

CORRECTED VERSION

STANDING COMMITTEE ON ENVIRONMENT AND PLANNING

LEGISLATION COMMITTEE

SUBCOMMITTEE

INQUIRY INTO ENVIRONMENT PROTECTION AMENDMENT (BEVERAGE CONTAINER
DEPOSIT AND RECOVERY SCHEME) BILL 2011

Adelaide — 28 November 2011

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Witnesses

Dr R. Barreto, senior lecturer, School of Economics, University of Adelaide

The CHAIR—Dr Barreto, thank you very much for making time for an appearance before this public hearing. We are a bit like a fish out of water, but it is a gorgeous venue. Obviously, it is the Victorian parliamentary committee of the Legislative Council in the Environment and Planning Legislation Committee. It is a new structure and we are still feeling our way, but I declare the Legislative Council Environment and Planning Legislation Committee public hearing open.

Today's hearing is in relation to, as you would know, the Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011. I welcome you. Obviously all evidence taken at this hearing is protected by parliamentary privilege as provided under our constitution, the Constitution Act 1975, and further subject to our Parliamentary Committees Act 2003, the Defamation Act 2005 and, where applicable, the provisions of reciprocal legislation in other Australian states and territories. Any comment obviously you make outside the hearing may not be afforded such privilege.

All evidence is being recorded by Hansard. You will be provided with proofs of the transcripts in a few days and you will have an opportunity to correct any typographical errors, but obviously matters of substance remain. If you could speak perhaps for five or 10 minutes as part of your presentation and then committee members will have an opportunity to ask you some questions. Welcome, Dr Barreto. Please feel free to make some remarks.

Dr BARRETO—First of all, my name is Dr Raul Barreto. I am a senior lecturer at the School of Economics at the University of Adelaide. Some six months ago or so, I was contracted by the Australian Food and Grocery Council as a paid consultant. In that capacity I made a video on the incentive compatibility of CDL or container deposit legislation, which I believe the members here have already seen. About three weeks ago I was contacted by this body and invited here today.

I would limit my comments to the policy perspectives surrounding container deposit legislation. In particular, with any policy the primary question is: what is the primary goal of CDL? As far as I understand it, it is to reduce litter caused by bottles and cans. What is the secondary goal of CDL? Again, as far as my understanding goes, it is to increase the incidence of recycling of bottles and cans.

All public policy, regardless of its nature, is meant to motivate behaviour. The manner in which it is done is by either negative reinforcement—fines and penalties; speeding, as an example—or positive reinforcement, incentive behaviour, and CDL is an example of that. Third is public awareness of the issues and the idea here is doing the right thing or, as economists refer to it, warm glow. Good policy will combine at least two out of these three. In other words, ideally we will have negative reinforcement—some fines; some positive reinforcement—some incentive compatibility; and this is of course combined with public awareness of the issue. But, as you can hopefully imagine, good policy will have at least two out of those three: public awareness plus one of the others.

What is the cost of this legislation? The cost of any legislation will be initiation, set-up and then the implementation. I understand the estimates vary of CDL from about 6c per unit, per can or bottle, to as much as 18c. Obviously these estimates vary according to the position held by the individual, where the lower estimates are by the proponents of this legislation while the upper estimates are by the opponents. Nevertheless, it is agreed by both parties that all costs will be borne by the consumer. Therefore, what are the alternatives or what alternative is there to CDL in order to achieve our two stated policy goals?

As far as, again, I understand it, the most prominent alternative is kerbside recycling—kerbside and away-from-home recycling programs. Currently, South Australia in particular, and I believe Victoria as well, has kerbside recycling. As far as I understand it, the Australian Bureau of Statistics claim 98 per cent uptake in recycling with the kerbside program. Applying away-from-home recycling bins: the effectiveness of this will, by commonsense, be equal to that of public rubbish bins. I do not have the statistics of that, but I would say that anecdotal evidence suggests that the placement of public rubbish bins has been very successful if we were to consider the beauty of our streets, whether here or Victoria or anywhere in Australia. The alternative to CDL—in other words, kerbside plus away-from-home public recycling—is based on warm glow and the convenience of being able to recycle.

