite rightly should be treated as an economic cost but are offset to potentially a governmental cost — we are talking about something that has not only a zero effect on government but in the vicinity of \$36 million a year in surplus to be invested in secondary recycling programs.

The alternative action being proposed federally is a \$20 million fund nationally. So when we are talking about the ability to actually stimulate secondary markets, it is important to compare what would effectively be \$6 million for Victoria out of a national pool versus \$36 million of your own money to invest in your own programs, many of which are in advanced planning stages at the moment but which do not have a budgetary concession.

The second point I would like to make, having gone through the food and grocery council's submission, is on where the sky is falling. The claim is that some 9300 jobs will be reduced nationally. I do not know how it is thought that putting a deposit refund on bottles and cans would result in people no longer drinking. I have to say that I hope you do get the ACIL Tasman report, because a version of this report has been pulled out in the last 16 jurisdictions that have considered this sort of legislation. We have tabled the findings from the last one,

which was in Massachusetts, as one of our appendices. It shows that not only was there no price impact whatsoever but in fact they were quite surprised to discover that the price impacts in container deposit states were actually positive, not negative.

The last point I would like to touch on is to work on the scope of the problem. People consistently say things like this is only 4 per cent of the waste stream. Unfortunately the only way you can deal with the waste stream is to segment it into the individual bits, because different activities collect them. To give you some sort of comparison, the consumption of beverage containers in Victoria is 350 000 tonnes per annum; newsprint, for which we have had a fully funded EPR program run by the newsprint industry for some 20 years, is 232 000 tonnes; the recently passed federal e-waste scheme deals with 23 000 tonnes worth of waste; the Australian Tyre Industry Council, which 100 per cent, not 5 per cent, fund their own product stewardship program, represents 115 000 tonnes; and plastic bags, the debate about which consumed so much oxygen for all of us for something like five years, is a matter of 6000 tonnes in Victoria. This is a very substantial problem that we need to deal with. Beverage containers also compose the largest component by volume of the litter stream and the second largest component by number of items of the litter stream.

I would like to play a video which we did not get sound on, so I will talk you through this. This is part of a series we have done around Australia over the past six weeks.

#### **Video shown.**

**Mr WEST** — This is one of 50 videos that we have done around the country which show a 2-minute test, to look at how much litter is there, have an idea of what sort of money people could earn if they did decide to clean up our environment and it probably demonstrates just how profligate the problem is.

This is the West Gate Bridge on the south side, along the Yarra River. For the next 2 minutes this gentleman, Paul, is going to clean up what he can find in the immediate area. In the 2 minutes Paul, who is somewhat more energetic than Joe Average, collected 44 containers. For the average across Victoria it worked out that there was a littered bottle in every 14 square metres of public space. That number was consistent in almost every location we went through.

That represents a couple of really interesting things. If you moved as fast as Paul did, you would be earning something like \$144 a hour. Paul is fairly energetic but on average people would earn \$36 an hour to clean up our environment. It is a very attractive revenue stream to complement things like Green Corps programs and those sorts of things that are already running. The estimate based on public open space, not on total space for metropolitan Melbourne, is that with 1 container every 14 square metres there are some 15 million containers lying around in Victoria at the moment. Interestingly that number is quite consistent with Keep Australia Beautiful, which then could extrapolate it into a total number.

It is probably worth working off the assumption that as a one-off problem alone Clean Up Australia estimates that to do this clean-up it would have to mobilise something like the 700 000 people that it mobilises every year once every fortnight to deal with it through some sort of voluntary action. I might try and click forward on this video because you have probably seen what he is picking up.

**Mr ELSBURY** — It is at 1 minute 48 seconds so it is almost there.

**Mr WEST** — Okay. So the only thing for him to do is just come back and show you what he managed to find in a public space in 2 minutes. He is very energetic. I might stop it there rather than take up too much of your time because I think the point is fairly clear.

