

Container beverage prices increase in line with scheme costs

The Independent Pricing and Regulatory Tribunal (IPART) has found that the price of container beverages increased in line with the costs of the NSW Return and Earn container deposit scheme (CDS) which commenced last December.

IPART Chair, Dr Peter Boxall, said while price increases to date are in line with or less than the estimated 'direct' costs of the scheme, the findings are preliminary as the full impact of the CDS on prices and competition may not be apparent at this early stage.

IPART will continue monitoring and will produce a draft report for comment in September, before presenting a final report to the Premier in December.

Return and Earn provides a 10-cent refund per container to consumers who return empty eligible beverage containers to designated collection points.

IPART has found that, on average:

- ▼ Soft drinks and water prices were around 10 to 14 cents per container higher in December to February, and fruit juice prices were around 6 cents per container higher in January and February.
- ▼ Beer prices were around 2 to 3 cents per container higher in December 2017 and January 2018 increasing to around 6 cents per container higher in February 2018, and cider prices were up to 7 cents per container higher in February 2018.

The estimated average direct cost of the scheme for non-alcoholic and alcoholic beverages was around 12 to 15 cents per container including GST over the first three months of the scheme.

Dr Boxall said it is too early to conclude on the extent of the scheme's impact on consumer behaviour or competition, but issues are emerging for some businesses that have the potential to restrict competition. These include cross-border issues, the scheme costs and payment terms.

"The CDS creates a potential price differential wherever it is convenient for consumers to purchase container beverages in an adjacent state that does not have a similar scheme," Dr Boxall said.

"This means that retailers such as those located close to NSW's border in the Albury Wodonga area may face a competitive disadvantage.

"We also found that the scheme's \$80 container approval fee means that businesses that supply a wide range of different container beverages in small volumes have incurred higher costs than those that supply large volumes of a small number of products.

“We are also concerned that requiring suppliers to pay in advance with 7 day payment terms is placing cash flow pressure on businesses, particularly small businesses and boutique beverage suppliers.”

Dr Boxall said IPART has received considerable feedback on these issues and identified several possible options to address them, including increasing payment terms to 30 days and financial assistance to businesses experiencing financial hardship due to the scheme.

“We are particularly interested to hear the views of stakeholders on these issues and seek their views about which option best balances the costs and benefits to consumers, businesses and taxpayers,” Dr Boxall said.

A full copy of the progress report is available on IPART’s website. Submissions close 8 June 2018 and will be followed by public hearings in Sydney and Albury in October 2018.