

EPA Board Summit 2019

Summary report



The Environment Protection Authority (EPA) Board hosts a summit each year pursuant to section 19 of the *Environment Protection Act 1993*. The purpose of these forums is to assist the Minister and the Board to access the views of interested community, business and environmental groups on matters relating to the Act and to collectively determine pathways for achieving performance improvements from an environmental, social and economic perspective. The summits are also a valuable opportunity to gain feedback from stakeholders on emerging and strategic issues facing South Australia's environment and its management.

Overview

This report summarises the proceedings of the EPA Board Summit, *The next generation CDS*, held on 21 May 2019 at the Hilton Hotel, Adelaide.

The theme for this year's summit was chosen to identify where improvements in the administration and operation of the SA Container Deposit Scheme (CDS) can be introduced to make the scheme more effective, efficient and transparent, and to strengthen its contribution to a circular economy.

The summit is part of the government's review of the SA CDS, initiated in January 2019.

The choice of summit theme was a result of feedback from the CDS Review scoping consultation that identified governance as one of the top three issues for review.

The summit provided the opportunity to discuss options for modernising the next generation CDS in SA with key industry and community stakeholders, and with interstate CDS jurisdictions.

As it focused on collecting ideas from those involved in administering the SA CDS, a majority of attendees were from industry. Key environmental and community groups including the Youth Environment Council also attended. The summit participants provided insight as to whether the governance arrangements should be reformed and if so, what would be the new arrangements.

What happened at the summit

A total of 41 delegates, five Board members, the Minister for Environment and Water, and leaders from other CDS jurisdictions participated in the event, which included representatives from across government, industry and community groups, supported by EPA staff.

The summit was informed by two expert panels. The first with NSW and QLD government representatives, spoke on their recently commenced CDS in NSW and QLD respectively followed by question and answer. The second panel comprised four members of the SA CDS Review Reference Group representing the views of local government, NGOs, collection depots, super collectors, retailers and manufacturers.

There was dynamic and positive discussion that resulted with the key themes as summarised.

1 Broad support from participants for a review of administration and operation of the SA CDS to realise opportunities in the following areas:

- Increase the contribution of CDS to resource recovery and a circular economy.
- Continue to achieve the CDS's litter reduction objective.
- Further embed product stewardship obligations.
- Build on the unique historic attributes of the SA CDS that have helped establish and maintain its enduring success.
- Build on community support and participation in the scheme.
- Maintain SA's reputation as a world leader in resource recovery.

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2 Value of lessons learnt about administration and operation from other CDS jurisdictions was highlighted by panel members:

- The scheme is managed by a single coordinator in New South Wales, Queensland and the ACT. This has also been proposed for Western Australia when the scheme commences in 2020.
- The advantage of a single scheme coordinator is attaining improved efficiencies of locations for collection point, reporting, invoicing, registration, auditing consistent handling fee, education and better communication to community.
- Providing for a formal scheme coordinator role can enable an improved level of independence and transparency for industry participants.

3 Participants agreed on the need to acknowledge and build on the historic success of the SA scheme:

- The high community support for CDS was noted and reforms are to retain and support the elements of the scheme that work well in SA.
- Reforms for example should support collection depots that operate around the state and provide recycling services that are broader than CDS, and these services are to be retained and improved.

4 Participants welcomed opportunities for a harmonised approach across the country for CDS elements such as:

- refund amount
- refund marking
- scope of containers
- approvals of containers.

The Summit was advised that the Heads of EPA National Waste Working Group has started discussing options and opportunities for harmonising.

5 Participants agreed on the importance of continued conversation with industry and community:

- There was agreement by delegates that the review of CDS in SA needs to continue in partnership with industry and community.
- The EPA emphasised the evidence-based approach to modernising the CDS, which will rely on working closely together with participants in the CDS and undertaking research into world's best practice.

