

CORRECTED VERSION

STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

LEGISLATION COMMITTEE

Subcommittee

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

Melbourne — 17 November 2011

Members

Ms S. Pennicuik
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Chair: Mrs I. Peulich

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Witness

Mr J. Phillips, executive director, KESAB Environmental Solutions.

The CHAIR — Thank you very much for agreeing to appear today and provide evidence to the Legislative Council Environment and Planning Legislation Committee public hearing in relation to the inquiry into the Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011. I welcome John D. Phillips, executive director of the renamed organisation KESAB. Is it KESAB South Australia?

Mr PHILLIPS — It is KESAB Environmental Solutions, but KESAB is generally accepted.

The CHAIR — Before I ask you to state your name, the name of your organisation and an address to which the transcript can be mailed, I advise you that the evidence is being recorded by Hansard. Your evidence is protected by parliamentary privilege under the Constitution Act 1975 as well as the Legislative Council standing orders. That protection applies to this room and does not extend to anything outside of it. The transcript from Hansard will be forwarded to you in the next few days. You will have an opportunity to make corrections of a typographical nature but not to the substance of your evidence. I will ask you to make a contribution of 5 or 10 minutes duration. Can you give us your name, the name of your organisation and an address?

Mr PHILLIPS — John Phillips, executive director, KESAB Environmental Solutions, 214 Grange Road, Flinders Park, South Australia 5025. Thank you very much for the opportunity to meet with you. I will give just a brief bit of background on KESAB. We have been an organisation since 1966, an environmental NGO focusing on education specifically in the litter area. The year 1966 was very relevant to the change in lifestyle and the impacts of changing packaging. What we called ‘refillable packaging’ — milk bottles, soft drink bottles and alcoholic beverage bottles — was quickly being replaced with one-trip packaging, and of course the litter started to increase. KESAB was a founding member of the Keep Australia Beautiful National Association with co-founder the late Dame Phyllis Frost from Victoria.

We have been measuring litter with a proven methodology since the mid-1970s, and that index is used throughout Australia by the Keep Australia Beautiful organisation. In South Australia we have a slightly different methodology in that we have separated the beverage containers into those that are covered by container deposit legislation, which operates in South Australia, and those that do not come under the legislation. From a KESAB perspective we have a number of service-level agreements with government agencies — such as Zero Waste SA, which is the state’s lead waste agency; Aboriginal Affairs, in the context of remote communities; the Attorney-General’s department, in the context of graffiti reduction; and Transport SA, which sponsors our Road Watch program, also known as Adopt-a-Road, which I think you have over here.

We also work with industry. We believe that industry is part of the solution to our waste challenges, and we are probably the leading environmental organisation at the community engagement level when it comes to waste and also probably the surrogate support at government level for container deposit legislation information and for working with the recycling depots.

I want to talk specifically about CDL in South Australia. It was introduced in 1975 and was based on the Oregon model. There was a sunset clause of about 18 months and the act was effected in August 1977. There is a group of about 110 recycling depots in the network that underpin resource recovery through container deposit legislation, but they also add significantly to resource recovery in terms of car batteries, metals, cardboards, mixed plastics and a lot of things that fall outside of the container deposit legislation.

In the initial 1976–79 period the beverage can return rates increased from nil to 85 per cent. Legislative changes have been implemented, including banning ring-pull top cans, and a number of other changes, including extending the range of products that fall within the legislation. Recently the deposit was increased from 5 cents to 10 cents. CDL has 94 per cent community support and significant community engagement. It has decreased beverage container litter significantly, and with the range of products expanded in September 2003 — which were flavoured milk cartons and HDPE plastic items — we saw a further reduction of about 2 per cent in the beverage litter stream from 5.4 per cent down to 3.2 per cent. With the increase from 5 cents to 10 cents it went from 3.2 per cent down to 2 per cent of the total litter stream — that is, 2 per cent of beverage containers.