**Mrs PEULICH** — You said that there were four factors that frame the discussion. Would you just dot point them for us?

**Mr WEST** — Cost, which I think is a no-brainer; the extent of the problem, both from a litter and a recycling perspective; the comparative scope of the problem; and the last I would actually say is the effectiveness of alternative actions. Cost obviously also includes things like industry and economic impacts.

**Mrs KRONBERG** — Thank you very much for your submission. It was interesting to see that exercise. I have a couple of dot-point-type questions about it. That is the end result of littering in some other place, isn't it, because they would have been washed there by tidal fluctuations — —

**Mr WEST** — In that instance, yes. That is why it is a high volume.

**Mrs KRONBERG** — Yes. I also noticed — and I think the Chair made a comment on this — that a lot of those look like they might have held water. There seems to be a need to provide bubble fountains and opportunities for people to have clean fresh water rather than buying water in a bottle if we are looking at energy intensive activity. If we wanted to count it out, a very high proportion of that litter stream would be water bottles. Are you able to comment on that? I know it is slightly off topic.

**Mr WEST** — Without question it is irrelevant because I think one of the core judgements you have to make is at what point is consumption necessary and when does it become profligate. This really became a major issue environmentally when we started to move into water and sports energy drinks. A piece of research that was commissioned by Brita, which produces water filter devices, indicated that we have actually reached a point where something like 1 in 5 Australians, predominantly women between 16 and 35, no longer drink tap water, which I think goes to the profligate nature of the problem.

If you include the water consumed in the packaging as well as the water you lose in refrigeration and boring, best practice in Australia, it takes 1.8 litres of water to fill a 600 millilitre container and another 1.5 litres of water to make the container. The industry average is about 6 litres of water to produce a 1 litre bottle of water. Yes, we should definitely be encouraging water bubblers, all those sorts of things. Interestingly in Hawaii, which is the most recent state to introduce a container deposit system, one of the things it insisted on being attached to vending machines was a water bubbler, which in a tropical climate was a very good social initiative.

**Mrs KRONBERG** — We have looked at product life cycles, and I quite admire the initiative taken by the South Australian government in 1977 with its container deposit legislation. I actually know some of the people instrumental in that process and I have admired their work over a good period of time. I remember one of the aspects of that was that at the Adelaide Oval or the AAMI Stadium after a sports event you would have a horde of kids who would come in with their sacks to clean up that area. They would gain from this and of course the cost of cleaning up stadiums would also be reduced, but that was in a confined area. It was probably an offshoot of scouts or some cohort of children or families who were interested in that sort of thing. It was in a contained environment and lots of benefits were gained.

At the moment I am wondering whether kerbside recycling has actually changed the paradigm. Can these two things exist together? I am not quite sure whether the scheme as proposed in the bill is meant to negate kerbside recycling or whether, rather like the sports stadiums, it is an opportunistic way of avoiding litter.

**Mr WEST** — What a very broad question! You hit on a couple of really important points, so I might jump around a little bit here, but please pull me up. As I heard it, there was a life cycle, a public place and a revenue issue, and then the kerbside question all wrapped up into one, so I will try to deal with that in three parts if I can. The first part is on the life cycle and there is no question that there have been some very good moves on the life cycle in packaging; there have also been some appalling ones. Kerbside was actually a free service, reducing ratepayers' costs when it was introduced when we were picking up a PET bottle that was in one of two colours — green or white. If it is container deposits, we are now having to deal with four different splits of coloured glass, plus speciality glass. We are having to deal with six different colours of plastic and three different types of plastic bottle. We are having to deal with the aseptic packaging. What is a good example of an aseptic? A pop-up is an aseptic: a piece of aluminium welded onto a piece of cardboard, welded onto a piece of plastic. If we recycle it, that is no fun! So it is getting more and more complex. That is one of the arguments on where you have regulatory intervention.