The last issue with any policy is to consider the environment under which that policy is to be implemented. The historical precedent for CDL dates back about 30 years to 1977, at least here in South Australia, with the implementation of CDL here. What can be certainly said is that, since 1977 until today, environmental awareness has changed dramatically.

Bottles and cans count for approximately four to 10 per cent of the total waste stream, of which the majority is accounted for at home; therefore, given the 98 per cent uptake of recycling through home recycling—and the vast majority of recycling is done through the home—CDL as a policy—simple commonsense—will only address a very small percentage of the waste or of the waste stream.

What are the arguments for CDL? CDL is the incentivisation of recycling behaviour; therefore, it begs the question is the five or 10 cents per can or bottle a sufficient incentive to recycle away from home? I would argue that it is not. I would argue that the inconvenience outweighs the benefit. When I am away from home, the cost of taking my empty can with me all day long outweighs the benefit, which is the 10c. In other words, we will have an alternative behavioural response to this. In other words, if you take your can of soft drink when you are away from home and you drink it, what are you going to do with it? Either you will throw it away in a little bin, which is to basically mix it in with the litter, a response we do not want, or you are going to leave it on a park bench in the hope that some other individual, obviously some disenfranchised individual, is going to take up that can and thereby reap the benefit of the award. In either case this is not an optimum result.

What is the argument for the alternative? Or, rather, what is the argument for away-from-home public recycling? The argument relies on the warm glow or doing the right thing. We know this works, given the effectiveness of current public recycling, current public rubbish bins. The reason people throw their trash away, take that extra 10 steps, is due to the warm glow of keeping our city beautiful. The other argument is that it is arguably cheaper. Most of the infrastructure is already in place, at least compared to the needs of CDL implementation.

Therefore, in summary, what is my policy goal? It is to reduce litter and increase recycling. Both CDL and the alternative achieve this result. CDL costs more, both to the private and to the public sectors. CDL is also possibly, quite possibly, redundant. Everyone already recycles quite enthusiastically. Most rubbish and recycling collection is done at home. CDL addresses a very small part of the litter stream at a relatively high cost. The incentive provided by the 10c is not enough to overcome the inconvenience of exploiting the system as an individual.

Why do people recycle? Because it is the right thing to do, simple as that. And, being realistic, it is because it is convenient. Therefore, to achieve our stated policy goal, we need only provide people the ability to conveniently do the right thing. Thank you.

The CHAIR—Thank you very much.

Mr SCHEFFER—I do not know if you can answer this. It is just a general question in relation to the Food and Grocery Council. Does the Food and Grocery Council oppose the CDL strategy because it is a good corporate citizen and it wants to see good policy outcomes or is there an economic benefit to the businesses that the council represents?

Dr BARRETO—I cannot speak for the council. As an economist, I would imagine the opposition is due to self-interest.

Mr SCHEFFER—Fair enough.

Mr ELSBURY—Can you explain the economic principles as to why container deposit schemes may not work and whether this would change if the container deposit was increased?

Dr BARRETO—The theory behind container deposit legislation is simple incentive compatibility; therefore, I am going to give you an incentive to take that Mount Franklin bottle once you have finished it today, and the idea behind the legislation is that that empty is going to go into your pocket and you are going to have to take it home and therefore clean it and ultimately redeem it. I would argue that the incentive or the 10 cents is not sufficient for you to carry that empty with you for the rest of the day. Therefore, the manner in which we are going to try to address littering is just not sufficient.

Mr ELSBURY—But if it were increased, say, to 15c, 20c?

Dr BARRETO—There is no question that we could find a price such that the incentive will be sufficient for you to carry that empty with you for the rest of the day. I certainly do not know what that price is,

but it must exist, without question. Obviously the only problem with that is that the cost will ultimately be worn by the consumer. At present I believe 10 cents represents a retail price—I do not know; I think it is like five or 10 per cent of the actual price of the product, but again I cannot say that with certainty.

Ms PENNICUIK—I have got the Mount Franklin bottle here because I hear that the Adelaide water is not good to drink. Usually I do not drink bottled water. But I could be wrong about that.