Only today in this morning’s *Advertiser* it was reported that recovery rates were at 80 per cent — that is, the recovery rate for recycled containers under the container deposit legislation. PET was at 72 per cent, glass was at 83 per cent, liquid paperboard was at 55 per cent, aluminium was at 88 per cent and HDPE was at 59 per cent.

We have the lowest beverage litter rates in Australia. I believe the paper has been circulated, and there are some graphs which show the trendline for both CDL items as well as some data that has been extrapolated from our quarterly litter index. It shows we are significantly below other states in Australia when it comes to beverage container litter. In South Australia 630 million containers were collected in the last 12 months, in a state of about 1.5 million to 1.6 million people, so those are significant numbers.

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

There is complementary community engagement with CDL. It can focus on litter or it can focus on recycling, but it also engages the community in other bigger picture areas such as global warming, climate change and the impacts of lifestyle change. In fact in the remote areas where we work the Beverage Container Act has certainly helped us. Aboriginal communities talk about quality of food, obesity and health in those remote communities.

It provides benefits to individuals, sports clubs and the hospitality industry because they are involved in pick-up collection services and returning their product to recycling depots. Certainly with changes in outdoor smoking legislation it has been effective in managing litter that might be a result of those outdoor smoking areas where alcohol is consumed.

From an industry perspective, it is interesting that they make statements along the lines that CDL has a high cost factor. The consumer pays for the cost. Of course there is a cost in container deposit legislation, but it is also interesting to note that industry manage some of the super-collectors in South Australia and benefit from quite significant profits from those super-collection agencies. They also make statements along the line that sales will decrease. I suggest that the sales reduction would be relative to brand and marketing issues, not to the fact that a recycling system is in place under container deposit legislation.

Several graphs are attached to your paper. They clearly show proportion of beverage litter covered by CDL, as against containers that are not covered by CDL. There is a trend line there, since 1998, where beverage containers were at a peak of about 5.3 to 5.4 per cent of the litter stream, to a current 2 per cent of the total litter stream. There are also the CDL and non-CDL beverage items within material categories. We have recently undertaken specific research to look at container deposit legislation comparatively to other states; we threw in plastic shopping bags. You may be aware that we have banned plastic shopping bags as well. From a CDL comparison, South Australia is currently 1.9 per cent of the total litter stream, as against the highest, Western Australia, at 11 per cent, with Victoria at 6.9 — nearly 7 per cent.

The CHAIR — You said that the container deposit legislation came into being in 1976?

Mr PHILLIPS — In 1977.

The CHAIR — Enacted in 1977. On the history of kerbside collection, if you are able to shed some light, when was that — —

Mr PHILLIPS — Kerbside collection started in around 1998, with a crate system. Ultimately, we have now moved to a three-bin system in most areas: organics, recycling and residual waste. The organics bin has come on stream probably in the last three to four years.

The CHAIR — In 1976, obviously that kerbside collection did not exist. Given the different experience and the evolution of the two systems in South Australia, in terms of concerns about infrastructure and the impact, would you not concede that it is possible that the experience of those, say, in Victoria may differ because the two — kerbside collection and CDL collection — have not had the opportunity of growing side by side through their infancy. Kerbside is already a well-established program, and of course this is something that would cut across that. Do you not concede that could actually be a factor in a differential experience?

Mr PHILLIPS — If you are going down the road of container deposit legislation, it will depend on the model and it will depend on how you might engage with the current infrastructure that is in place. Many local councils have quite significant infrastructure in place by way of transfer stations, and waste companies

themselves — the Visys, the Transpacifics, the SITAs and the Veolias — are very much engaged in resource recovery. Yes, subject to the model that you might develop, there might be some initial issues that you have to work through, but from experience I think you will find that the community at all levels will very quickly embrace working through some of the infrastructure that might be out there that is not fully recognised at the moment.

The CHAIR — I understand and accept that, but I am just trying to say that a slightly different scenario to a system where — obviously CDL pre-existed kerbside collection, and in a sense kerbside collection has been able to develop in South Australia.

