

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

Members

Mr A. Elsbury
Ms S. Pennicuik

Mrs I. Peulich
Mr J. Scheffer

Chair: Mrs I. Peulich

Staff

Secretary: Mr K. Delaney

Witnesses

Mr T. Circelli, acting chief executive officer,

Ms F. Harvey, acting director strategy and sustainability,

Mr J. Todd, manager sustainability and local government, Environment Protection Authority of South Australia, and

Mr V. Levitzke, chief executive officer, Zero Waste SA.

The CHAIR—Welcome to the Victorian Legislative Council in the Environment and Planning Legislation Committee public hearing, which is taking evidence in relation to the Environment Protection Amendment (Beverage Container Deposit and Recovery Scheme) Bill 2011. I welcome the EPA of the state of South Australia and I will just read out the little screed, which I am obligated to do. You can then introduce yourselves, the positions that you hold, the organisations that you represent and also addresses to which we can forward the transcript in due course.

All evidence taken today is protected by parliamentary privilege as provided under our Constitution Act 1975, further subject to our own Parliamentary Committees Act 2003 and the Defamation Act 2005 and, where applicable, the provisions of reciprocal legislation in other Australian states any territories. Obviously any comments that you make outside of this hearing are not subject to the same parliamentary privilege.

All evidence is being recorded by Hansard. You will be provided with proofs within the next few days to make corrections to any typographical errors, but obviously the substance of your evidence has to remain intact.

After you introduce yourself and give us your position and address, perhaps if you have a PowerPoint presentation you can go through that and make other opening remarks. We will then allow members of the committee to ask questions. Who is going to kick off?

Mr CIRCELLI—Thank you, Ms Chair. It is a great privilege to come to you today and hopefully we can be very objective with the evidence that we provide today. We do plan to be very objective and very unemotional, really, because you are talking to a group which has been administering CDL for many years and we are obviously strong supporters of the system. We certainly have taken that into account in the evidence that we are going to give to you today.

I am the acting chief executive officer of the South Australian EPA and the address is Level 8, 250 Victoria Square, Adelaide. We also have Zero Waste SA here today and I will hand over to Vaughan in a minute. We do believe it is really important to ensure that the committee understands that this is not just an EPA led scheme. There is a strategy group and a regulatory group that administer the scheme here in South Australia. I will let Vaughan introduce himself.

Mr LEVITZKE—My name is Vaughan Levitzke. I am chief executive of Zero Waste SA, formed in 2003. Prior to my role in Zero Waste I managed the container deposit scheme in EPA and expanded it in 2003. Zero Waste SA is a non-regulatory incentive group. Perhaps the most equivalent organisation in Victoria is Sustainability Victoria. EPA has a regulatory role. We developed a waste strategy for this state and of course container deposit legislation forms a major part of our strategy for waste management in this state.

The CHAIR—And an address?

Mr LEVITZKE—An address for Zero Waste SA is 99 Gawler Place, Adelaide.

The CHAIR—Thank you.

Ms HARVEY—My name is Fiona Harvey. I am the acting director, strategy and sustainability for the EPA. The address for the EPA is as Tony has stated.

Mr TODD—My name is Jeff Todd. I am the manager of sustainability and local government. My branch is responsible for the administration of the container deposit legislation in South Australia. That ranges from compliance type functions through to administration in terms of approvals processes and so forth.

The CHAIR—That is within the EPA?

Mr TODD—Within the EPA, yes, and my address is the same as Tony's, being Level 8, 250 Victoria Square, Adelaide.

The CHAIR—Thank you.

Mr CIRCELLI—Our presentation will last probably about 15 minutes or so.

The CHAIR—That is fine. We have an hour.

Mr CIRCELLI—Okay. Just before I go, we do use the terminology 'CDL' here in South Australia, so whoever you speak to in South Australia will keep talking about CDL. Nationally, of course, it is the CDS. Just in case there is any confusion, we are talking about the same thing. We want to talk about, fundamentally, how it works in South Australia and go to the facts of what the scheme does for South Australia. We will then try to summarise why you should bother with a CDL system when obviously there are a number of other schemes that you could use. I make the principal point that we do not talk about CDL as a stand-alone measure. It is a silly concept to think that it is either CDL or packaging or kerbside. It really is about the range of measures you put in place to achieve whatever policy outcomes you are seeking.

Overheads shown

Mr CIRCELLI—I want to spend a little bit of time just on the actual system here in South Australia. It does, at the outset, look a little bit complex but effectively there are two loops here. One is a product loop. On the right-hand side you will see the dark line that goes first from the beverage manufacturers selling their product through wholesalers and retailers to the consumers. Those products then go down a number of different paths. Some would go to landfill but in South Australia a very small percentage end up in landfill. Some end up in the litter and in community bins. That is the away-from-home aspect of our container scheme. Some will even go in the kerbside collections but the majority will come through directly from the consumers over to the collection depots.

You will see that the arrows, other than the one that leads to landfill, all head back to the collection depots. We have a very strong network of collection depots here in South Australia—about 120 or so—and I will talk a bit more about those in a minute. The containers go to the collection depots and there is a legal requirement that a person providing a collection depot with containers is afforded a 10c refund per container. That increased in September 2008 by 5c. The collection depots have an arrangement with what we in South Australia call super collectors. We have three super collectors, two significant ones and one smaller one. Each super collector does not collect all types of containers. They split themselves up. They arrange themselves so that they each collect a different type of container. It can sometimes get a bit complex but this is an industry arrangement, to a certain degree, and it is in their interests to make the system as efficient and lean as possible.