Mr ELSBURY—You should try the beer—but anyway!

Ms PENNICUIK—You were talking quite theoretically in your presentation regarding the theory behind what would work and what would not work, based on economics, but what about the warm inner glow of, 'I've purchased this water bottle. I'm quite happy to donate that 10c deposit to a community group'? If I dispose of the bottle in a public recycling bin or drop it on the ground, which I would not do, but theoretically, hypothetically if I did that, a community group might come along and pick it up and I am quite happy for them to have it because of the warm inner glow.

Dr BARRETO—All policy has secondary effects, but what is the goal of this policy? Is the goal of the policy to provide income for disenfranchised members of society or is it to address recycling, reducing the litter of bottles and cans and increase the incidence of recycling? So that is the question. Is your policy goal to provide income or is it to reduce litter? If it is to provide income for the disenfranchised, then that is certainly not what I am here to address and I would also suspect that there is far better policy if that is our goal.

Ms PENNICUIK—You used the phrase 'disenfranchised'. I am talking about community groups.

Dr BARRETO—As an industry.

Ms PENNICUIK—They do not call themselves disenfranchised.

Dr BARRETO—I apologise for using that word. Is the policy goal to provide income streams?

Ms PENNICUIK—It is to provide an incentive, is it not, as you mentioned?

Dr BARRETO—It is providing an incentive to increase recycling and reduce the incidence of litter.

Ms PENNICUIK—That is right.

The CHAIR—Dr Barreto, you have spoken about the need to provide an economic incentive for people to recycle away from home, but it needs to be convenient. Are you aware of any other schemes that could actually increase the away-from-home recycling?

Dr BARRETO—I am not aware of anything in particular. I can only speak for myself. I do recycle, but I am also a slave to convenience as much as the next person. Consequently, the reality is—speaking only for myself—I do not take my Coke can, which I have for lunch, home with me, although at home I and my entire family recycle, and I certainly teach my children the value of recycling. Therefore I am assuming that, if I am nothing more than a typical citizen, the rest of us do probably behave in a similar manner.

Mr SCHEFFER—Thanks. I also jumped straight in and forgot to thank you for your presentation before us.

Dr BARRETO—Thank you.

Mr SCHEFFER—One of the things that we are grappling with is that the policy here in South Australia, as you said, was initiated in the late 1970s as part of a litter program. In Victoria we have never had a CDL scheme but we have established quite a sophisticated zero waste management system that looks at the whole stream, of which the drink container collection is an integrated component. We are having the problem of how do you, 35 years later, bolt back on a separate system and my question is, if you do it for drink containers, why not for e-waste, why not for a whole lot of—

Dr BARRETO—Everything else.

Mr SCHEFFER—different kinds of streams that might have some ancillary benefit for some community group in some way—you know, give them the benefit. Could you just remark on that a bit. Is it possible to bolt a system like this onto something that already exists?

Dr BARRETO—I would certainly think it is possible. Anything is possible, but I would certainly question the cost effectiveness of it. 1977 and today are very different eras. At the time, the public awareness of recycling and the environmental movement had barely gotten its legs, while now recycling is an expected norm. I therefore only question the possibility that such schemes are redundant given our current success with recycling, whether it be kerbside or—I believe Victoria has several programs that have been successful in certainly cleaning up as well as increasing the incidence of recycling. I would simply ask why we would want to do that if the incentive or the warm glow as incentive, coupled with convenience, is sufficient.

Mr SCHEFFER—Could I also just ask in follow-up: we all use the term 'recycling' in relation to CDL, but the issue with the waste stream is how we re-use stuff that we have gathered in.

Dr BARRETO—Correct.

Mr SCHEFFER—It seems to me that this scheme is really a collection scheme. How well are the cans and the bottles and the plastics that are collected through this system actually re-used in new products and new technologies?

Dr BARRETO—I do not know. I am not a specialist in the re-use of materials.

Mr SCHEFFER—All right. Thank you for that.

Mr ELSBURY—Just going back to your studies and your field of expertise, are CDL schemes self-sustaining or do they require a supplementation of funds either from the private sector or government?