Mr PHILLIPS — But remembering that container deposit legislation was brought in as a litter act, not as a recycling act.

The CHAIR — I understand, but it has therefore been able to develop around that or scaffold its way around that.

Mr PHILLIPS — Yes, that is a fair statement.

The CHAIR — Thank you for that. You mention that your involvement with industry is part of the solution. I note also that there are a number of sponsors. Can you talk about whether you see that as inappropriate. There were some questions asked earlier about Keep Australia Beautiful accepting a sponsorship from Coca-Cola and whether that was appropriate. Are you able to comment on the sort of relationships that you have with your sponsors, especially, say, from Wrigley, or some of the other commercial sponsors, say Hungry Jack's?

Mr SCHEFFER — Could I just add one thing to that, Chair. Just looking through your list of partners, I do not see any representation at all from environmental organisations. I might be wrong, but I just had a look when I was reading your submission.

Mr PHILLIPS — Partners such as?

Mr SCHEFFER — At the back there, you have got 'partners and sponsors', and running my eye down there, some of them are cities and most of them are businesses, which is fine — —

The CHAIR — Recycle Right? Sorry, businesses?

Mr SCHEFFER — I am just asking for comment; I might be wrong.

Mr PHILLIPS — We conducted Clean Up Australia Day; we coordinated that in South Australia for 10 years. We have a close working relationship with other organisations, but as partners, in the context of funding partners, they are NGOs, and I would suggest that they are out there probably trying to attract some dollars, or from an ideological point of view they choose not to have relationships with partners. We believe that working with industry as part of this stewardship role — exactly what the packaging covenant is trying to achieve — is more valuable than trying to set them aside.

I might add that it is not KESAB not wanting to work with some of these potential partners; it is those potential partners not wanting to work with KESAB because we have container deposit legislation in South Australia. Having said that, the likes of the Coca-Colas, the brewers and certain beverage containers work very hard against container deposit legislation in South Australia. But coincidentally we also run through Coca-Cola internationally a beverage recycling grant fund and have invested a number of dollars back into the community — small remote communities that are seeking some very basic infrastructure: a trailer, or some sort of capture mechanism at their footy or basketball on Saturdays, so that they can return those cans and capture the dollars from it.

The CHAIR — So you do not think they have tried to buy your favour or silence you through that sort of a relationship?

Mr PHILLIPS — That could be an observation.

The CHAIR — No, I am not making that observation; I am just putting it to you. If you can respond, that would be great.

Mr PHILLIPS — They do not want a lot to do with South Australia.

Ms PENNICUIK — Because container deposit started before kerbside recycling — and Mrs Peulich sort of asked this question — we are hearing a lot of evidence from some councils that their kerbside recycling programs would be impacted negatively by the container deposit scheme. You basically said in your presentation just then that that was not true. I wonder if you could perhaps elaborate on how the two work in a complementary way?

Mr PHILLIPS — It depends on how the council might have its contract set up with its service provider who picks up the waste. An example would be that the recycling bin is picked up, and in some areas it may well have beverage containers in it. Some of the beverage containers will be non-CDL — for example, non-CDL wine bottles — and some will be CDL. Through kerbside and the recycling depots, about 40 000 tonnes of glass is collected. The waste is delivered to an MRF, a materials recovery facility, and processed, and the container deposits are taken out at that stage and therefore refunded, reducing the cost to kerbside to some extent.

The CHAIR — At whose cost would that sorting be undertaken?

Mr PHILLIPS — That is part of the waste contract with the council.

Ms PENNICUIK — You are saying it reduces the cost of kerbside?

Mr PHILLIPS — Potentially. It can reduce the cost and also reduce the volume that goes across the weighbridge. There would be a state waste levy charged by government for every tonne that goes across the weighbridge.

Ms PENNICUIK — That is because the sorting happens before that?