**The CHAIR** — Is there a different disposition towards packaging?

**Mr WEST** — It is a completely different process and sort for every colour and material.

**The CHAIR** — Some of those would be imported goods?

**Mr WEST** — Yes, my word.

**The CHAIR** — Obviously they would probably be the biggest offenders, because in many instances they may not be particularly environmentally — —

**Mr WEST** — Conscious?

**The CHAIR** — I go to my local stores and they have a lot of imports from Turkey, Croatia and Bosnia-Herzegovina, where these programs operate.

**Mr WEST** — Yes, you are right. One of the problems with most of the current things is that they do not deal with the imported product. The national RIS proposing to tax Australian packaging is in fact creating a perverse subsidy to those markets. If I can go back to your point — —

**Mrs KRONBERG** — I just need to expand on where you have talked about the multiple sorts around different colours of plastic and glass. Could that not be automated with colour spectrometers and other things where you have multiple things adhering to each other if you have a separation process based on the specific gravity of each unit?

**Mr WEST** — My word, you can. That is sort of where I was going. In a super MRF (material recovery facility), and as an example Visy recently finished commissioning a super MRF at a cost of \$180 million capital investment — and note \$180 million worth of capital investment — that can deal with a lot of those things. The problem of course is you cannot put a super MRF in regional or rural Australia and that is really where kerbside is struggling. Premier Rann was quite a fan of his little kerbside scheme and he said the biggest advantage of his scheme was that they approve every container on the market. In the instance of the Fosters gold bottle for the 50th anniversary they said, 'That is going to cost council millions of dollars to deal with it. Fork up the money if you are going to put that onto the product — that is, be responsible for your product'. That is probably the biggest issue for the life cycle.

Ms Hartland's bill has a couple of features that I quite admire, and one of them is around the life cycle, because it is quite deliberately designed to run at a surplus to the fund to create a pool of money to deal with secondary market and life-cycle issues. Again, for 10 years industry has been promising glass levies and secondary market development levies. Every time the inquiry ends the offer disappears. I think someone at that end of the room nailed them nicely, thank you. This creates a pool of money controlled by government to deal with secondary markets. It is based in that instance on the Californian example, and California has got a lot wrong with it, but one of the things the Californian scheme did was bring the aluminium and glass industry back to California by using a bounty for local, recycled product — that is, just a good environmental measure. It is my understanding Alcoa and others have testified to the effect that those sorts of features would be very important to them.

In terms of public place and revenue and those sorts of things, it is probably worth noting that the South Australian branch of Scouts Australia now has a Scouts recycling business that generates \$14 million a year for the scouting organisation in the state. It is a classic example of social entrepreneurship turning into a very good business.

The kerbside argument is complicated, and you have to take people through it for them to understand it, but it is pretty simple common sense. The majority of weight that you pick up in kerbside recycling and beverage containers is glass. Glass is a major problem. Glass is only worth \$72 a tonne because of the stockpiling issue that you brought up earlier. Of the 600 000 tonnes a year that we recycle in Australia, at the moment there are 400 000 tonnes in stockpiles. That is not because of market fluctuation; that is just that glass is a dog of a product to recycle as it stands at the moment. In South Australia they pay \$98 a tonne for container deposit glass because it is much cleaner and it is colour separated, so it is not low-quality partly mixed. They have done the research very carefully on this. Because glass is so heavy, you only need to keep 2 per cent of the remnant material in kerbside to be able to redeem the deposit and get 10 cents rather than get 0.001 cent.

In fact the BDA report, which I am sure one of you would have, which is the last RIS — I am surprised the Australian Food and Grocery Council forgot this — did actually model the impact on kerbside recycling. While I disagree with a number of its findings, it found that kerbside recycling would be \$23 million a year better off from a container deposit system without any run efficiency or any of those sorts of things, because every recycler says, 'I do not want to handle glass'. It is just not viable to deal with. I am sorry that was a really long answer.