The super collectors then have what we call waste management arrangements with the collection depots. One thing to be very clear about is that as well as the 10c deposit the super collectors will be paying the collection depots, they will also be paying a handling fee for the collection depots. The containers get sorted through the collection depots and again sorted and compacted through the super collectors. Then they end up in the recycling field.

One thing we are very confident about with CDL here in South Australia is that everything picked up through this system is recycled. It is deemed to be a very high quality, very low contaminated product. It attracts a much higher premium when sold internationally. We have also underpinned that in the last year by ensuring that there is a ban on any aggregated collected materials, not just from CDL but also from kerbside. That material is now banned from going to landfill. It is really saying that once you aggregate something you need to put it back into the marketplace. Zero Waste does a lot of work on the demand side to make sure those markets are there to accept that material.

Working back, on the other side we have the beverage manufacturers who obviously have sold a product for a price and they include the price of the CDL system into the price of that container to a certain degree. The market arrangement for the price of containers is very complicated. It is not as simple as saying 10c on a container. It is very much led by the major retail chains. They will set the price, effectively, but there is no question that on this—

Mr SCHEFFER—So the 10c is not set in the legislation? That is a market—

Mr CIRCELLI—No, it is set in the legislation but only in the sense that it is a reverse path, if you get my drift. The legislation says that if you take a container back to the collection depot for recovery, you will get 10c back. The purchase price is not covered in the legislation but the requirement to redeem 10c is covered. How the industry then incorporates those costs into the product of the containers is quite a complex issue that is not covered by the legislation. The beverage manufacturers, prior to selling any container in South Australia, need to get approval by the EPA to sell that container. We need to make sure fundamentally that it is financial and there is an arrangement in place for the super collector; that sufficient funds will be provided to the super

collector, and that also includes the handling fees and an administrative fee for the super collector. So they really have to make sure they have underpinned the financial certainty of the whole system.

In turn, once we see that there is a solid waste management arrangement in place, they are then given approval to sell that particular beverage container. We actually approve the label, to a certain degree, but we also look at the recyclability of the product as well. We have seen from time to time—it is not common—the beverage industry will come up with some quite novel, unique packaging arrangements. We will also make sure that as well as having a financially secure system in place by funding deposits, the product is actually recyclable as well.

Then that flows back down from the super collectors with separate arrangements they might have with the collection depots. That money then goes to the collection depots and then you can see that the refund is then paid to consumers as they are returning the containers. Of course there is a time delay between the supply of containers and the return of containers but the system, over time, creates stability and it is one that has worked very robustly, as you know, for quite a number of years.

Mr SCHEFFER—That refund arrow from the collection depots to consumers in general is really mediated through from the collection depots down to the kerbside collectors and the street collectors? That is not a real line.

Mr CIRCELLI—For instance, I bring my containers back to a collection depot.

Mr SCHEFFER—Okay. Thanks.

Mr CIRCELLI—Pretty much as soon as I can fill up my entire boot I will head off to the collection depot and hand them the containers. They will give me my deposit directly.

Mr SCHEFFER—I see.

Mr CIRCELLI—I am not quite sure if we have the statistics in terms of those three paths but that would definitely be the most predominant path for the whole refund system. We can go back to this. It is just really for illustration purposes in terms of how the system works. Looking at some of the evidence you have received so far, I want to make really clear that 10c is the deposit stated on the rear of the container. It does not necessarily mean that is going to be the price increase on the product. In fact, what we have seen in South Australia is that there has not been a significant price differential between the cost of our products and those nationally. To a certain degree the industry would argue that they offset our costs just to keep things simple and have consistent prices around the country. The increases to the cost of beverages and the impact on consumers is a very complex thing.

I guess this covers two things. You can see on the bottom right-hand corner here that it is quite a manual system still in South Australia and that has proven to be the most effective system for doing the sorts. What are the number of sorts, Jeff?

Mr TODD—About seven sorts now. Usually what happens is they separate alcohol aluminium from soft drink aluminium. That is because of two different super collectors. Then you have your PET, your plastics, where they might sort them into smaller types of containers, like this one, as opposed to the two-litre ones. Then you have your glass, which is typically green, brown and clear. They are separated too. Then there is HDPE as well, which is another range of containers.

Mr CIRCELLI—On the top right there as well we have a reverse vending machine, which is obviously quite topical at the moment. We have trialled them in South Australia. They still have issues. We do have one at a place called Hollywood Plaza. It has been trialled for some time and it does suffer from things like vandalism and those sorts of issues, as you could imagine. So now, rather than provide money back, it is being trialled with vouchers or whatever it might be. We will continue that.

I understand that Recyclers of South Australia are coming to talk to you today as well. We did see some really interesting technology that they have set up here in South Australia. It is very sophisticated, very flexible in terms of how it can sort the containers—by brand, even—which goes to a much more sophisticated level of sorting than you can do manually. The cost of the CDL system is not going to increase over time. It will

certainly decrease. I think we have made the system as effective as it can be with manual handling. The anecdotal information we have in terms of the costs of handling, sorting and transport of containers shows that it is around 3c a container. We are always trying to find how we can bring that cost further down but that is the true cost to the system. With technology, maybe over time we can reduce that further.