Mr PHILLIPS — Yes. It is taken out before the residual waste is sent to landfill.

Ms PENNICUIK — It is an interesting issue that I think seems to be one of the core concerns we are hearing, and it is one that I think is worth pursuing by the committee. Another issue is that of people going through bins et cetera and creating a problem. How is that managed in South Australia?

Mr PHILLIPS — For 20 years we have been told by our eastern state cousins that we have scavengers in South Australia. We do have people who earn a lot of money — they have a patch, they have a number of bins and they rock up to events. They certainly scavenge through litter bins and take out those containers, and they make a lot of money. But that is no different than the eastern states, because they have Cash a Can; they have all sorts of people out there. Maybe we just scavenge a little harder because there is a 10-cent incentive at the end of the scavenging as opposed to a very lightweight recovery fee through Cash a Can which is paid by kilogram of aluminium as opposed to 10 cents per can.

The CHAIR — Some councils have taken action to fine those who remove certain materials from their recycling systems. I am not sure whether you have caught up with that.

Mr TARLAMIS — I was going to say that one of the aspects of the proposed Victorian scheme is the establishment of around 270 reverse vending machines. I understand that South Australia has not taken this up on a large scale. What involvement have you had with reverse vending machines, and why has South Australia not used them more widely?

Mr PHILLIPS — I was the MC when we launched the first vending machine out at Hollywood Plaza. I think it is fair to say that the investment was a trial. It was a considerable investment, by the way — many tens if not hundreds of thousands of dollars. It has had teething problems because it has an external face and there has been vandalism, and understanding how to operate a vending machine has been a real issue. Having said that, the volumes that have gone through the reverse vending when it has been working have been quite significant and continue to rise because people want instant cash. There are alternatives with much smarter IT RVMs available now that can be set up in shopping centres, and they will provide all sorts of incentives — not necessarily rebates through cash but it could be some sort of an awards system where you build a number of points or a value where you will get a discount at a certain store within the shopping complex, so I think RVMs have been proven overseas. It is subject to the model that you might use and specifically, I think, the location and management of those machines.

Mr SCHEFFER — My question is: why stop at drink containers? If it is such a good system — and I can tell from your smile that you have heard this before — why not have another structure around electricals, another structure around furniture, another structure around —

The CHAIR — Mattresses!

Mr SCHEFFER — mattresses and linen? Then we would almost be running a whole variety of different systems where people can go to all sorts of reverse machines. Is it just that it is too hard, or is it really what you started off saying in response to the chair's question, which is that it is a historical thing: it started off as a litter issue, and now the recycling and the waste system has overtaken it. I am really wrestling with this.

Mr PHILLIPS — I think it is a very good question.

Mr SCHEFFER — My intuition is that it is probably past its use-by date and that South Australia holds onto it because of historical factors and because it works for you. But when you have other systems that are of a later vintage, I think it is probably not a good idea to bolt it on at this point and that it is better to have a holistic system. That is where I am sitting on it.

Mr PHILLIPS — It is a good question because clearly it was a litter issue. Having said that, we are looking at resource recovery now and technology whereby many products can be reprocessed. The kitchen would be an example, with the amount of plastic with detergents and the like, and the laundry would be another example where there are plenty of opportunities for recovery. Deposits simply provide an incentive, but they also provide a much higher volume to be collected and they provide a much cleaner product for end sale. PET aluminium and glass in South Australia is worth a lot more on the commercial market — whether it is in Australia for reprocessing or containered to China — than product from anywhere else, so there is both resource recovery value in real dollars and in the environmental context there is less waste going to landfill, if zero waste is the target. I think it is a matter of how far you want to go, because the consumer in all circumstances will end up paying the price. What is not often included in these discussions is the cost at the environmental level — the transport, the landfill management, the replacement of landfill in 20 years time when it is 150 kilometres up the road, not 10 kilometres up the road.