**Mrs KRONBERG** — My question was complex, so thank you.

**The CHAIR** — Our finance guru, Mr Ondarchie, a committee member, has had to leave the committee because his house is under threat of flooding due to the downpour. But if he has any follow-up questions on the business of financial figures, is it possible for him via the — —

**Mr WEST** — I am quite happy to take the whole committee through the finances, but it is a very slow process and it is a pretty painful spreadsheet.

**The CHAIR** — That would be great.

**Mr WEST** — I am also happy to extend an invitation to anyone from the committee who may wish to come to our office. We have the largest report that has ever been done in the globe, by PricewaterhouseCoopers, being released in Melbourne at our office on Monday at 10.30 a.m. It has done an exhaustive comparison of container deposits and kerbside recycling and how they sit together. If anyone would like to take the opportunity to talk to the author, we will facilitate that as well.

**The CHAIR** — Can we take up the first offer in relation to the finance?

**Mr WEST** — That is fine.

**The CHAIR** — That is a very kind offer. Thank you so much.

**Ms PENNICUIK** — I did have a question, but I was just wondering about something else. You stopped at saying there was a \$23 million benefit for curbside recycling, but I wonder whether you could keep going a little more on why that would be? I was following you, and then you stopped.

**Mr WEST** — It is really quite simple. I will use one product as an example, and I will use glass because it best illustrates my point. At the moment you can run around and pick up all of this material and you get paid \$72 for a tonne of glass, and glass by weight is about 70 per cent of the containers.

**Ms PENNICUIK** — In kerbside?

**Mr WEST** — In beverages, but it is whatever you pick up. In fact glass has the lowest recycling rate but is the biggest by weight. You get \$72 for a tonne. Off the top of my head — and I can give your exact numbers — there are about 6500 containers to the tonne, so a tonne of containers, when you introduce a container deposit system, has a value of \$650 to the council. Anything that remains is effectively people donating. The maths is really simple. You pull quite a lot of volume out, which allows you to compress and compact your loads more, but more importantly the remnant material is actually worth more than the scrap value. Would you like more than that?

**Ms PENNICUIK** — No, that is fine.

**Mr ELSBURY** — After watching that video, I have to say that as a former coordinator of Clean Up Australia Day in my local area I would be very annoyed with the other rubbish that was just left behind. In any case, that is just a personal gripe. In the hearing we had with Ms Hartland as the mover of this particular bill she said that you would perhaps be best to answer this first part of my next question, which is: the proposed scheme assumes that 83 per cent of containers will be recovered, but what is that estimate based on? The second part of my question is as follows. The Total Environment Centre has told us that 60 per cent of collected recyclable material comes from home and 22 per cent from away-from-home recycling, with these two sources ending up with councils. That falls way short of the 83 per cent that is being estimated. Therefore for every component that is taken away from councils, it becomes less viable for the council to participate in a CDL by having to pay for sorters, trucks and that sort of thing. Would you mind answering each one, one after the other?

**Mr WEST** — You are multi-parting me again! I cannot speak for what TEC have testified, but they are broadly right that about 60 per cent of consumption is in the home. It is a little more complicated than that because quite a significant factor is other people's homes — parties and events when you do not put it in your kerbside bin but in a ute or a truck and take it home. About 20 per cent is in true public places, and about 20 per cent is in commercial public places — venues, food courts et cetera. There are very few local councils left in Australia that have not done the maths on this and said, 'This is a no-brainer and a winner for us'. The rather

sarcastic video that started the previous testimony talked about the fact that people do not carry their can around all day; of course they do not. It tends to be when you are at lunch that you look at the public bin and ask, 'Am I going to pay 10 cents or not?'

**Mr ELSBURY** — As I mentioned to them, there are parts of the western suburbs that do not have bins and there are signs up saying, 'Take the stuff with you', so you have to carry it anyway.