We do have different types of categories of containers, and 99 per cent of containers returned in South Australia are through what we call category B, which is where we return them to a depot. We still have point-of-sale returns and we notice this is one of the models that have been looked at nationally. It is not really something that is done in South Australia; it is not part of our system. It is a very complicated way of doing it and we think there are much better, more efficient ways of doing it, but we do have a small percentage of containers that are still brought back to the point of sale.

There are 128 collection depots across the state, pretty much split between metro Adelaide and the rest of the state. It is a very good spread of depots. The really important part here—and we talk about the policy outcomes for container deposit legislation. One of them is to support other, broader policy outcomes because what we found with CDL is we do not have too many of these collection depots purely looking at CDL. They will look at a range of recyclates, but CDL is another way of underpinning the financial viability and the strength of that resource recovery network. That is something you could ask the recycling industry about this afternoon or this morning. It is important to recognise that this scheme really does underpin a very broad recycling network, not just a CDL network, in South Australia and has put the state in a very strong position nationally, and indeed internationally, in terms of its overall recycling record.

I think there has been some evidence that the system is a bit older than 30 years but we never recognised super collectors when this system was first set up. We have been reforming the system and four or five years ago we reformed it to formally recognise super collectors. We have always recognised collection depots. To make sure it was a level playing field and to avoid having one party regulated and another party not regulated, we moved to ensure that all parties in the system are equally regulated. That is an example of the structural changes and reforms we have made to the system over time, as well as things like increasing the deposit from 5c to 10c.

We are very cautious in terms of the numbers employed in these sectors. It was done as part of an economic assessment prior to the expansion of CDL in 2003, where we expanded the coverage of CDL containers away from the traditional glass and aluminium towards PET containers and HDPE containers. There were about 450 million containers being returned at that point in time. It was estimated that with part time and full time across the CDL sector there were about 1,000 people employed. It is very difficult to put my finger on a real accurate number and I would prefer to provide a range of employed. It certainly does create employment for the resource recovery industry.

We have 500 beverage manufacturers that have labels approved with the SA EPA—10,500 approved labels. You can see that if you were to start up a scheme like this, there would be a lot of work in catching up and getting ahead of all those labels. It is quite an intensive scheme. To regulate it you cannot just put the money out there and think that is the end of it. There is a lot of work that goes into making sure that the approvals are in place and that the system and all the regulatory needs are in place. Jeff's team does a very good job, and has done over a period of time, to make sure it is all effective and everything is approved. There are 10,500 approved labels at the moment. How many new labels would we get per year, Jeff?

Mr TODD—We would be looking at probably about 1,000 a year. One of the issues at the moment is that there has not been a process in place for revoking previous approvals. So of that 10,500 there would be a lot of containers out there which we have approved but that are no longer available for sale. At the moment we are going through a process of reviewing that, so it could very well come down to a figure of maybe 7½ thousand to 8,000.

Mr CIRCELLI—Some overall statistics: a staggering amount of beverage containers are sold each year. It is an amazing number. South Australia, with a population of 1.6 million, consumes nearly 740 million containers. These are containers that are in the system. There are obviously a lot more containers, and we can talk a little bit about what is in and what is not in. These are just the containers that are in the system, the 740 million. Of those, in 2010-11, 80 per cent were returned, which is by far the highest beverage container return rate in the country. At 10c, that is a lot of money and \$59 million was refunded to consumers in the last financial year. We also recovered about 47,000 tonnes. Importantly, as I have said, that is not only recovered

but, because of the sorting and because of the very small amounts of contamination that we have with our recycling, all of it is recycled.

Mr SCHEFFER—What does that actually mean? Does it go into new products or is it just collected? What do you mean by 'recycling'?

Mr CIRCELLI—It goes to people who need that as a raw product for recovery.

Mr SCHEFFER—So 47 tonnes recovered actually goes into new products?

Mr LEVITZKE—Perhaps if I can answer that?

Mr CIRCELLI—Yes.

Mr LEVITZKE—All of the glass goes back into making glass beverage containers. Here in Adelaide we have two glass-making facilities, so it goes back into beer and wine bottles. All of the PET is either sold to a plant in New South Wales which is run by Visy, which turns it back into PET soft drink bottles—there is a 25 per cent recycling rate in new PET bottles for soft drink. The high-density polyethylene is usually sold on the international market, depending on where the spot price might be. Aluminium is also quite often sold on the international market. They will take three-month contracts, for example, or it might be spot, depending on where the highest price might be at that particular time. For liquid paperboard, I believe most of that is being exported now to paper manufacturers internationally. It is very highly sought after. All of this is without contamination, so we do not have to worry about losses to the system and we can guarantee that 100 per cent of that material has been recycled.

Mr SCHEFFER—Thank you.

Mr CIRCELLI—They are the main category types. There are lots of containers, but they are probably some of the more well-known types of containers. Quite rightly, the system was set up as a litter reduction scheme and it was really focused towards products that we consumed away from the home. Over time we have expanded that a bit, so there is some aspect of resource recovery in there. Certainly it does improve our resource recovery for those containers. There are some products, such as plain milk, that have never been in the scheme. Wine and other glass has always been a bit of a controversial one here, particularly for South Australia, but we do not find these products in the litter stream.