Next steps

- Summit participants will be surveyed for their feedback on the summit.
- The EPA to consider outcomes from the summit on options to improve the SA CDS administration and operation for further discussion with stakeholders.
- The SA government to decide on what reforms:
 - will be included in the CDS Review discussion paper
 - will require more research before proposed reforms are consulted
 - could also be better pursued on a national level.
- The EPA to undertake investigations and additional research to inform decision making.
- Discussion paper to be released for consultation late in 2019.
- National discussions to continue through the HEPA Waste Working Group.

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Panel 1 – CDS in NSW & QLD and Q&A

Panel speakers

Kylie Hughes

The first panel presentation was provided by Kylie Hughes, Director Office of Resource Recovery, Queensland Department of Environment and Science.

She presented on experiences from Queensland's container refund scheme and provided an explanation of the context for the introduction of CDS, a snapshot of the scheme development, an outline of the key elements of the scheme, an explanation of the governance arrangements and concluded by reflecting on the first six months of operation. A copy of the presentation is provided in Attachment 1.

Alex Young

The second panel presentation was provided by Alex Young, Director CDS Policy and Compliance, New South Wales Environment Protection Authority.

Alex presented on the governance arrangements in the container refund scheme Return and Earn, and reflected on the success of the NSW CDS since commencement in November 2017. He also provided information on the lessons learnt so far and opportunities on the horizon. A copy of the presentation is provided as Attachment 2.

Sarah McEvoy

Sarah McEvoy, Executive Director Strategic Policy, Western Australia Department of Water and Environmental Regulation, also joined the panel discussion to discuss the proposed new WA CDS to commence in 2020.

Panel 2 – Discussion

Members of the CDS Review Reference Group – Perspectives on governance issues & opportunities

Panel speakers

Emily Heywood-Smith

Emily Heywood-Smith, Senior Policy Officer, Local Government Association, represented the Local Government Association, local government and NGOs. Her presentation outlined the following key points:

- CDS review needs to be in context of the recycling industry transition underway in Australia and in South Australia.
- This context makes it crucial to clarify the objectives of the scheme.
- SA CDS buffers SA from the worst of the impacts that occur in other states and underpins viability of our kerbside recycling system.
- Other states have strong focus on litter reduction, while SA has moved towards resource recovery as an objective.
- Opportunity to consider expanding the scheme and further cement the CDS's role as a vital pillar in our recycling system.
- Resource recovery for its own sake is not enough – we need the materials to actually be recycled.
- Resource recovery should not be viewed as an end in itself and we need increased scrutiny of what happens to resources following recovery.
- Australian Packaging Covenant Organisation (APCO) Material Flow work has highlighted the fact that high return rates do not necessarily translate into high recycling rates.
- It is time for the scheme to include obligations on manufacturers to make sure things are recycled.
- Objectives should be focused on moving towards a circular economy by increasing recovery of materials that are part of the local circular economy (eg glass).

- Strong public support for CDS continues but we need to know more about why this is the case.
- Need further consideration of economic and environmental costs and benefits.
- Resource recovery efforts should be focused on materials that are, or are likely to be, re-processed within Australia and benefit Australian businesses.
- Need to clarify the benefits of CDS in comparison to the kerbside yellow bin system, which materials are better recovered and in which way.
- Local government sector considers glass should be recovered via CDS.
- CDS should work like a true product stewardship system where the cost of disposal is built into the price of the product because this will impact consumer behaviour.
- The question should be – how can CDS best support our move towards a more circular economy.

John Phillips OAM

John Phillips OAM, Executive Director of iconic environmental sustainability education NGO KESAB representing collection depots. His presentation outlined the following key points:

- Scope of containers in CDS often based on legacy of original litter reduction objective.
- Harmonisation required between states (especially deposit value consistency and labelling).
- Recognise that collection depots are not just CDS depots – receive other recyclable material (non-deposit).
- Opportunity to build on strength of SA's system.
- Require recycled content from scheme back in beverage containers (track and report).
- Seeking a stronger Act and Regulations dealing with all aspects of the scheme.
- Depot training/work health safety required.
- Depot/MRF upgrades and modernisation required.
- Technology – improve use and modernise.