**Mr WEST** — The point is that the remnant material is significantly more valuable than what they are losing in scrap value, and that is different from material to material. If you could figure out a container deposit system where aluminium cans were left out and glass bottles were in, it would be fantastic, but that is a breach of mutual recognition. You are discriminating between products. The one area where I would say I have 100 per cent confidence on the modelling we did for Ms Hartland is the listing in her bill of the council-by-council areas. You can see the volume and its scrap value dropping. There is not actually a sort cost. Ms Hartland's bill quite deliberately has provisions to redeem by weight that allow you to drop a truckload off and go, 'Bang!'. That is a regulation in probably 20 CD schemes in jurisdictions around the world, so I think it is a fairly clear point. Have I answered enough of your question, or have I got lost?

**Mr ELSBURY** — Regarding the 83 per cent of containers being recovered, how did you reach that conclusion?

**Mr WEST** — I am going to be absolutely honest: whether it is 79 or 85 per cent is where art meets science.

**Mr ELSBURY** — I will give you standard deviations; that is fine.

**Mr WEST** — For the base model in our submission you will see a series of surveys that were done around, one, willingness to pay, and two, people predicting likely behaviour on the basis of what the deposit level was. Those two are used in a logarithmic formula to come up with it. I note that we did that originally for the West Australian government when it was moving to introduce container deposits. They went out and did independent research and came up with the same number that we did. The BDA report went away and did a whole bunch of analysis and came back and said, 'We're going to use Boomerang Alliance's number'. The modelling in Senator Fielding's bill and the Greens' bills came up with the same number. I am surprised that it looks to be accurate, but it has been blowtorched fairly heavily.

**Ms PENNICUIK** — We have a lot of recycling bins appearing in public places now, so you have your rubbish and your recycling. What is the effect of those bins? Have they had an effect since before they were there? How does that interact with a CDL scheme? Could it displace a CDL scheme?

**Mr WEST** — It is important to recognise that the idea that the CDL scheme is the CDL scheme is spurious. If this bill were proposing to roll out the South Australian bill, which is now a 30-year-old scheme nationally, we would be sitting here testifying against it. Ms Hartland's bill has had a really genuine crack at looking at best practice internationally and coming up with a good system. It quite deliberately does not seek to go with a super-high deposit and maximise recovery; it is trying to follow a principle of best bang for buck. It has provisions in it to allow you to redeem by weight and to redeem from the waste stream. Whether it is an alternative waste technology or a green waste service that is pulling containers out through their basic pre-sort, which they already do, they can redeem. A kerbside recycler can simply back in and drop his containers and get a manual count from the hub component they have designed. A bin in a public place that is heavily contaminated but still recovers valuable material goes from being significantly expensive to a viable operation. In fact that was a key consideration for MAV to change its position about 18 months ago from being opposed to in favour because they crunched the numbers and went, 'Aha!'.

**The CHAIR** — On a related issue, my question is not as pertinent to the substance of the report but is out of interest. What I have observed is that a lot of Victorian children, schoolchildren in particular — and this is derived from anecdotal observations at sporting events — leave a hell of a lot of litter behind, of which there is a substantial amount of containers. In terms of the littering message, separate to the CDL legislation, is the no-litter message failing to get through or has it been subsumed to higher level environmental messages? What are we doing? Where are we failing when children routinely leave a carpet of mess behind them at these events?

**Mr WEST** — Absolutely. It is a really good question, and it is material to the notion of container deposits. Too many people address how you use a container deposit system as a collection system, and the 10 cents is an

incentive. That is an overly simplistic scheme and results in something like what happened in South Australia, which was great 30 years ago but is, without question, outdated now.

We need a significant amount of public education. I could show you a dozen videos from around the world that are prime time advertising, that run all year long in Germany, California and Michigan, about container deposits, but they use that as a lead issue to education people about litter.