We also have an issue with wine and water casks and I think we were asked why we do not put those in the scheme. The difficulty with cardboard and those sorts of things is that you need to identify the brand owner, otherwise you cannot set up your financial system. It can only deal with certain types of containers. In the future perhaps there might be other ways. The bladders, for instance, might be able to be tagged. The Northern Territory has certainly looked at that with a lot more detail but there are some limitations that you would have to overcome to expand the system towards those sorts of containers. We also have therapeutics. I mean, they are also a beverage, to a certain degree. If there is a health based requirement for these products, they are also currently exempted from the scheme. Again, we do not see a lot of those in the litter stream.

You have probably seen these numbers. We did increase the deposit from 5c to 10c in September 2008. The first full year was 2009-10 and we have seen a steady increase.

The CHAIR—So the increase was predicated on the need to offset increased costs or to increase incentive?

Mr CIRCELLI—Incentive. We did a CPI adjustment of when it was first introduced in 1977 and we figured out it should have been about 32c or 33c per container. Of course, you want to make sure the deposit is not so high that it is putting undue cost on society, but equally there has to be enough in there for an incentive for people to continue. We just started seeing the whole system starting to level off. In fact, we saw trends of it actually going into decline. So 10c certainly did give it a bit of an injection. In particular, some of those other schemes that were expanded in 2003 really saw some increases, particularly with liquid paperboard. There was a 57 per cent increase from 2007-08 to the current year. We have seen increases right across the board, but certainly in those ones where we were not dealing as well and we were not recovering as much, the 10c deposit did give an injection of extra life.

The other thing to be quite clear about here—and I think I touched on it before—is that if we just take the Scouts, the Scouts here in South Australia have eight depots and are quite willing to share their information with us. They found that although they only recovered 8,000 tonnes of CDL, there was about three times that amount in terms of other recyclable material. We call this the co-benefit of CDL and it is about underpinning and providing another resource, another income stream, to the recycling industry. I think you are going to see Visy this afternoon. That is at the high end of the recycling system. If you look at some of our smaller systems, they are quite small and really do take their income from wherever they can. They are opportunistic and CDL certainly provides a very steady income stream for those facilities.

Going very quickly to litter, it is quite clear that Victoria in particular has very good litter stats. You have a very good dob-in campaign in Victoria that we are also looking at here in South Australia. From an overall perspective, I think Victoria is as good as anyone in the country. However, if you look at specific classes of that litter stream, there is no question that the CDL system in South Australia outperforms any state in the country. If you look at the trends there, the bottom bar, shown for each state is 08/09. I am having trouble seeing, I am sorry, because I do not have my glasses with me. But as you go up it indicates, I guess, the current year. We are the only state that has really shown an improvement in the beverage litter system over the last three years. To a certain degree I think the 10c deposit has helped achieve that change. The other states are fairly stagnant or in some cases are actually getting worse. I cannot quite see Victoria up there. You are about steady, aren't you? It is quite true; it will only capture certain parts of the litter stream.

The CHAIR—We have heard evidence that South Australia's other litter is showing a reverse trend. Are you able to comment on that as well?

Mr LEVITZKE—To say that our litter is increasing I think is wrong. It has stayed about the same now for several years. Keep South Australia Beautiful does quarterly litter statistics and I can show you numbers that go back to 1998 on a quarterly basis. There was a slight increase in the early part of that period as there was more outdoor dining and streetscapes became prevalent in terms of away-from-home consumption. We are now seeing a trend down. You also have to remember that 50 per cent of litter, both in South Australia and nationally, is cigarette butts. If you take those out you will see that the trends are quite stable, if not slightly declining.

The CHAIR—Thank you.

Mr CIRCELLI—This is a little bit busy but it also shows you that overall trend in beverage container litter. I think it goes back to 1998. It has been ongoing. We recognise that CDL is not the magic bullet here. It is part of the system. A lot of it is the education and all the other programs you have to put in place. You cannot just put in a CDL system and then take everything else away. It has to be part of that overall strategy.

I know you have received quite a bit of evidence about this competing with kerbside or complementing kerbside. We take a very strong view that it is very complementary to kerbside. Obviously you can talk to local government about that as well.

The CHAIR—The reason is obviously that your kerbside was built around an existing CDL scheme. Do you concede that there is a possibility that in actual fact your experience may not exactly translate into trying to bolt on a CDL to an existing kerbside arrangement?

Mr CIRCELLI—Potentially. I have seen that argument, but I am not quite sure I understand it. The real benefit for kerbside is a couple of things. Firstly, the containers are quite voluminous. Here we can see the compaction rates. Once you take the containers out of the kerbside your compaction rates all of a sudden increase by—well, I am not sure if it is half but it is quite significant. This is from one of the waste contractors that services about six eastern suburb councils—quite a significant portion of Adelaide. It might be about a quarter of Adelaide's entire waste. They do the municipal waste but they also do resource recovery and kerbside for these five or six local governments. Really what they are saying is that with those containers taken out they do not need to do as many trips because their trucks do not get full as quickly. They can collect more bins in a day. There is some evidence there that you might want to consider.

