

1 November 2018

IPART
NSW Container Deposit Scheme
Monitoring the impacts on container beverage prices and competition
Coca-Cola Amatil Submission

Thank you for the opportunity to provide comments on IPART's Draft Report on the NSW Container Deposit Scheme (CDS) and subsequent discussion in the public hearing held in Sydney on Tuesday 23 October 2018.

Coca-Cola Amatil would like to elaborate on two themes discussed in the public hearing:

1. Transparency; and
2. Simplification.

Transparency is essential for the NSW CDS to be trusted by consumers and Scheme participants and be effective in achieving the objectives of the Scheme.

Simplicity ensures that consumers are not burdened with paying the cost of overly complicated administrative and compliance systems.

Together, transparency and simplicity create positive sentiments from industry, government, consumers and the community so the focus can be on delivering the important objectives of waste collection and recycling.

Coca-Cola Amatil supports the payment in arrears model presented by Exchange for Change in the IPART public hearing on 23 October in Sydney. This model builds on the recommendations in IPART's Draft Report in relation to moving from in advance to in arrears payments and improving payment terms for Suppliers. The current system of in advance payments based on assumptions and subsequent "true-up" is complicated and adds unnecessary compliance costs to the Scheme.

From a Supplier perspective, the Exchange for Change Cost/Revenue model has a number of benefits including:

- Confirmation of fixed Scheme costs for the quarter ahead supports Supplier forecasting and planning processes;
- Stability of Scheme costs –the Cost/Revenue model could allow a single fixed price for up to 12 months and would address the current complications with the true-up process that prohibits forecast and planning and creates an unpredictable cycle of costs, refunds and charges passed through to customers and consumers;
- Simplified accounting and improved processing of payments with more time to prepare for payments than currently exists under the seven-day payment terms; and

- Simplifying the cost structure from Exchange for Change, which currently requires subject matter expertise far beyond the expectations of a traditional accounts payable associate.

Transparency of costs provides better ability to track consumer costs as close as possible to Scheme costs over an annual basis.

Transparency would be further improved if the Network Operator’s costs were made available to Suppliers in the Exchange for Change Annual Statement. Currently this is the only data that is not made publicly available and it is important for Suppliers to know that our payments to Exchange for Change reflect the true costs of the Scheme.

We welcome the suggestions of IPART regarding EPA costs and would like to see more information about the Network Operator business model and whether their revenue is reasonably reflective of the costs they incur.

The IPART public hearing included a discussion on harmonisation of the various state container deposit and refund schemes in Australia as by 2020 there will be schemes right across Australia, with the exception of Victoria and Tasmania.

Collectively, we have ensured that the consumer facing aspects of these various state schemes are harmonised, which is important for consumer behaviour, but there are differences between the NSW and Queensland schemes as demonstrated in the table below.

	NSW	QLD
Terminology	<ul style="list-style-type: none"> • CDS – Container Deposit Scheme • First Supplier • Scheme Coordinator + Network Operator • Collection Point 	<ul style="list-style-type: none"> • CRS – Container Refund Scheme • Manufacturer • Product Responsibility Operator (PRO) • Refund Point
Scheme	<ul style="list-style-type: none"> • Scheme Coordinator is “for profit” • Containers must be registered every five years • First Supplier pays upfront and seven-day payment terms 	<ul style="list-style-type: none"> • PRO is a “not for profit” organisation • Recognises containers registered in other states • Manufacturer pays in arrears and five-day payment terms

Now that each state has worked with varying degrees of collaboration across their state borders, there is an opportunity to improve harmonisation of the Schemes across the nation, including:

- Creating a single national container registration cost and database, providing a single source of the truth for all eligible containers. The vast majority of container volume is supplied in nationally ranged SKUs. It makes sense that a national database of eligible containers is established to ensure an efficient scheme. Entities such as GS1 could potentially administer such a database or otherwise one of the states could own the responsibility for the nation. Queensland has already agreed to mutually recognise registrations in other states, which is the first step to this layer of harmonisation;
- Creating consistent definitions for the “first supplier” or “manufacturer” for contract-manufactured products, which might require legislative amendments. Currently, the same registered container could be supplied by a different “first supplier” throughout the year due to capacity. The risk of non-harmonisation is that container declarations are complicated and have the potential to be under or overdeclared inadvertently and it adds to the cost of compliance; and
- Recognition of container declaration across states would be favourable to the current export policy across the borders. Containers crossing state borders creates significant complexity and administration for retailers, state scheme operators and manufacturers.

The table below provides IPART with a view of some of the differences between the NSW and Queensland schemes that add unnecessary complexity.

IPART’s recommendations for improvements to Scheme costs and payments and the additional suggestions from Exchange for Change regarding the Cost/Revenue model for invoicing in arrears would support provide for a more cost-effective and transparent Scheme to improve compliance costs and cost to consumers.

END