**The CHAIR** — We have had the Don't be a Wally with Water campaign. Why could we not have a Don't be a Larry with Litter campaign?

**Mr WEST** — Exactly. A CD scheme creates, firstly, the bucket of money to do it, and secondly, it gives you the iconic issue to address it with, and that is why people such as Ian Kiernan are so impassioned about a CD scheme. There is no question that CD in South Australia does not eliminate all other litter. One of the things I find really interesting about the report is that there is less cigarette butt litter in South Australia than the rest of the country because there is a point of environmental engagement and then a fallback point that says someone can earn a buck to go and clean up the litter, and as you rightly mentioned, Mr Elsbury, you would kick someone's bum if they walked around and picked up the bottles and cans and did not pick up the other stuff.

Someone will do that, sure, but most people will pick the litter up and decide that it is actually faster to pick it all up and then sort out what you get a redemption for and what you do not, rather than to pick it up, inspect it, and stick it in the bin. Butts are the hard issue. They have to be addressed as a separate policy issue.

**The CHAIR** — If we can reduce the rate of smoking, which is an addictive substance, through public education, why can't we reduce littering?

**Mr WEST** — Yes, and it is a fact of life that you can look at littering behaviour. It is interesting that we talk about this because all of these reports do not measure litter; they measure what is left after we spend hundreds of millions of dollars trying to clean up the problem not what hits the ground. The useful studies about littering behaviour show a number of things. The first is the overwhelming majority of instances of litter are people who are quite young or quite uneducated. So the ability to use social marketing and incentives to ring an alarm bell is very useful. The ability to take a five or six-year-old kid and say, 'You can actually earn money from recycling' is good. I am just old enough to remember when it was a voluntary initiative. The first green thing I ever did was get 5 cents for taking soft drink bottles back.

**Mrs KRONBERG** — I am interested in the reverse vending situation in terms of how hygiene levels are maintained in that area so it does not become just spoiled. I am thinking of Salvation Army shops where people dump all sorts of things over the weekend on the footpath. In the international examples of reverse vending, how do we keep that precinct clean, safe and avoid the issue of stranger danger, because it will lure children to that area? What sort of provisions are there to make that a safe and clean environment?

**Mr WEST** — While we heavily support the Greens legislation, and we are asked to crunch the numbers and see how it works, we have suggested some improvements. The ability to develop good regulations behind this area, around where you locate a depot and those sorts of things, provide a good opportunity to make a good bill even better. That is the first thing I would say. If you are moving legislation in the upper house you are a little limited in what you can do, but there are provisions that could improve the bill.

Having said that, once again there has been a fair effort to go through this and I know that Revive Recycling, which has made a submission, were actually engaged to take them through technology options. We had Tomra, the largest provider of reverse vending machine technology, over here three weeks ago to take us through some issues with that.

In terms of hygiene, retailers have traditionally been quite opposed to container deposit systems, but right across Europe and North America they compete ferociously for the right to do redemption now and to take it out of the car park and into their store because it has such a massive customer loyalty impact and the technology is now good enough that they do not have spillage and bits of refuse anywhere.

**Mrs KRONBERG** — You do not need somebody with a squeegee there?



**Mr WEST** — No. When we had to price this, the way we did it was — I would not say it was a competitive bid — we actually asked people to provide quotes and substantiate them. There are opportunities here to access that information, particularly through your finance men, respecting commercial in confidence. There is a budget for labour within that 3.8 cents to move around and clean the exteriors of them, but the fact that they are presented well is as important as any point of sale. It is certainly less complicated than keeping the milk fridge clean in a shop.

The units are almost sealed inside so that if you do get a container that has just enough material in it to not get put back out and it gets crushed, it actually falls into a sealed unit and is contained and drained, plumbed, all of those sorts of things. They self-wash inside and they self-wash the container inside. Again, if anyone from the committee would like to see them we have a video showing the internal workings of them. We actually have a machine coming back from the Northern Territory in the next week, and with that machine we can literally open up the back and you can see how sophisticated a machine they are.

