

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

NSW CONTAINER DEPOSIT SCHEME

PUBLIC HEARING

Tribunal Members
Dr Peter Boxall AO, Chair
Mr Ed Willett
Ms Deborah Cope

Members of the Secretariat
Mr Hugo Harmstorf, Ms Fiona Towers,
Ms Heather Dear, Ms Jenny Suh,

Held at
The offices of IPART
Level 15, 2-24 Rawson Place, Sydney

On Tuesday, 23 October 2018, at 2.00pm

1 OPENING REMARKS

2
3 THE CHAIRMAN: Welcome, everybody. Thank you all for
4 coming. My name is Peter Boxall and I am Chair of the
5 Independent Pricing and Regulatory Tribunal.

6
7 I would like to begin by acknowledging that we are
8 meeting on the Gadigal land of the Eora people and I would
9 like to pay my respects to the traditional custodians of
10 that land and Elders both past and present.

11
12 I would like to welcome you to this public hearing
13 which is part of our consultation process for our review on
14 impacts of the Container Deposit Scheme on container
15 beverage prices and competition in New South Wales.

16
17 I am joined today by my fellow tribunal members,
18 Ed Willett and Deborah Cope, and assisting the tribunal
19 today are members of IPART's secretariat, Hugo Harmstorf,
20 Fiona Towers, Heather Dear and Jenny Suh.

21
22 Today's hearing provides both you and us with the
23 opportunity to discuss IPART's draft report on the impacts
24 of CDS on container beverage prices and competition.

25
26 As well as the discussion today, we are seeking
27 written submissions on the draft findings and
28 recommendations in the draft report. The closing date for
29 written submissions is 2 November. Our final report is due
30 to be submitted to the Premier and the Minister for the
31 Environment in December 2018. The government will
32 determine when our final report is released publicly and
33 how it responds to our recommendations.

34
35 I will turn now to a brief overview of our review so
36 far. The New South Wales government introduced the
37 Container Deposit Scheme (CDS), known as "Return and Earn"
38 in December 2017.

39
40 IPART had been asked by the Premier to monitor the
41 effects of the CDS in its first year of operation. The
42 government's concern is to manage the risk that suppliers
43 may seek to raise the price of beverages above the costs of
44 the scheme.

45
46 Our terms of reference for the review ask us to
47 monitor and report on the effects of the CDS on beverage

1 prices, competition, and any other market impacts on
2 consumers. We have also been asked to recommend actions to
3 address any adverse effects, and to recommend whether price
4 monitoring should continue beyond the initial one-year
5 period.

6
7 We are now in the final couple of months of our
8 review. In February, we released an issues paper and,
9 in April, we released a progress report which set out our
10 preliminary findings and recommendations. We have received
11 a lot of useful feedback and have considered over
12 70 submissions. We would like to thank everyone who has
13 made a submission to the issues paper, the progress report,
14 or responded to our online surveys.

15
16 In both our progress report and our draft report, we
17 found that, on average, alcoholic and non-alcoholic drink
18 prices have increased in line with the costs of the NSW
19 Container Deposit Scheme. The overall price increases as a
20 result of introducing this scheme are consistent with a
21 competitive market. We have found no evidence that the CDS
22 has imposed a material restriction on competition in
23 beverage markets in New South Wales.

24
25 However, we identified a number of issues that have
26 the potential to create barriers to entry and restrict
27 competition if they are not addressed, particularly for
28 smaller businesses and boutique beverage suppliers.

29
30 For example, in our progress report, we found that the
31 CDS may place New South Wales retailers located near the
32 Victorian border at a competitive disadvantage with
33 Victorian retailers because there is not a similar scheme
34 in Victoria. In response to our progress report, the
35 government asked IPART to investigate this matter further.

36
37 In June, the government announced a temporary
38 assistance package for small to medium-size businesses in
39 the Victorian border region that could demonstrate they
40 have been adversely effected by competition with Victorian
41 retailers as a result of the introduction of the CDS.
42 IPART assessed those applications for assistance and the
43 scheme has now closed.