- Shop fronts – retain where possible.
- Provide adequate collection depot officer training.
- Support education, community guidance, depots retail/stewardship.
- Strengthen and influence/educate community engagement.

Jeff Maguire

Jeff Maguire. Group Head of CDS Implementation and Packaging Sustainability, Coca Cola Amatil, representing super collectors. His presentation outlined the following key points:

CDS Scheme

- 42 years in SA
- SA has the highest rate of container collection in Australia – SA CDS is one of the three best in the world.
- Out of the 50 schemes in the world, 70% of systems have beverage manufacturers as system coordinators.

Key opportunities that can be addressed by reform of SA CDS governance

- One super collector/single scheme coordinator.
- Ease of administration.
- Recognise existing infrastructure and investments.
- Holistic recycling regime – integrated IT platform.
- Chain of custody – better transparency.
- Promote and advertise the scheme – brand the scheme.
- Need national harmonisation.
- MRF Protocol change needed
- Pay by count, not weight.
- Standardised contracts and fees for all participants.
- Manufacturers should have a single national contract, point of entry.
- Single national registration/approval of containers needed.

CDS Review opportunities

- Increase technology for payment options (other than cash) and consumer ease, review hours of operation.
- Common brand across Australia to promote the scheme.
- Remove scope confusion.

CDS Review Challenges

- Is labelling relevant in a national scheme?
- Export protocols need to be in legislation.
- Collection point operators – need to recognise their investments and infrastructure.
- Need free access to the market for operators.
- Further minimise splits of container sorting.
- Provide adequate time for reform and implementation ('if you think you have enough time you don't').
- Planning issues will come up with changes and need to embrace planning issues .

Barry Cosier

Barry Cosier, Director Sustainability, Australian Food and Grocery Council, representing retailers and manufacturers. His presentation concurred with previous points raised by panel members and also outlined the following key points:

Modernisation

- SA CDS is a good scheme and performs well but could modernise.
- Technology
 - RVMS
 - payment options
 - sorting equipment.
- Transparency and traceability – driven by community/media pressure that collected materials are actually recycled, changes to Basel Convention relating to traceability, Modern Slavery Act reporting requirements for councils, processors, brand owners.

Clarify the aims of the scheme

- SA has stated the scheme aim has broadened to resource recovery as well as litter reduction
- Recommended focus on:
 - recycling rates not recovery rates – national packaging targets are recycling rate targets not recovery rates, ie CDS schemes should align.
 - understanding processing capacity constraints – no benefit collecting additional/new containers if recycling rates do not increase (ie negative cost–benefit outcome for consumers, unnecessary inflationary impact)
 - the most effective and efficient way to increase recycling rates including CDS, kerbside and/or processing.

Harmonisation opportunities

- Increased efficiency = lower cost to community = lower inflationary impact.
- Recommended areas to harmonise/centralise:
 - aim of scheme – currently not aligned across jurisdictions
 - rules & regulations – first supplier definition, MRF protocols, export protocols
 - deposit rate
 - scheme product range
 - single national product database
 - scheme management, auditing, accounting, invoicing
 - marketing of collected materials.
- States retain operational control including community contact and scheme audit.
- Any reform or change must be evidence based including impacts on the recycling rate:
 - for example, does OI have capacity for more glass nationally? Will the glass supplied by the state CDS schemes meet or exceed OI capacity?

Joint Government & Industry Review

- Support joint government and industry working group on harmonisation.
- Don't rush review. 'Hasten slowly'.