The convenience recycler that Ms Hartland outlines in terms of a hub and a spoke that sits on a high street is a machine worth \$125 000-odd, and in fact we tested the return on investment numbers to say, ‘Did this have rigour?’ We are not talking about the old-style, crass machine where something goes in and spins it back out and throws it into a bin. The companies now use all of these solar and weight-based machines. They are all manufactured, and Tomra are the largest provider of the technology in a MRF, or material recover facility. To do all the back energy; they built that. Tomra is a company that was built by a group of publicans who had a problem, so they are hardly greenies. They had to deal with this problem and they fixed it, if that makes sense to you.

Stranger danger in poorly drafted bills has been an issue. In New York they insisted that vending machines actually spat cash out, but junkies targeted them all day long.

**The CHAIR** — What, collecting rubbish?

**Mr WEST** — No, they targeted the redeemers because they were in a car park and those sorts of places, so they ended up changing their bill. One of the features again that Ms Hartland and her staff have thought carefully about is using a voucher which is redeemed and can be used at any point of sale. I would go a step further and actually suggest that one of the things you may want to consider is to amend the bill and say that it has to be redeemed at a grocery store, not a liquor store, so even the stranger danger issue has been thought through. If you take the cash away, the kiddie issue is diminished.

**The CHAIR** — Mr Elsbury has the last question.

**Mr ELSBURY** — I am willing to defer to Ms Pennicuk.

**Ms PENNICUIK** — The Australian Food and Grocery Council suggest on page 6 of their report that inconvenience in retaining beverage containers would represent an impost, and you say that inclusion of those inconvenience costs is responsible for making CD schemes appear more costly than they are. Can you comment on that?

**Mr WEST** — Okay. I am a bit conflicted with this question. The economist in me says there are legitimate issues to be considered, but it is really important that they are expressed in a way that expresses non-GDP impacts as opposed to actual, so that there is no one out of pocket for the inconvenience cost. What I would say is this: I will answer it economically and then practically.

**The CHAIR** — Are the two mutually exclusive?

**Mr WEST** — Yes, they probably are! We will at least get an economist saying that on Hansard, because it may be the first and only time you ever get someone to say it.

The way you would look at a best practice economic model on a CD scheme would be to say, ‘What are the financial operating costs and up and downstream economic costs and benefits?’ and then, ‘What are the intangibles?’. Where the last RIS failed — and the ministerial council actually recognised it because they said, ‘We are moving forward despite all the mumbo-jumbo we have’ — is that it took all the GDP costs. That was 60 per cent, 70 per cent right there — not a bad first crack. It then added inconvenience costs in here, and then it

dealt with willingness to pay at a later stage. The 'willingness to pay' number was 1.5 times the inconvenience cost, and that is how you would normally do it economically. You would say, 'Is the inconvenience cost balanced by willingness to pay?'

Practically — and I want to give you an example of these and the magnitude of these numbers — we put this to the Office of Best Practice Regulation and said, 'Have we got this right?'. We put two inconvenience costs to them. One was the inconvenience of walking 50 metres to drop something in a rubbish bin and not throw it on the ground. The second was the inconvenience of putting up the kerbside rubbish bin. The inconvenience of walking to a rubbish bin was something like six times the stated inconvenience cost for container deposits. When the Office of Best Practice Regulation was asked to comment, it was sarcastic and something of a joke. Their response to that was, 'It is good thing we are not having to consider best practice regulation for public rubbish bins'.