44
45 As part of our review, we also appointed the Centre
46 for International Economics to provide expert advice on
47 whether the CDS has had an effect on market shares, or on

1 household consumption and expenditure on container
2 beverages. The CIE also provided advice on the efficient
3 costs of the regulatory compliance activities of the NSW
4 EPA for the CDS. Both reports are available on our
5 website. Phil Manners, from the CIE, is here assisting us
6 today.

7
8 In September, we released our draft report which sets
9 out our findings and recommendations on the first nine
10 months of the CDS in New South Wales.

11
12 While overall price increases are consistent with a
13 competitive market, we consider that changes are needed to
14 improve the transparency and reduce the volatility of the
15 scheme's costs and maintain the competitiveness of some
16 beverage manufacturers, wholesalers and retailers.

17
18 At today's public hearing, we will present an overview
19 of our draft findings and recommendations. Following this
20 presentation, there will be an opportunity for stakeholders
21 to provide comments or ask questions.

22
23 This public hearing forms part of a public
24 consultation process that the tribunal is undertaking.
25 As this hearing is being recorded and transcribed, I ask
26 that speakers please identify themselves and, where
27 relevant, their organisation.

28
29 Now I invite Heather Dear from the IPART secretariat
30 to give a brief presentation.

31
32 MS DEAR: Thanks, Peter.

33
34 IPART PRESENTATION

35
36 MS DEAR: As Peter just said, I will run through the main
37 findings and draft recommendations from our draft report.

38
39 As touched on, the government has asked IPART to
40 monitor:

41
42 The effect of the Container Deposit Scheme, (CDS) in
43 its first year on the prices of beverages supplied in a
44 container;

45 Whether there has been an effect on competition for
46 these beverages and on their suppliers; and

47 Whether the scheme has had any other market impact on

1 consumers.

2
3 We also have a role to recommend actions to address
4 any adverse effects we find and, finally, to recommend
5 whether there should be price monitoring beyond the first
6 year.

7
8 To analyse the effect of the CDS on container beverage
9 prices, we mainly used a difference-in-differences approach
10 to quantify the extent of beverage price changes that we
11 could attribute to the CDS. Difference-in-differences is a
12 statistical method where outcomes are observed for two
13 groups over two different time periods.

14
15 In the context of our review, we used the
16 difference-in-differences method to identify changes in
17 beverage prices in New South Wales that we can attribute to
18 the CDS by looking at the change in beverage prices in New
19 South Wales before and after the introduction of the CDS
20 and comparing that with the change in beverage prices in a
21 comparison state - in this case, we used Victoria where
22 there is not a CDS - over the same period. We estimated
23 the price impacts that we could attribute to the CDS
24 separately for different beverage categories covered by the
25 scheme.

26
27 We also looked at beverages that are not covered by
28 the scheme, such as wine and spirits sold in glass bottles,
29 to assess whether the scheme had any effect indirectly on
30 their prices.

31
32 Overall, we found that the CDS has not had an undue
33 effect on the prices of container beverages and the price
34 increases due to the scheme are consistent with a workably
35 competitive market.

36
37 Over nine months from November 2017 to July this year,
38 we found that, overall, across all beverage categories,
39 prices increased by an average of 7.5 cents per container
40 due to the introduction of the CDS. This price increase is
41 a bit less than the average scheme cost of 9.2 cents per
42 container.

43
44 We found that the price impact on non-alcoholic
45 beverages was larger than it was on alcoholic beverages,
46 but it also varied across different categories.

1 As shown on the screen, the average price increase
2 across all non-alcoholic beverages was 9.5 cents,
3 broadly consistent with the direct scheme costs of 9.2
4 cents. Water and soft drink prices have risen by about
5 10 cents a container, while fruit juice has risen by about
6 4.8 cents as a result of the CDS.