From that perspective I think it would be complementary, no matter where it is brought in. There would be cost savings to local government and to ratepayers because the contracts that you would arrange with waste

management people would take these things into account. We have also provided this information to the national system that is looking into this as well.

The other thing that would be applicable, no matter whether CDL came first or second, is that one of the problems with the recycle that you get from bin systems is that there is just so much contamination in those systems. CDL does not take all glass out of the system because wine bottles still go in our recyclable bin, but it takes quite a bit out. Just getting that contamination out of the kerbside recycling bin again provides greater opportunity for those bins to be recovered and have a better quality recycle. I have a stat there that shows that, because of the CDL system and the greater quality of the recycle you can get, we do afford much higher prices from the resource recovery and people taking recycled goods internationally.

Mr SCHEFFER—What is MRF again, sorry?

Mr CIRCELLI—Materials recovering facility. They all have different names, but effectively the place where all this goes to and gets sorted.

The CHAIR—Which we are visiting this afternoon.

Mr CIRCELLI—Maybe just quickly about the costs of CDL: in terms of administering it, it is quite lean. We have four full-time officers looking at it but they also look at plastic bag legislation. As you know, we sort of brought in a ban on plastic bags a couple of years ago. We have two compliance officers and pretty much target our inspectorates. We know where noncompliance generally occurs. The big part of town, with both soft drink and alcohol beverage containers, is very compliant. We do not tend to have any issues with the large majors but we have a lot of issues with imported beverage containers. You can think of Chinatown and all these sorts of things. Getting the education up with those small operators is a bit of a challenge. We do tend to target our inspectorate towards areas we know are going to be problematic.

Ms PENNICUIK—Can you just elaborate on what compliance you are looking at there?

Mr TODD—We have two compliance officers and they are generally out in the field two days a week. It depends on the information that we have received during the week. There could be critical issues that come up. For example, there might be information regarding interstate containers coming in, so we might dedicate the compliance staff to investigate that for a period of time. Generally it is more retail inspections. Our compliance officer will go into supermarkets and go through and check that each of the containers on the shelf actually has approvals, which means they have a waste management arrangement in place. We know they are going to be picked up by the container deposit system.

The staff we have in there at the moment have been doing it for many years. They can look at a shelf full of containers and know immediately which ones are legitimate and which ones are not. Like Tony was saying, if you go to some particular areas—and Chinatown is probably a good example—people tend to import small volumes of containers like iced teas, soft drinks, alcoholic beverages, and they may or may not have the refund statement on there. Then we have to check against those containers on our database and say yes, they are an approved container, or no, they are not. If they are not, we generally have a quiet word to the owner and they are taken off the shelves immediately so that they cannot be sold, and usually what we find is that within 24 hours they have now arranged a waste management arrangement with one of the super collectors for those containers.

Ms PENNICUIK—Thank you.

The CHAIR—I am just mindful that time is galloping.

Mr CIRCELLI—Yes, sure.

The CHAIR—Do you have very much more presentation? We have got lots more specific questions that we would like to ask.

Mr CIRCELLI—There is not.

The CHAIR—Please run through those quickly, if you like.

Mr CIRCELLI—Yes, I can. We have introduced a cost recovery system for CDL, so we do not receive any of the deposits or handling fees that are organised through industry or returned to consumers, but as of this year we have introduced the start of a cost recovery system to fund basically Jeff's team but also some of the other costs of policy and investigations that we have put towards the scheme. It is going to be a long process. We have about \$750,000 collectively as the administrative cost.

The CHAIR—Is that just salaries or is it total administrative cost?

Mr CIRCELLI—That is total.

The CHAIR—On-costs as well?

Mr CIRCELLI—That is total.

The CHAIR—So that is a population of 1.6 million, so how would that translate into a container deposit?

Mr CIRCELLI—I thought you might ask that. If you are saying Victoria has got four times the population, I do not think you would say it is four times. It is probably somewhere between two and three, I would suspect. I do not know; I am guessing. Container deposit legislation has been introduced in NT as well, as you know, and we have been working very carefully with them to align the schemes as much as possible. We aim to go to what we call a corresponding jurisdiction status in two years time, which means that, if you purchase the container in either Northern Territory or South Australia, you can return it in either Northern Territory or South Australia. I guess we are starting to chip away at one of the issues with a state like South Australia having CDL and nobody else having it, which is that interstate porting issue. Victoria is probably the area of greatest concern because it has the highest population and it is closest to our borders. We have been working with Victorian authorities over the last few years.

The CHAIR—So they get our bottles and cash them in here?

Mr CIRCELLI—Allegedly.

Mr ELSBURY—It is entrepreneurship. Honestly, trade between the states cannot be stopped!

Mr CIRCELLI—The difficulty is it is not funded and what we would like to see is a national scheme so that we do not have to worry about it any more. It is one of the problems we have. Another problem is that concept called parallel importing which is where local pubs, for instance, will purchase full products from interstate and those products again have not been financially taken into account in South Australia. It is illegal under our act and something that we do investigate from time to time.