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Attachment 1 Presentation on experiences from Queensland's container refund scheme

Experiences from Queensland's Container Refund Scheme



Kylie Hughes – Director
Office of Resource Recovery
Department of Environment
and Science

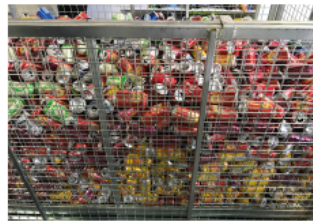
Context for the scheme

1. Queensland's recycling rate ~45%
2. Consistently one of the most littered states
3. About one quarter of the population has no access to recycling services
 - Not only a large state, but four island council areas and many inhabited islands
4. Challenges:
 - Long transport distances; small volumes of materials; some areas inaccessible during wet season
5. Opportunities:
 - Provides the ability for people to recycle in remote areas; social and community benefits; new jobs; environmental benefits; innovative local solutions; clean stream of material; new processing and manufacturing investment



Overview

1. Context for the introduction of a container refund scheme
2. Snapshot of scheme development
3. Key elements
 - Similarities with other schemes
 - Where the differences start
4. Governance
5. Reflections



Snapshot of development

- **June 2015:** investigation into the feasibility of introducing a Container Deposit Scheme in Queensland
- **June 2016:** Government announced the introduction of a Container Refund Scheme
- **November 2016:** Discussion paper on implementation (over 2600 submissions)
- **June 2017:** Legislation introduced in Parliament
- **September 2017:** Legislation passed
- **November 2017:** Product Responsibility Organisation appointed (conditional)
- **October 2018:** Regulation made
- **1 November 2018:** Scheme commenced
 - Extensive stakeholder and community engagement throughout the process



Similarities with other schemes (remove)

	Qld	ACT	NSW	NT	SA
Legislated scheme	Y	Y	Y	Y	Y
Scheme coordinator	1 (CoEx)	1 (EfC)	1 (EfC)	multiple	Super collectors
Refund amount	10c	10c	10c	10c	10c
Refund mark	Y	Y	Y	Y	Y
Eligible	150ml-3L	150ml-3L	150ml-3L	<3L	<3L
Excluded	Plain milk, wine and pure spirits in glass bottles, >1L pure juice and flavoured milk	Plain milk, wine and pure spirits in glass bottles, >1L pure juice and flavoured milk	Plain milk, wine and pure spirits in glass bottles, >1L pure juice and flavoured milk	Plain milk, wine and pure spirits in glass bottles, >1L pure juice and flavoured milk	Plain milk, wine and pure spirits in glass bottles, >1L pure juice and flavoured milk

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Queensland's container refund scheme

- Five legislated scheme objectives – no particular order
- One 'scheme coordinator': Product Responsibility Organisation. Must be an 'eligible company'
- Legislated role and functions :
 - Must be a not-for-profit company (CoEx)
 - Must have a Constitution that at all times requires a Board of 9 directors and includes information about the way the chair and directors are appointed and removed
- No Network Operator level – PRO has oversight over all aspects of the scheme
 - Must establish CRPs – and run – until a suitable operator is identified in an area
 - 5 ABS zones and 14 regions – must be at least 1 CRP in a town with 500 or more people (ensures reasonable access for regional and remote)



Queensland's container refund scheme

- Legislated by regulation:
 - minimum CRP accessibility
 - container recovery target
 - 50:50 recovery amount sharing arrangement between MRF operators and Local Governments and payment terms to 30 June unless CoEx has been notified that an agreement is in place prior – standard term for the MRA
 - The requirements for the refund mark – not the specific words
- Variety of different container refund point operations and CRP opening hours are not legislated
- Auction portal – provides audit trail for CRS containers sold for recycling



Governance arrangements

- CoEx:
 - is not a government body nor a statutory authority
 - is appointed by the Minister
 - apply to the Minister to amend the appointment – including any condition of appointment
- Appointment continues in force until it is cancelled.
- The Minister may refuse the application – and provide an information notice for the decision.
- Governance tools:
 - Ministerial direction
 - Amend the appointment (Minister initiated)
 - Suspend or cancel appointment and appoint an administrator to take over the functions of the PRO (not CoEx). Existing contracts are able to continue.
- Process for taking action though show cause and compliance notices