7
8 Across alcoholic beverages, the average price increase
9 was 5.4 cents, which is less than the average direct scheme
10 cost. We found that the price of beer had increased by
11 4.5 cents, ready-to-drink products by 7.6 cents, and
12 cider had increased by 11.3 cents.

13
14 We also found that average prices due to the CDS
15 varied month to month within beverage categories. For
16 example, average monthly price increases for soft drink
17 varied from 9 to 14 cents a container and fruit juice
18 varied from 4 to 11 cents a container.

19
20 This volatility in the monthly price impacts of the
21 CDS has been due to the volatility in the scheme's direct
22 cost to first suppliers.

23
24 Overall, the average increases in beverage prices due
25 to the CDS have been consistent with the average scheme
26 cost. When we compared monthly price changes, in some
27 months price increases have been higher than the direct
28 costs of the scheme.

29
30 For example, in the case of bottled water shown on the
31 screen, the estimated average increase in these prices has
32 exceeded the direct costs in several months since March
33 this year, when Exchange for Change applied monthly network
34 operator true ups.

35
36 The difference between direct costs and the estimated
37 price increase was largest in March, when there was the
38 first network operator true up, and then again in July,
39 when there was the first material recovery facility (MRF)
40 true up - that relates to the kerbside recycling
41 containers.

42
43 But the direct cost to first suppliers, which is shown
44 as the orange dot on the screen, has fluctuated quite a bit
45 month to month over the eight months of price changes,
46 ranging from 1 to 15 cents per container.

1 This volatility, we consider, has been driven, at
2 least in part, by the scheme's design where Exchange for
3 Change invoices first suppliers one month in advance, based
4 on forecasts of container volumes and types supplied and
5 then returned for the next month, and then truing up later
6 once the actual volume of containers is known.

7
8 This combined with a seven-day payment term, we
9 consider, has created cash flow pressures for first
10 suppliers and has meant that the price increases have been greater
11 than the direct scheme costs for some months.

12
13 To reduce this cost volatility as well as the
14 administrative burden and costs for the stakeholders of
15 truing up, forecasting and reconciling payments, we have
16 made a draft recommendation that the EPA and Exchange for
17 Change implement an arrears invoicing model.

18
19 We know this is something stakeholders have been
20 advocating, and we got a lot of responses to it in response
21 to the progress report we issued in April. We understand
22 that various options for how an arrears model could work
23 are being considered.

24
25 The option we put forward in our draft report was just
26 one version of an arrears model. We consider that moving
27 to an arrears model would remove the need to true up the
28 volume of containers supplied into New South Wales by each
29 beverage supplier as well as the number of containers
30 returned through the network operator's return and earn
31 collection points.

32
33 However, there would still be an adjustment for
34 containers returned through kerbside recycling and, as
35 shown on the previous slide, the quarterly true up for
36 containers returned to the MRFs can mean quite a large
37 difference between what is invoiced and what the direct
38 cost of the scheme is.

39
40 To minimise this aspect, we have recommended that the
41 quarterly true up be smoothed over the three months based
42 on the number of containers returned through kerbside
43 recycling in the previous three months.

44
45 Moving to billing and arrears would likely require a
46 cash reserve, which could be met possibly by a bank
47 overdraft. We have recommended that the New South Wales

1 government provide the security for this overdraft but that
2 interest and any fees be met by beverage suppliers as a
3 scheme cost.
4

5 As Peter mentioned, we have not found any specific
6 evidence that the CDS has had a material impact on
7 competition in beverage markets in New South Wales.
8 However, we have made a number of draft recommendations to
9 address some aspects of the scheme that have the potential
10 to affect the competitiveness of small business and
11 boutique beverage suppliers.
12

13 As well as moving to an arrears model, we have
14 recommended that the payment terms be extended from seven
15 to 30 days as this would reduce cash flow pressures on
16 beverage businesses, particularly small and medium
17 businesses.
18

19 We engaged the Centre for International Economics
20 (The CIE) to look at the efficiency of the fees that the EPA
21 charges for registered containers for CDS in New South
22 Wales. Currently the registration fee is \$80 per product
23 or class of container.
24