Dr BARRETO—I would imagine that is going to depend on exactly how the scheme is implemented.

Mr ELSBURY—Okay, but here in South Australia did you do any study around that at all?

Dr BARRETO—No, none at all.

The CHAIR—Would you anticipate that it would impact on the cost of living?

Dr BARRETO—I would imagine so, but marginally. It all depends on the percentage you spend on soft drinks—bottles and cans.

Ms PENNICUIK—Thank you, Dr Barreto. We have heard a lot of evidence about recycling rates around the country and reduction in litter as the No. 1 goal around the country and certainly Victoria has been very successful with kerbside. You said in your presentation before that away-from-home consumption using beverage containers was small, but we have heard it is one-third of the litter stream, and if you look at the figures that have been presented to us it seems that South Australia's rate of getting rid of the litter—away-from-home beverage containers—is much higher than any other state, so much higher than Victoria, much higher than New South Wales. It seems that the evidence we have heard and had presented to us is that South Australia's CDL scheme is working in terms of reducing litter.

Dr BARRETO—I would imagine it would. I do not doubt that it would. As I said, CDL or an alternative will both be effective in addressing our two primary policy goals. The question is, which is better and cheaper? I would argue that a cheaper alternative to CDL, with quite possibly the same result, will simply be public recycling. I would imagine that South Australia is going to have a higher incidence of recycling of bottles and cans considering we have CDL as compared to the other states which have neither CDL nor public recycling.

Ms PENNICUIK—Victoria has public recycling.

Dr BARRETO—No, ma'am. I am talking about away-from-home public recycling—in other words, recycle bins in the streets.

Ms PENNICUIK—We do have them in Victoria. It is not having a measurable effect on reducing litter.

Dr BARRETO—I am not a Victorian. I do not know the—

Ms PENNICUIK—I am just asking you to comment on the practical evidence.

Dr BARRETO—Again, ma'am, I am not a Victorian. I do not know the convenience of being able to do so. I can only speak for myself here.

Ms PENNICUIK—They are alongside the rubbish bins, so there is the rubbish bin and there is the recycling bin right next to it.

Dr BARRETO—Then I would imagine I, as an individual, would certainly use them.

Ms PENNICUIK—Some do.

Dr BARRETO—Okay.

Mr ELSBURY—Just in relation to, again, your expertise and your training, do you see that there is an inconsistency in a CDL putting a value on one piece of litter and not on another? We have seen footage from one of the environmental groups that has given evidence to us in Victoria where a gentleman has gone off into an area beside a river, picked up all of these containers and put them in a bag and said, 'Look how much money I could have made just in two minutes of rummaging for rubbish.' I have worked on Clean Up Australia Day for many years, and the first thing I noticed was that he was ignoring anything that was not a container.

Dr BARRETO—Absolutely.

Mr ELSBURY—What is your opinion on the inconsistency?

Dr BARRETO—I would only comment, again, on the consequences of policy. Every policy we write will have some consequences, positive or negative. A positive outcome of away-from-home public recycling will be no longer being concerned about the value of this—in other words, 'I will recycle everything that's recyclable,' as opposed to CDL, which is only addressing that which is returnable. So, in theory, that will address exactly the observation you have made from that, and we certainly see that.

The CHAIR—Is that further aggravated then because some containers are actually excluded?

Dr BARRETO—Of course. Interestingly enough—I can only comment on my own behaviour at home—at home we recycle everything that is recyclable according to what is on the bottom of the label, whether it has the little triangular symbol that tells us whether it is recyclable, with no concern whatsoever about its return value, while obviously the policy, the legislation on CDL, will only address that which is returnable.

The CHAIR—Dr Barreto, would you like to make any closing remarks?

Dr BARRETO—No. I would just like to thank you for your time.

The CHAIR—No, I would like to thank you for your time. I know you did not have a lot of forewarning.

Dr BARRETO—That is quite all right.

The CHAIR—It was an early start and we are certainly very grateful that you have made yourself available to the committee.

Dr BARRETO—My pleasure.

The CHAIR—Thank you so much.

Witness withdrew.