I will just leave it on the summary. I think I have gone through most of those points. I think, just in summary, it is very important from our perspective to recognise that this is a measure. It is often compared with a range of measures, such as the National Packaging Covenant, which has a whole range of different measures and so forth, and we really believe that this is something that can complement what is in place. It does not replace it. We are not in competition with it. We would be aghast if we saw the end of the national packaging system and kerbside recycling. It would be a retrograde step. But, equally, we think that this can actually underpin it and improve it and really focus on areas where you can get more value by taking more time to sort, and, of course, the away-from-home aspect is something that other schemes just have not been able to match in terms of policy outcome.

The CHAIR—Thank you very much. Is that PowerPoint available to us?

Mr CIRCELLI—Sure.

The CHAIR—Thank you so much. You have made a couple of mentions before about welcoming the opportunity to work in Victoria to improve the provisions of the legislation. You have not been approached by the proponents of this Victorian bill to assist in any way?

Mr CIRCELLI—No.

Ms HARVEY—No.

The CHAIR—So what, in your view, could be the improvements that you would like to see?

Mr CIRCELLI—I have not looked at it in great detail. In fact, I was going through it again last night at home, trying to really understand what you were putting in place, but I do think you need to be cautious about having a government—

The CHAIR—Sorry, it is not a government sponsored bill.

Mr CIRCELLI—I understand that. I apologise. I think you do need to be cautious about having a system which the government would actually lead on. This concept of having deposits come in to the government is tempting because if you look at the unredeemed deposits, even in South Australia, you are probably looking at about \$14-odd million that would come to the EPA. It would certainly cover our costs in running the scheme. But I think at the end of the day what you want is something that achieves good policy outcomes but is delivered at absolute lowest cost and certainly the industry is best at figuring out how to make the thing most efficient.

The CHAIR—Lean.

Mr CIRCELLI—And lean. That is one issue that is an opportunity, but I think, as Mr Merritt pointed out, it is a potential risk as well, depending on whether you have your numbers right and whether the spare cash is actually there or not. So that is an obvious thing that I think needs to be looked at very carefully. Our system is very different. We do regulate the system but we do let the market sort itself out. The handling fee cost, for instance, is not at all regulated. It is one that is managed.

The CHAIR—By negotiation?

Mr CIRCELLI—It is all by negotiation, depending on the product manufacturers and how much is sold, how much is returned. It will depend on whether you are dealing with liquid paperboard or whether you are dealing with glass, because it will go on the amount of containers that are actually returned and, as you can see from that graph, that varies across those different container types.

The CHAIR—Thank you so much.

Mr SCHEFFER—Could we go back to the deposit container loop flow chart, please. You said on a number of occasions, going through, that overlaid over that scheme are other recycling loops, and I understand where it is, but if there are other waste systems going into it, how does that go? They are not subject to a 10c refund.

Mr CIRCELLI—No.

Mr SCHEFFER—So how does all that work? Does it become more complicated than would be ideal? I am saying that in the context of the remark that the chair made earlier that the issue that Victoria faces is that for 35 years you have been developing up this system and we have been developing another zero waste management stream and now, if we were going to seriously entertain the CDL, we would have to build it onto what is already there. You have now got what looks to me to be quite complicated, when you layer in everything else, and then we have to build that into an existing system. Could you just tell us how that works, how many layers are on it—e-waste, furniture, what else?

Mr CIRCELLI—I think what needs to be recognised here is that there are going to be a number of layers here. We are looking at a national TV, e-waste and computer scheme. That is not impacted by this system.

Mr SCHEFFER—Do they use the same collector deposits?

Mr CIRCELLI—Possibly, and I guess that is the point. As Australia starts to adopt common national schemes, we need a network of recovery facilities that can actually do these things. I might let Vaughan comment on how much of this network the e-waste, TVs and computers would utilise.

Mr LEVITZKE—Some collection depots are already involved in e-waste collection. They will strip down computers and other bits and pieces and they will send stuff off for recovery and whatever else, depending on how they think they can make money out of it, but there are not a lot of them doing that yet. The national e-waste scheme, or television and computers scheme, will focus probably nationally on councils to do a lot of the collection, because they do not have the depot systems in other states. That is not saying that depots cannot be involved if they want to be. It is up to them really. It is a business decision that those small businesses need to make.

In terms of the other overlaying systems, of course we have got kerbside recycling. We have a three-bin system here, which is pretty common across metropolitan Melbourne as well. That is pretty much a standard now across the state. The only problem we have is that some waste bins have red bin lids and some have blue.

Mr SCHEFFER—Sorry, I do not want to interrupt your flow, but you have got the kerbside, so where does the kerbside solid waste go if not here? Do you have another system of collectors?

Mr LEVITZKE—Kerbside solid waste is picked up by the normal contractors on behalf of councils, the same as it is in every other state, and it goes off to landfill. The recycling is picked up by another contractor—or usually it is the same contractor—and it is picked up fortnightly from your household driveway and taken away to Visy in this state. They have a monopoly. Visy do all of the manual sorting across the conveyor belts for everything that comes back through kerbside, so they are sorting wine bottles, paper, newspaper, plastics, hard plastics and whatever else. All of that is very much the same as happens in every other state.

Mr SCHEFFER—If they end up getting cans, does Visy then bring it to the system?

Mr LEVITZKE—They do.

Mr SCHEFFER—So you have got two systems running.

Mr LEVITZKE—What will happen is, because the can is worth so much, because every can and every PET bottle that comes through is worth 10c to Visy, they will take that out and sort it separately and that will come back through the system.