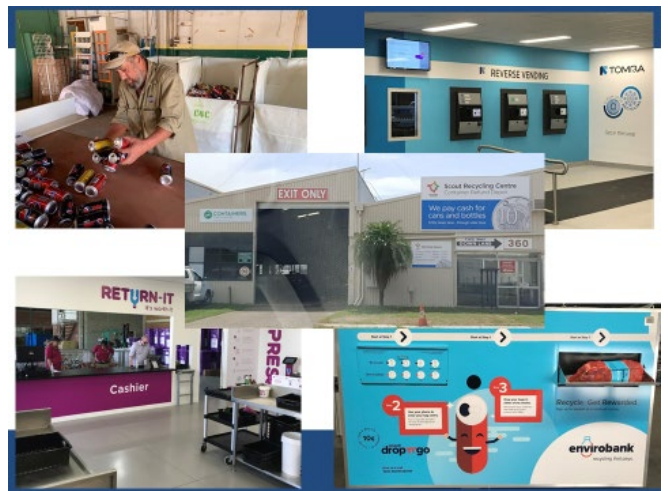
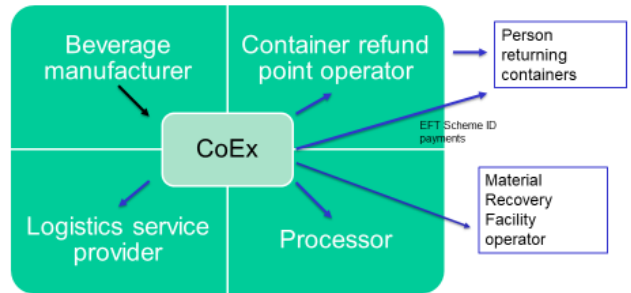


Reporting arrangements

- PRO required to give to the Minister:
 - An annual budget of estimated costs for the next financial year
 - A strategic plan
 - An operational plan
- Strategic plan to be approved by the Minister – has no effect until approved.
- Quarterly report – given 6 weeks after the end of the quarter
- Annual report – given by 30 September each year
- Required to inform the Minister about any matter the PRO considers may prevent its achievement of the objectives of its plans or the scheme or that significantly impact on for example, public confidence in the integrity of the scheme.
- Minister may also require the PRO to report to the chief executive (Director-General) for the purpose of monitoring and assessing the PROs performance. PRO must comply.



3. How the money flows



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4. Reflections six months on

1. April 2019 – six month anniversary
 - Exceeded forecast projections for container returns
 - Over 270 CRPs across the State
 - More than 630 jobs created
 - Charity and community group participation
2. So in reflection we ask three questions:
 - Are there lessons to be learnt?
 - Is everything working well?
 - Is there anything that we would do differently?



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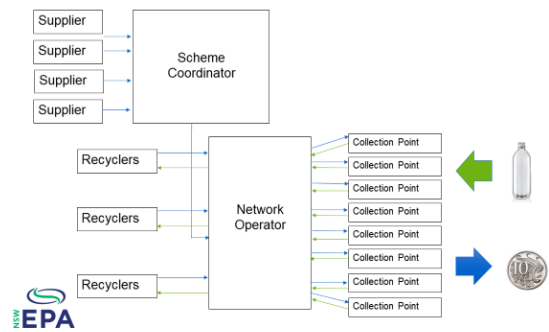
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Attachment 2 Presentation on New South Wales container refund scheme, Return and Earn



An innovative, forward-thinking design



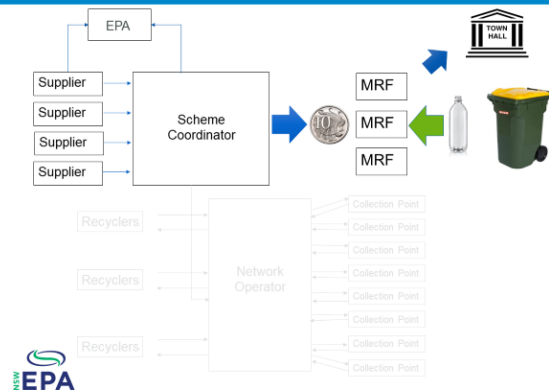
Return and Earn solving the litter problem ...