The final comment I would make about that would be that it is interesting that it is only the beverage industry that has been pushing the barrow continually for 25 years. We are not here to sell container deposit legislation — we have got it, we work with it and we live with it — so you are quite right. Beverage manufacturers are the ones that are almost paranoid about container deposit legislation. I cannot answer why, but it would be interesting if it was expanded to another range of products to see whether there would be similar take-up of opposition through the manufacturers of household kitchen detergents and the like. That would be something that would have to be tested.

Mr SCHEFFER — Are you serious that you really do not know why, with your involvement in the area?

Mr PHILLIPS — We have been in the environmental industry for 20 years, and the same stories keep coming up, year after year. We have not seen South Australia vaporise. We are still there, we are still operating, we have the best recovery rates in Australia and we have a packaging covenant organisation out there charged with maximising recovery and reducing waste through better technology and community engagement. We are not saying our model is 100 per cent right, but at the moment it is giving the best result in Australia.

Mr SCHEFFER — Is it getting the best result in collection of the containers or is it also giving the best result in them actually being recycled into new products?

Mr PHILLIPS — If it is the highest collection rate and return rate, it is the cleanest product and it is giving them a tremendous outcome because they save approximately 80 per cent in finite resources, energy and costs in reprocessing as opposed to processing from a virgin product.

Mr SCHEFFER — So it goes back and you can actually trace that?

Mr PHILLIPS — Coca-Cola PET is used to remanufacture Coca-Cola bottles. Glass is used to remanufacture for either beer beverages or wine bottles for the wine industry — 40 000 tonnes a year in South Australia.

The CHAIR — We have heard from a range of witnesses that the proportion of recyclable containers in litter varies from about 26 per cent through to 29 per cent. Given that the program in South Australia started as a litter program, how do the volumes of other litter compare to other states? We have heard evidence that South Australia is winning the container deposit war but it is not comparing favourably in the other areas of litter. Are you able to comment on that and point to any evidence to the contrary?

Mr PHILLIPS — If you look across Australia, based on the national litter index, when it comes to plastics, metals, glass and what we call a miscellaneous section, we are all very much on a par; we fluctuate between 1 per cent and 2 per cent. One count we might be 22 per cent plastic while Victoria might be 19 per cent, and it might be vice versa next time. There is very similar littering behaviour throughout Australia with obviously a strong focus: 50 per cent of litter is cigarette butts. Fifty per cent of all items counted are cigarette butts.

The CHAIR — Is that declining as the incidence of smoking is declining?

Mr PHILLIPS — It has not declined other than coinciding when we have invested in strong public awareness campaigns. In fact we are just doing some research at the moment that shows that smokers are not using the infrastructure that city councils have provided; they are still using the garden beds and the footpath. So no, it has not declined numerically with the proportion of smokers.

The CHAIR — Before I hand back to my other colleagues, how would you characterise your relationship with Keep Australia Beautiful and how does your organisation differ from other Keep Australia Beautiful state-based organisations?

Mr PHILLIPS — We have a different name; we operate via KESAB. That is because we were formed in 1966, well before Keep Australia Beautiful was founded. We have a good working relationship with Keep Australia Beautiful; in fact I am meeting with them after this meeting. We show a leadership role. It is fair to say that there is always interesting discussion and debate when it comes to the subject that we are discussing today.

The CHAIR — Over some bottles of refreshments.

Mr PHILLIPS — Yes, and in South Australia always recovering the 10 cents.

The CHAIR — Ms Pennicuik, have you any further questions?

Ms PENNICUIK — Following up on Mr Scheffer's question about why beverage containers are easily dealt with through a container deposit scheme, I wondered whether it might be because they are single use. People have them in their hand and they can easily put them into the system, whereas a computer or a mattress is not really of the same variety. I wonder if you could comment on it being easier to perhaps deal with beverage containers than it is to deal with other types of rubbish.