Mr TODD—So all those return rate figures that were quoted include the kerbside collection.

Mr SCHEFFER—I see. When you talked about the efficiency, you mentioned that costs are going to decrease over time and I was just wondering—I know this is a really complicated question—how those costs are measured—and you did touch on it—and whether that takes into consideration externalities like this double handling. I am putting words in your mouth, but it seems to me that that is a cost to the system as a whole.

Mr LEVITZKE—You could argue it is a cost to the system, but you can also argue that they are deposits forgone by the consumer. Who benefits? Local government and the materials recovery facility benefit because they can redeem the value of the deposits.

Mr CIRCELLI—The important aspect there is that they are actually still pulling out these more valuable products, which would not necessarily be done in that way in the other states because there is another financial incentive for them.

Mr SCHEFFER—I guess that is my worry. In my opinion now—in 2011, not 1977—you are arbitrarily, by legislation, conferring a value on one product, and a whole lot of others could have a value conferred on them, and so it is all built on that, and personally I am not persuaded that it is a sensible thing for Victoria to do—respecting that it works here.

Mr CIRCELLI—Yes, sure.

Mr LEVITZKE—I think this is the first example, in 1977, of extended producer responsibility where there was an incentive involved. We are still working through issues of extended producer responsibility in the Australian marketplace now with televisions and computers and I am sure tyres and other things will follow. We still need the infrastructure and ways of dealing with these materials.

Mr SCHEFFER—Okay. Thank you.

The CHAIR—Mr Elsbury.

Mr ELSBURY—I have two questions, Madam Chairman. They are quite disparate in their angle. My first question is: with regard to the number of containers that were collected, you said that there were 738 million containers sold, with 593 million recovered. From my estimate, that means that there were \$14,500,000 not recovered. What happens to that money?

Mr CIRCELLI—Good question. It is \$14 million of unredeemed deposits and it is this question about where does the unredeemed deposit go. For instance, if you look at this loop here, the beverage manufacturers have actually negotiated, so if I am a beverage manufacturer and I sell 100 units per year and I give the super collector 100 times 10c—so assuming the super collector is going to have to pay 100 per cent of the returns that come through this system, which the super collector knows will not happen; what is actually happening is that around 80 per cent is actually being returned and so 20 per cent is not—then I would be able to pocket—well, as long as I put the full 10c on the actual price of the product, someone is going to be collecting more money than they should be.

Mr ELSBURY—So the collector is getting fat on top of being able to sell the product that they receive.

Mr CIRCELLI—There is a lot of debate around this. The reality is it is a competitive market. The prices for the products themselves—and I get back to my original point—is not as simple as saying they are going to increase by 10c, because you have the unredeemed deposits, you have market forces, you have supermarket chains, you have demand, you have all sorts of things going into the price of that product. It is not a straightforward question. I would hope the \$14 million goes back into making sure that it is as lean a system as possible, but it is difficult because it really does get into what arrangement each of the beverage manufacturers puts in place with the super collector and, equally, what price they are actually getting for their product. It is a hard one to answer.

Mr ELSBURY—My second question had to do with community bins. You are putting a value on an item and I know when I was a kid Cash A Can was huge over in Victoria. We would go off and collect cans from anywhere we could find them and make an absolute mint, we thought—you know, \$3.80. Bargain! But given that you are putting a value on some rubbish items, do you find that there is an incidence of community bins or public bins being raided and rubbish being just thrown everywhere?

Mr CIRCELLI—No. You might want to comment on this, Vaughan.

Mr LEVITZKE—If you walk around the CBD of Adelaide at lunchtime or whenever, you will see people going around with bags, looking through litter bins, trying to find deposit containers and they will find them, and they are finding quite a lot of them, but they do not tip the bin out on the kerb and sort through it and leave all the rubbish there. I have never, ever, ever seen that happen. There are even people—and I saw one this morning in my neighbourhood. There is this woman who goes around with a shopping trolley and she visits all of the bins in Burnside to pull out containers before the trucks come along and pick them up. Again, she does it very, very carefully and she has even sorted them. The bottom of the trolley is all glass where all the beer bottles are and then she has got PET on top of that and then she has got bags that hang off the side of that.

Mr ELSBURY—Good weight distribution, yes.

Mr LEVITZKE—What I am trying to get at here is that they are pretty careful and it is an established group, if you like, and I am sure that similar happens in Victoria but perhaps not to the same extent, because there would still be people trying to collect the aluminium cans because they are worth scrap metal value and so on.

Ms PENNICUIK—Just following on from that, we saw some photos of things they have in Europe where they have CDL, particularly in Germany. Around public places they have little stands where you can put a can or a bottle so that it is easily picked up by someone else, so if you are a person who does not really care about redeeming the 10c or whatever it is in Europe, someone else can come and pick it up without having to

rummage through things, plus they have shallower bins. I do not know if you have looked at anything like that or if you are aware of that.

Mr LEVITZKE—I think it is a great idea and we are having some discussions with the Adelaide City Council now about bin placement and how they are designed and so on. I would love to see the photos, because they are worried. In general, recycling bins in the public arena are contaminated with everything from hamburgers to whatever other food waste is going. If we could provide other systems which are obvious and see-through and you can see that the containers go there, and make it easier for the scavengers—if that is the right term—then I think that would be a good thing.