- Primary objective:**
- Reduce the volume of container litter in NSW
- Secondary objective:**
- Recycle collected containers
- Context:**
- Drink containers made up 49% of all litter volume in NSW
 - Premier's Priority to reduce litter volume by 40% by 2020 (based on 2013/14)



Complements kerbside and recovers costs



NSW design objectives/constraints

Convenient state-wide access

An incentive to participate

Complement kerbside

Cost efficiency

Producer responsibility
No cost to Government

Geographic constraints



A structure that aligns incentives

- Scheme Coordinator**
- Large beverage suppliers interests are to:
 - keep costs down (they are the ones paying the most...)
 - Ensure their competitors also pay
 - Ensure there are no free riders
 - Police the scheme for fraudulent behaviour
 - Minimise administrative costs
- Network Operator**
- Paid per container collected...
 - Maximise the number of containers collected
 - Make collection points convenient
 - Provide a positive customer experience so they come back
 - Minimise logistics costs
 - Maximise the value of recovered materials



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Exclusive arrangements delivering benefits

- Scheme Coordinator:**
- Single administration cost (set during tender process)
 - Single invoicing system/ No need for splitting costs by brand
 - Single source for audits/verification (no gaps or double work)
 - Single source for performance reporting
- Network Operator**
- De-risk infrastructure investment = capital intensive RVMs
 - Hotelling's law (socially optimal return point distribution)
 - Incentive to go beyond minimum community access targets
 - Single customer experience – single marketing message
 - Single real-time, data-rich, high-tech system for:
 - Minimising fraud
 - Managing performance
 - Communicating with the community



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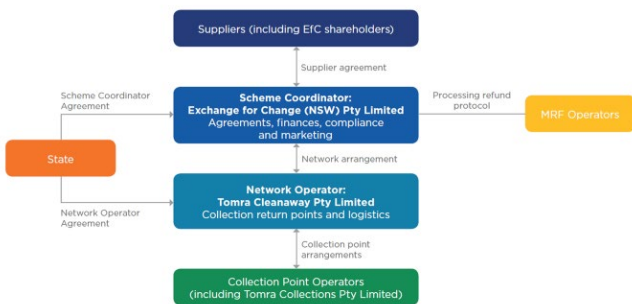
Roles and Responsibilities

<p>Scheme Coordinator (Exchange for Change)</p> <ul style="list-style-type: none"> • Supplier Arrangements • Financial management <ul style="list-style-type: none"> ◦ Supplier invoicing ◦ MRF payments ◦ Netwk Op payments • Marketing scheme • Auditing all participants 	<p>State (NSW EPA)</p> <ul style="list-style-type: none"> • Container approvals • Refund mark • MRF protocol/ Container factor • Scope of containers • Compliance: <ul style="list-style-type: none"> ◦ Suppliers ◦ Containers ◦ Refunds ◦ Recycling 	<p>Network Operator (Tomra Cleanaway)</p> <ul style="list-style-type: none"> • Community access targets • Collection point network • Customer experience • Payment of refunds • Logistics • Recycling containers
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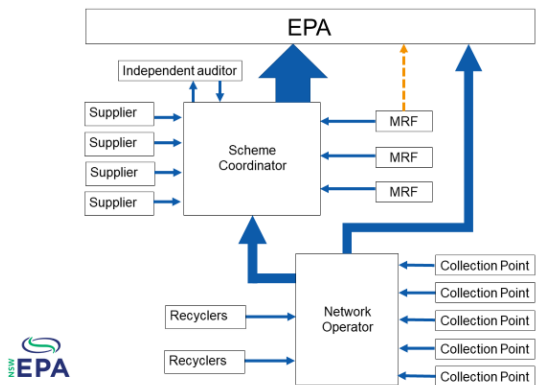
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Robust commercial arrangements



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Audit, Verification and Reporting



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Commercial contracts deliver performance outcomes

- Competitive tender process:**
- Highly competitive – no party was guaranteed to get the job
 - Reverse tender – tested market to get the best value solution
 - Provided state with a strong negotiating position to allocate and price risks
- Commercial contracts are time-bound**
- Specified roles and responsibilities
 - Performance regimes
 - Penalty provisions
 - Capacity to negotiate changes through commercial agreement
 - Don't rely on "breach of contract" to incentivise performance
- Govt oversight of upstream and downstream contracts**
- Contracts with suppliers and collection point operators are vetted by the state to ensure key risks are held by the SC and NO and not passed down onto smaller players.



