



Australian  
**Retailers**  
Association

## **ARA POSITION ON CONTAINER DEPOSIT SCHEMES**

**February 2017**

### **About the ARA:**

The Australian Retailers Association (ARA) offers support, information and representation to over 7,500 retailers across the nation, representing more than 50,000 shopfronts. The ARA ensures the long-term viability and position of the retail sector as a leading contributor to Australia's economy.

Members of the ARA include Australia's most trusted retailers, from the country's largest department stores and supermarkets, to specialty retail, electronics, food and convenience chains, to mum-and-dad operators.

### **Background – Preserving consumer choice:**

The ARA does not believe that a Container Deposit Scheme (Scheme) is an effective method of reducing litter and increasing recycling participation. The ARA's observation of the impact of the recently-introduced Scheme in New South Wales (NSW) as well as existing schemes in South Australia and the Northern Territory, has highlighted the regulatory and administrative burden faced by business and cost of living increases faced by consumers.

With millions of customers conducting their weekly shop, any Scheme will have a material cost of living impact on individual consumers. As such, the ARA does not support the introduction of measures which could potentially deny consumers choice or disadvantage low-income individuals or small businesses.

Notwithstanding, various State and Territory governments are introducing Schemes during 2018/9. Thus, the ARA is prioritising an approach which minimises the impacts on retailers and consumers and ensures efficiency and consistency between jurisdictions.

The ARA is concerned that Schemes may unfairly impact on consumers and retailers, whilst providing minimal positive environmental impacts. Imposing what is effectively a beverage



tax unfairly punishes the vast majority of consumers who already do the right thing and recycle their containers. Most states already operate well-established and highly efficient recycling schemes, as well as advanced environmental programs. Schemes as they stand will do little to build on this, with little evidence that recycling rates will improve.

To illustrate this point, under the current design of most Schemes, an individual can receive a maximum return of just \$10 for depositing 100 containers, for example. The ARA is firmly of the view that Schemes provide minimal incentives to encourage most consumers to go out of their way to return containers, other than when convenient. Furthermore, the ARA has concerns about the accessibility of Schemes, which are not practical or viable for most, especially for those with mobility issues, the elderly, and the disadvantaged. These groups must bear the costs of the beverage tax, while standing to receive little benefit from Schemes as they stand.

Several other factors should be considered in determining the impact of Schemes on consumers:

- Storage space for an economic quantity of returnable containers;
- Lids not being recyclable;
- Increase in water usage due to rinsing of containers, and associated increase in water bills for consumers;
- Vermin control;
- Fuel, time and carbon costs associated with delivery to recycling points.

The ARA submits that governments should instead build on the current recycling system by making recycling easier, not harder. *The Conversation* notes that in participating in Schemes, individuals must waste water to re-wash their containers, and transport their containers to the nearest recycling point, which is carbon intensive<sup>1</sup>. Moreover, Schemes were initially designed and implemented before Australia's current, sophisticated recycling system was introduced.

The ARA believes that the funding used to implement Schemes could better be allocated to initiatives including public education campaigns, which will benefit consumers and the environment without imposing unnecessary costs, and increased recycling infrastructure.

These options are a priority for retailers and consumers, who value efforts to reduce litter and benefit the environment which will achieve outcomes. The ARA is concerned that the Scheme as it stands focuses only on end-use and fails to address the most pressing problems contributing to environmental waste, including packaging design, efficient production,

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<sup>1</sup> Gross, D, Toscano, M & Carter, P 2013, 'Container deposit laws past their use-by date' article, *The Conversation*.





addressing behaviours towards litter and recycling, and building better waste disposal and recycling infrastructure.

### **Cost Impacts:**

The ARA is concerned about the associated cost effects that Schemes will have on retailers, especially small and independent convenience stores and supermarkets. The retail industry is highly sensitive to additional cost pressures and changes in consumer spending, especially as a result of direct intervention by governments.

Food retailing relies on a high volume and low margin business model. Consequently, small and independent retailers, which lack market power and economies of scale, will not be able to absorb cost increases associated with any Scheme. The ARA expects these retailers to raise the prices of Scheme-linked products to compensate. The majority of these retailers are located in smaller, localised communities, and consumers in these communities already pay higher prices than those in metropolitan areas - any price increases will hit harder, especially for low-income earners.

