



OUT18/17043

Dr Peter J Boxall AO
Chair, Independent Pricing and Regulatory Tribunal
NSW Container Deposit Scheme Review
PO Box K35
Haymarket Post Shop
NSW 1240

Re: Draft Report - NSW Container Deposit Scheme - monitoring the impacts on container beverage prices and competition

Dear Dr Boxall,

Thank you for giving the Office of the NSW Small Business Commissioner (OSBC) the opportunity to comment on the Independent Pricing and Regulatory Tribunal (IPART) NSW Draft Report on the NSW container deposit scheme - monitoring the impacts on container beverage prices and competition - September 2018 (Draft Report).

The OSBC advocates on behalf of small businesses in NSW, provides mediation and dispute resolution services, and speaks up for small business in government.

Having had relatively detailed involvement with the NSW container deposit scheme (CDS) to date and after reviewing the Draft Report, we offer the following comments.

Reducing cost volatility

To reduce volatility in scheme costs, we support the draft recommendation that the NSW Environment Protection Authority and Exchange for Change implement an arrears invoicing model arrangement for first supplier contributions to the CDS, with payment terms of 30 days. We consider the existing invoice payment terms of seven days likely to place unfavourable pressures on first suppliers' cash flow.

We note that implementing an arrears invoicing model would be anticipated to involve the NSW Government providing security for an overdraft of approximately \$20 million to ensure liquidity in the system, and that the cost of the overdraft is proposed to be included as a scheme cost to be recovered from participants.

While this will relay a small additional cost to participants, we believe the benefits are likely to justify the cost. A key benefit being that invoicing beverage suppliers in arrears would enable them to be invoiced for actual containers supplied and returned through the network operator.

To reduce the ongoing cost volatility and administrative burden associated with true ups continuing in perpetuity, which appears unavoidable at least for Material Recovery Facilities (MRFs) volumes, we support in principle restricting the period against which true ups can be made to 12 months after an invoice is issued.

Ensuring markets remain competitive

We support the EPA's container registration approval fee being set at \$13.70 to recover the variable costs of assessing applications for container approvals.

We note IPART pairs with this approach removing the current cap on annual application fees for smaller beverage suppliers. While we see removing the cap as unideal, we gather that industry has limited familiarity with ability to apply for the cap – and we'd be interested in the extent to which it's been taken up.

We also consider that if the fee is reduced, there will be less need for a cap. Further, if containers can be registered for the CDS once, with no expiry, and if approval for currently registered containers also does not expire, there will be less need for a cap.

We have heard from stakeholders concerns about transparency and so support the EPA publishing a contract summary for each of the agreements with the Scheme Coordinator and the Network Operator including the roles and responsibilities and the number of collection points to be delivered in each geographic zone in NSW.

Scheme performance data

We note the data on returns included at pp. 28-30 of the Draft Report which discusses number of containers redeemed and proportion of return volumes relative to forecasts.

However, stakeholders have asked us about the proportion of eligible containers returned relative to sales of equivalent containers and we've been unable to locate a publicly available data source with which to respond.

Many stakeholders would consider reduction in relevant types of litter, and increased rates of recycling, beyond what would otherwise have been the case, as key performance indicators of the scheme.

We are aware that monitoring or reporting on these elements is not expressly sought in IPART's terms of reference, but also notice the terms provide licence to have regard to any other matters considered relevant.

Accordingly we encourage IPART to consider reporting on reduction in relevant types of litter and increased rates of recycling, beyond what would otherwise have been the case, in its final report of December 2018.

The OSBC appreciates the opportunity to comment on this Draft Report, and we trust that the information and views shared herein are of assistance.

To discuss any aspect of this submission please contact Murray Johnston, Principal Advisor Advocacy and Strategic Projects, by email on murray.johnston@smallbusiness.nsw.gov.au or by phone on (02) 8222 4842.

Yours sincerely



Robyn Robbs OAM
NSW Small Business Commissioner
2 November 2018