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Achievements – A large collection network

319 RVMs

24 Automated Depots

282 Over The Counter

Zone	Count	Original Target
Zone 1	42	35
Zone 2	29	17
Zone 3	19	15
Zone 4	25	17
Zone 5	33	33
Zone 6	22	17
Zone 7	478	402
Zone X: Actual	(Original Target)	

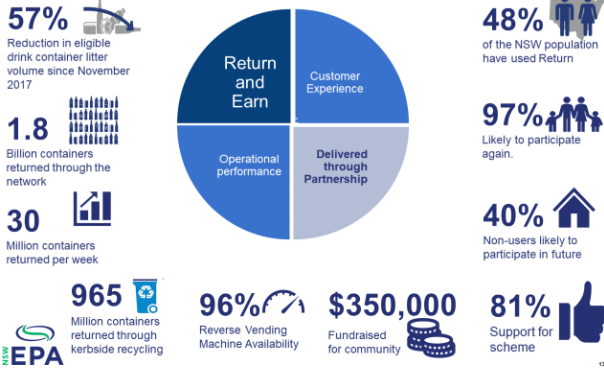
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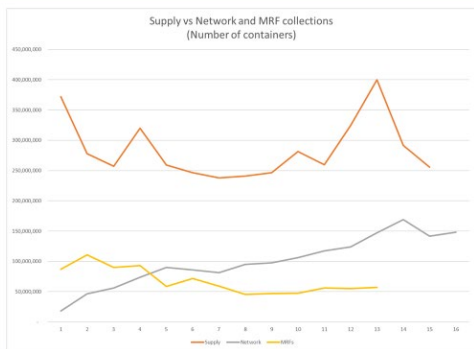
A resounding success!



Lessons learned so far...

- Deploying infrastructure takes time (4 months is not enough!)
 - o Lack of return points + initial high beverage price = rocky start
- Focus on equity and transparency of scheme costs = short term price volatility for suppliers
- China Sword added complexity to the negotiation of refund sharing arrangements
- + Aligning scheme structure with natural incentives has delivered performance beyond minimum requirements
- + Don't assume the scheme will run itself. Good performance requires good contract management
- + RVMs are an effective solution:
 - o High-volume on a small footprint
 - o Can be co-located at convenient retail locations
 - o Generate real time data for network management, customer interaction and verification

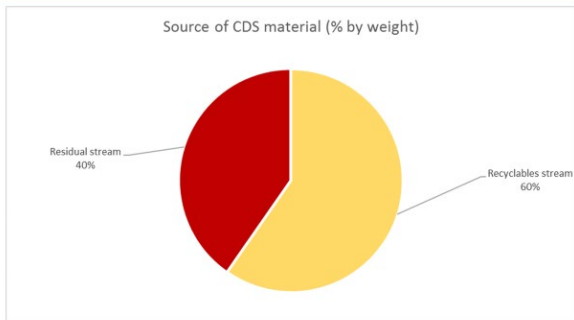
Collection performance



... and opportunities on the horizon

- Harmonisation with other schemes
- Network optimisation
 - o Filling gaps in the network
 - o Shift in return point mix – fewer OTCs, more ADs
 - o Introduce flexible return arrangements for regional NSW to increase access
- Beverage Market stability – reducing price volatility, admin burden and impacts on competition in the beverage industry (IPART Recommendations)

But is capturing more than just kerbside



Estimates based on Network collections from Jun-Nov 2018 compared to MRF comingled processed from the same period in 2017 prior to the commencement of Return and Earn.