25 However, based on the CIE's work, we have recommended
26 that the container approval fee be changed to recover only
27 the variable costs of registering the container - that is,
28 the staff costs for the EPA - which were estimated at
29 \$13.70 in 2018-19.
30

31 We have recommended that the remaining costs of the
32 CDS portal used to register containers, which make up the
33 rest of the \$80 fee, be recovered through the scheme
34 compliance fee.
35

36 Reducing this fee for registering containers would
37 remove the potential barrier to entry which could otherwise
38 discourage product innovation, particularly for businesses
39 who do small runs of a large number of products. We have
40 also recommended that container registrations not expire,
41 removing the need to renew the registration every five
42 years.
43

44 As discussed, CDS has increased the cost of supplying
45 beverages into the New South Wales market and these costs
46 have flowed into prices to varying degrees for different
47 beverage categories.

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Part of the CIE's work involved looking at changes in consumer behaviour as a result of the CDS. They observed that, over the period of June this year, consumption of non-alcoholic beverages had dropped about 5.5 per cent per household per month as a result of the CDS. This was mainly driven by reductions in soft drink and bottled water.

The CIE also found that there had been an increase in expenditure on non-alcoholic beverages by about 4.8 per cent per household per month, as a result of the CDS, again mainly driven through soft drink.

At this stage, they were not able to draw any clear conclusions about the impact of the CDS on consumption and expenditure on alcoholic beverages.

We also asked the CIE to estimate the efficient costs of the regulatory and compliance role that the EPA undertakes for the CDS, which is paid for by first suppliers through the scheme compliance fees.

Noting this fee only makes up 1 to 2 per cent of the direct costs of the scheme, the CIE estimated that the efficient costs of EPA's ongoing CDS regulatory activities are slightly higher than the current monthly scheme compliance fee, but these costs will fall as the scheme is bedded down and into the business-as-usual phase.

Based on these findings, we have recommended that scheme compliance fees be reduced in the year 2020-21 and again in 2022-23.

As mentioned earlier, part of our terms of reference ask us to recommend whether monitoring is required beyond the first year of the introduction of the CDS. The short answer is no. As discussed, the price changes we have seen with the CDS are consistent with a workably competitive market.

We have noted that the volatility in the costs of the scheme have reduced since the earliest months and have recommended how they could be further reduced by moving to an arrears invoicing model.

We have also made recommendations to address a few

1 areas where there is the potential for reduction in
2 competition.

3
4 Moving beyond this year, other regulatory bodies, such
5 as the ACCC and NSW Fair Trading, have a role in
6 investigating competition and investigating complaints
7 about misleading business practice.

8
9 Thanks for your attention. I will now hand back to
10 the Chair to open up discussion on the panel.

11
12 PANEL DISCUSSION

13
14 THE CHAIRMAN: Thank you very much, Heather. Would
15 anybody like to volunteer to go first?

16
17 MS BAINI: I am happy to.

18
19 THE CHAIRMAN: Thank you very much, Tanya.

20
21 MS BAINI: Tanya Baini from Coca-Cola Amatil. I have a
22 few things to say.

23
24 I would like to start by thanking IPART for the
25 opportunity to participate in this roundtable today and
26 also for the way in which IPART has engaged all of the
27 Container Deposit Scheme participants through the review
28 process.

29
30 Coca-Cola Amatil supports cost effective, well-run
31 container deposit schemes that minimise the impact on
32 consumers and the beverage manufacturing industry.

33
34 Our support is part of our commitment to delivering
35 positive waste collection and recycling outcomes in the
36 markets where we operate. Our track record in both
37 collection and recycling of waste is strong and we aspire
38 to do better.

39
40 In relation to collection, we have been operating the
41 South Australian and the Northern Territory container
42 deposit schemes for 40 years.