The reality is that this costs someone about 3 to 5 minutes a week in a well-planned scheme, and a well-planned scheme has features of placing the collection point close to the retail point, which Ms Hartland's bill does. It moves away from the large South Australian depot to the small convenience depot. The supermarkets will fall all over themselves to get that, because common sense tells you that if you are going to a car park to redeem, you are going to do it before you shop so that you are emptying your bill, and unless you really hate the shop that has the RBM, you are going to go there because you have already parked — the best loyalty program you have ever seen. Ian Finlay from BP is the head of external affairs there. When he went through it, he said, 'That is the only scheme I know that would actually get me back in front of Caltex and Shell', for the notion that he thinks most people would buy petrol when they redeemed their containers and got their little voucher for cash.

So yes, it is inconvenient, but so is putting out your kerbside bin on a Thursday night when it is full and you have nothing to do about it. It is reasonable? I do not think it bothers anyone. The approval rate for container deposit systems in South Australia is something like 98 per cent, other than the strange North American bloke from the university who clearly hates it.

**The CHAIR** — Thank you Mr West. The last question is from Mr Elsbury. It might be a short one.

**Mr ELSBURY** — During your presentation you said that the total cost of kerbside collection was \$369 million.

**Mr WEST** — No, I did not.

**Mr ELSBURY** — No? How much was it again?

**Mr WEST** — I will just go back to that, if I can. I gave you a breakdown, so it was the total cost of recycling services borne by the public purse. I will give you those numbers line by line again. Based on the state government's report to the NEPM for used packaging, the cost per home for recycling services — the charge per home for the provision of recycling services — is \$83 a household. That works out to \$149 million net of the cost of selling scrap. The value of the scrap is a further \$70 million, and I added two other \$75 million numbers, being \$75 million spent on litter, which is what EcoRecycle, the state government agency, actually reports as a litter cost in its annual report and at least \$75 million for public venues — that is, MSW rubbish bins.

**Mr ELSBURY** — But the kerbside collection will continue parallel to this particular scheme simply because you do not collect all materials that are recyclable — —

**Mr WEST** — Simply because it a good system.

**Mr ELSBURY** — Yes, with this particular scheme, but then we have the issue of the councils then having to sort what containers still get put — —

**Mr WEST** — No, they do not.

**Mr ELSBURY** — You are going to have paper, you are going to have cardboard and you are going to have containers. You have to get your containers out to them be able to take them off to be redeemed.

**Mr WEST** — This is an issue in South Australia and has been for 30 years. Newsprint is sorted in one of two ways from MSW recycling. It is either a separate bin system, which is best practice, or it is actually sorted in-truck, so when they dump they dump containers and then paper. They do that on a weight-based system, so paper is easily fixed.

**Mr ELSBURY** — So these are split bins, are they?

**Mr WEST** — Beg your pardon?

**Mr ELSBURY** — A split bin, with containers down one side, paper down the other?

**Mr WEST** — That is about 70 per cent of councils, but the trucks can also do a split service, and many of them do. You have a hub and a spoke. The hubs are the places that collect from kerbside. Quite deliberately they are typically at transfer stations and MRFs where the sorting already happens. Because they are the wholesale arm those materials have to be sorted. Literally the truck backs up to the hub, it dumps and they get paid 10 cents per container for the container material and by weight for the weight material. You will see in my submission that I have given you some data on the fact that one of the things that Ms Hartland did not add in — in fact I did not give it to her when I whittled it, sorry — is that there is another \$32 million a year worth of revenue, based on South Australia, from the other material that gets returned with the containers. That is attractive, not a negative, for them.

**The CHAIR** — Mr West, you have been very generous with your time. We apologise for all of the interruptions and the delay at the beginning. Thank you very much. You will receive the Hansard transcript, and you will have the opportunity to correct any typographical errors and return it to the committee secretariat as soon as you can after receiving it in three or four days time. If we can, we will take you up on the offer of any additional questions Mr Ondarchie may have. He was very keen to ask questions but had to leave due to an emergency call.

**Mr WEST** — No problems at all, and thank you. It was a pleasure. Apologies if I was talking at 1000 miles an hour trying to make it as brief as possible.

**Committee adjourned.**