The ARA notes that certain product categories involved in Schemes will see a decrease in demand. As an example, bulk packs of drinks such as a carton of 24 cola cans, will see a disproportionate price rise. Not only is this inclusive of the refund and administrative costs – consumers will also pay higher amounts due to GST's application on the higher price.

- In NSW, the recently introduced Scheme saw price rises in the price of drinks sold in bottles, cans and PET increase by at least \$3.50 per carton of 24 initially<sup>2</sup>.

Low income earners may prefer to buy products in bulk to minimise their costs and face a material effect from the price rises associated with Schemes. Additionally, reductions in demand will have flow-on effects to retailers and lost revenue may ultimately be absorbed into price increases across other, non-Scheme product categories. This may also lead to a decrease in choice for consumers.

### **Operation and Access:**

The ARA is advocating for governments to ensure handling fees, administrative costs, and increases to recycling fees are transparent, and kept to a minimum, to minimise the impact on consumers and retailers. Fees should also be kept consistent, to minimise variations which cause uncertainty for retailers, suppliers and manufacturers.

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<sup>2</sup> NSW Liquor Stores Association 2017, 'NSW Container Deposit Scheme: LSA launches key communication materials for liquor retailers' media release.





The ARA is supportive of an approach which allows access to Scheme participation for all retailers. Governments should be conscious to ensure larger retailers cannot dominate Schemes to the detriment of smaller, independent stores. Small retailers should have an option to participate and provide refund point facilities, however no retailer should be *obligated* to participate in Schemes. This should be determined at the discretion of the individual business. As many retailers operate in Shopping Centres or do not own their own premises, they do not exercise decision-making capacity over the provision of collection points, car parking, and Reverse Vending Machines (RVM). Moreover, should a small retailer wish to operate a RVM, costs should be kept to a minimum, and retailers should be permitted to negotiate fees with the Scheme operator.

The ARA is also advocating for a transparent approach to Scheme costs, recycling and deposit percentages, and administration costs. This is an important accountability measure which will ensure that the community and retailers can assess the effectiveness of Schemes against the increased costs they will bear as a result. Retailers should be given clear guidance which outlines the entities responsible for ensuring Scheme and legislative compliance. This was a key issue for stakeholders involved in the NSW scheme; other governments should consult with industry when finalising guidance.

### **Implementation and Education:**

The ARA recommends a transitional period of two years as the preferred option for retailers and consumers to adjust to any Scheme. The rushed implementation of the NSW Scheme caused major headaches for consumers and businesses alike, as the NSW Government left little time to finalise details before implementation.

A consistent approach to Schemes is vital to retailers and consumers, in order to minimise costs and confusion. This includes barcodes and container markings, eligible and non-eligible container types, and processes for registering products. This will avoid conflicting regulations for consumers, manufacturers and retailers.

This is important for small and independent retailers who may wish to exercise the option to participate in Schemes. The majority of small retailers are local and will not have previously operated under Schemes. Small retailers also lack the resource capacity and expertise to roll out and manage a Scheme in a short timeframe. Thus, the ARA advocates for a two-year transitional period, centred on education and access.

Governments should prioritise education for consumers and retailers about Schemes prior to, and during implementation of, a Scheme. Governments should collaborate and consult with industry on communication strategies, to ensure that clear, appropriate guidance is given well





in advance of implementation. The ARA is happy to work with all governments on developing communications and guidance material.

**The ARA notes that when promoting Schemes, governments should make it clear that price increases on beverages are due to a Scheme's implementation and are not a revenue measure instigated by retailers.**

### **Conclusion:**

The ARA will continue to support an education-based approach to recycling and reducing litter's impact on the environment, rather than a legislative approach. Providing consumers with choice and information about the options available to them has already delivered positive outcomes for the environment, and major retailers remain committed to assisting their customers with this approach.

The ARA is grateful for the opportunity to represent retailers' concerns around this issue.

Kind regards,



Heath Michael

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Australian Retailers Association