The other thing we are looking at is the idea we had the other day of actually having a return point in the mall, right here in the centre of Adelaide, so that if you are in the mall you do not have to take your bags and stuff all over the place to get it to the depot; you can do it locally here.

Mr ELSBURY—Would that be mechanical or manual?

Mr LEVITZKE—The return mechanism?

Mr ELSBURY—The return in the mall. I would suggest that there would not be much vandalism in the mall.

Mr LEVITZKE—No. You could look at either and it really depends on cost and what people are prepared to invest.

Ms PENNICUIK—Just following on from your answer about contamination, I live in an apartment block and what I have noticed in kerbside when I am taking out my bottles or paper to the recycling bin is that there is a whole lot of other rubbish in there that is not recyclable, so there is a lot of contamination even in the recycling bins, and the same with public recycling bins. Bottles and cans might be in there but also McDonald's containers or whatever. I should not mention any particular company, but fast food containers are in there as well. This is leading to my question—and you have touched on it. Does CDL make it possible for there to be less contamination in the recycling stream?

Mr LEVITZKE—Perhaps if I can explain, what happens in the commingled recycling with a lot of the glass going in there is that, when the truck compacts that material, the glass breaks and the glass contaminates the plastic and the paper. In terms of normal contamination of the wrong thing in the wrong bin, we are as guilty in South Australia as anywhere else of that happening, to the extent that we are running campaigns—our Recycle Right campaign. What Tony was saying earlier is you need education, you need the infrastructure, you need systems. It is a many-pronged approach to the waste issue, and container deposit is not going to supplant anything else. but what it does is add to the potential of the system. It adds another capability that you would not normally have.

Ms PENNICUIK—We have heard some people who are sceptical of CDL saying it will result in job losses and yet you are saying that in South Australia there are 1,000 people employed in the system. Where are they employed?

Mr LEVITZKE—I do not know where the job losses would be. All the indications are that we consume as much in terms of beverages as any other Australian population, so we are buying just as much—probably more. Beverage sales seem to be increasing, not decreasing, in ready-to-drink product. The only losses are probably in landfill where fewer people are probably being employed in burying this material, but I would argue that that is more than offset. I think there was a national report which said for every 10,000 tonnes buried in landfill you have about 2.4 jobs but there are 9.8 for every 10,000 tonnes recycled, so if anything I would expect the balance to be on the positive side in terms of container deposit systems.

The CHAIR—Jobs do not just materialise, somebody has to pay for them, so who pays for them?

Mr LEVITZKE—Essentially the handling fee pays for these jobs and, to a certain extent, the unredeemed deposits.

The CHAIR—Coming back to the unredeemed deposits, the scheme proposed in this legislation is that it is ultimately underwritten by the EPA; therefore, one would assume that it substantially exposes the government to uncontrolled costs.

Mr LEVITZKE—Exposes the government?

The CHAIR—Because it is not an industry scheme, as yours is, which obviously would be preferable.

Mr LEVITZKE—I think the closest example of a scheme like that would be California where the government has actually made a lot of money out of running container deposit systems because they charge a levy on recyclability of the material and also other costs are built in. The amount of material, of course, that is consumed in California, which has a population the size of Australia anyway, or more, is quite astonishing, so the government has actually made money out of it.

The CHAIR—You mentioned that obviously you would prefer a national container deposit scheme. Do you believe that that is likely to happen?

Mr CIRCELLI—I guess we have been talking about it for a long time. You are talking to the converted. Our hope is that the emotion goes away from the debate and it is just seen as another policy measure; it is no more, it is no less. A lot of fuss is made over this system, I think quite unnecessarily, and I think if you just take the emotion out of it, it is just another thing we should be doing to complement what we are already doing. It is not a magic bullet.

Mr LEVITZKE—If you look at history, you would say 'unlikely', but having said that, five years ago I would have said it would be unlikely the Northern Territory would implement a system.

The CHAIR—And you have worked closely with them?

Mr LEVITZKE—We have. But whether it is national or state by state, I think if another state does adopt it, there is great merit in doing it in concert and having commonalities across borders.

The CHAIR—Does the Container Deposit Scheme disadvantage people in rural and regional areas who may have to travel, obviously, some distance to redeem their deposits?

Mr LEVITZKE—It will only disadvantage them to the extent that they are so remote, and Victoria I do not think would fall into that category. For example, up on the border in the APY lands, the Aboriginal lands, it has been very difficult over time to get systems in place, but now we have. We have backloading and so on. So I always argue that if you can get the product out to those communities and the trucks are coming back empty, I cannot see any reason why you cannot also be bringing back the containers, particularly if they are presented in an appropriate way.

The CHAIR—I think we have exhausted the questions. If there are any follow-ups, I hope that you will, through our committee secretariat, be able to assist us with any answers as we finalise that report. I would like to thank you very much for your time, for making yourselves so readily available and for your presentation, for which I also thank you in advance.

As mentioned before, you will get the transcript and you will have an opportunity to correct any typographical errors and return it to our committee secretariat. It will become, obviously, public evidence in due course, so thank you so much. We much appreciate all of the information and assistance you have been able to provide.

Mr CIRCELLI—It is our pleasure, Chair. Good luck.

Witnesses withdrew.