Mr PHILLIPS — The outcome of recycling — it does not matter where it is — is that with beverage containers there is a commodity value. PET, aluminium and glass are all worth a commercial value. Liquid paperboard is worth a commercial value. You talk about computers; ultimately when the e-waste program is introduced at a federal level I am sure there will be an incentive provided to run the scheme. They have been through the willingness-to-pay process, so ultimately it will be: 'Are you prepared to pay \$10 or \$20 for a new flat screen?', which will set the bank up to allow for recovery and recycling. There are valuable resources in flat screens, but it is the process of dismantling and handling because there are some nasties in there as well.

Mr SCHEFFER — I understand that the legislation in South Australia is about 30 years old. Presumably it has been amended at one point or another over a period of time, but is it true that it is up for review? Even if it is not, what I wanted to ask you is what you think needs improvement in it.

Mr PHILLIPS — It is reviewed regularly, but it is not what I call a major review. It is tinkered with. The tinkering in 2003 responded to expanding the range of products; liquid paperboard and HDP were products that were emerging in the market. They were not manufactured before. That will continue to take place as new products come into the market.

From 5 cents to 10 cents was a major debate because a lot of people said it should be 20 cents. The government makes those decisions. I think the review in the future will be relative to product and deposit value, and possibly

the process of licensing what we call the super-collector, which is currently unlicensed and run by the drink manufacturers. Coca Cola sells the product, collects the deposit and then pays the deposit out and processes the recyclables, but it is unlicensed. In the context of that level it is almost a voluntary scheme, and that is where there will, I think, be some review in the foreseeable future.

Mr SCHEFFER — Does the fact that they are not licensed and do not have benchmarks make data collection more complex?

Mr PHILLIPS — No, because the EPA controls the data collection and they have got to report regularly. The figure of 633 million containers or whatever was in the last 12 months is out of the EPA.

Mr SCHEFFER — So what does licensing give you as distinct from the regulatory mechanism that you alluded to?

Mr PHILLIPS — There are some structural issues relative to the super-collectors working with the recycling depots.

Ms PENNICUIK — Can you just elaborate a bit on those structural issues?

Mr PHILLIPS — I would prefer not to.

Ms PENNICUIK — Can I ask why?

Mr PHILLIPS — Yes, you can, but I would prefer not to comment.

The CHAIR — Sorry, I missed that. What was the question?

Ms PENNICUIK — Mr Phillips said there were structural issues.

Mr SCHEFFER — Around relationships, presumably of commercial benefit.

Mr PHILLIPS — In a commercial context the beverage industry is opposed to container deposit legislation, so why would they not try to make it difficult for the recycling industry?

The CHAIR — Presumably they are concerned because it is now an international market and they are concerned about losing market share.

Mr PHILLIPS — I do not think they are concerned about the international market because they sell all their recycled product. They own the main super-collector, and they certainly capitalise on the sale of their product overseas, or they reconstitute it through their own manufacturing.

The CHAIR — No, I was implying that the cost of the deposit may raise their price on the market and therefore vis-a-vis their international competitors. Even here in Australia they would, obviously, be concerned about losing market share.

Mr PHILLIPS — That is an argument that has not stood up, because they would always argue that the cost of beverages is more in South Australia than in any other state. That is not the case.

The CHAIR — Is there evidence to substantiate that?

Mr PHILLIPS — Absolutely.

The CHAIR — Can you point to it? We are visiting South Australia. We are going there shortly for a site visit.

Mr PHILLIPS — I am sure when you ask that question of one of the places you are visiting you will receive a very frank answer.

The CHAIR — Mr Phillips, thank you so much for coming to Victoria and giving evidence today. We hope you enjoy the rest of your stay. We have put on some beautiful weather for you today.

Mr PHILLIPS — We sent it over!

The CHAIR — You will receive a transcript in the next few days and have the opportunity to make some corrections of a typographical nature. Ultimately it will be uploaded and become part of our public evidence. Thank you so much. We appreciate your submission.

Mr PHILLIPS — Thank you. Good luck.

Witness withdrew.