43
44 We also have a strong track record of using recyclable
45 materials in our packaging, with 58 per cent of the
46 aluminium in our cans and 31 per cent of the glass in our
47 bottles being recycled content. In Australia, our plastic

1 bottles are 100 per cent recyclable and contain an average
2 of 24 per cent recycled content. We have now achieved
3 100 per cent recycled content in our Mount Franklin water
4 bottles and Peats Ridge 600ml water bottles, which is a
5 great indication of what is possible in this area.

6
7 December 2017 saw the commencement of the
8 NSW Container Deposit Scheme, followed by the ACT scheme
9 commencement in June 2018, and Queensland, which commences
10 next week and, of course, the development of the scheme in
11 Western Australia.

12
13 Coca-Cola Amatil is part of industry consortiums
14 selected by the New South Wales, Queensland and ACT
15 governments to support the delivery of their schemes. Our
16 focus is to work with state governments to ensure that each
17 scheme is efficient and cost effective in delivering litter
18 reduction and recycling objectives, minimising impacts on
19 consumers and the manufacturing industry.

20
21 Coca-Cola Amatil has publicly committed to not seek a
22 profit from the NSW Container Deposit Scheme. Our interest
23 is to keep beverage prices as low as possible, Coca-Cola
24 Amatil is transparent in communicating to customers our CDS
25 rate and the treatment of surplus funds collected this year
26 through the true up process conducted by Exchange for
27 Change.

28
29 Coca-Cola Amatil supports IPART's recommendations in
30 its draft report, especially those that address the
31 invoicing and payment system for beverage suppliers in New
32 South Wales.

33
34 We welcome the discussion on options to simplify the
35 New South Wales scheme and to improve harmonisation between
36 all of the container deposit schemes in Australia to reduce
37 the cost of compliance for beverage suppliers and achieve
38 the objective of the various schemes. Thank you.

39
40 THE CHAIRMAN: Thank you very much, Tanya. Peter?

41
42 MR BRUCE: Thank you, Mr Chairman. Peter Bruce,
43 Exchange for Change.

44
45 We refer to the model that was put forward in the
46 draft paper as a hybrid arrears model. The reason we refer
47 to it as a hybrid model is because it still contains true

1 ups. These true ups would be generated because of MRF
2 payments because MRF payments are still based on a forecast
3 model, changes in beverage suppliers after the end of a
4 reporting period, and payments to exporters.
5

6 Since our original submission, our thinking has
7 evolved, and while we are still 100 per cent supportive of
8 an arrears model, we think the best arrears model would be
9 one that we refer to as a "cost and revenue" model.
10

11 Some details about a cost and revenue model and how it
12 would operate: prior to a quarter, the EFC would forecast
13 the costs for that quarter and then we would also look at
14 the expected supply volumes. We would then set a price per
15 container to cover these costs.
16

17 The price per container is held constant across the
18 whole quarter. At the end of each month, suppliers would
19 advise the number of containers they have supplied.
20 Invoicing would be calculated by multiplying containers
21 supplied by the fixed price per container. That is a very,
22 very simple process. There are no true ups; there is no
23 reason to cause any true ups at all.
24

25 Supplier adjustments for the previous periods are just
26 treated as revenue in the current quarter, so there is no
27 impact on other suppliers of a beverage supplier correcting
28 their volumes.
29

30 At the end of each quarter, the EFC would look at how
31 our revenue has been tracking against costs. If we have
32 collected too much revenue, we would reduce our costs for
33 the next quarter. Over the long term, revenue would track
34 costs. As the scheme matures and there are fewer
35 fluctuations in collection volumes, we would extend the
36 period for which we hold the pricing constraint. I believe
37 in South Australia, which operates on a very similar model,
38 they can hold the price constant for 12 months. However,
39 the scheme has been in operation for 40 years, so it is
40 rather mature.
41

42 In our original submission, we indicated that the
43 hybrid model would require funding of \$15 million. Since
44 that submission, the network operator collection volumes
45 have increased. We have now introduced exports, so that is
46 an additional cost that we need to adjust for, and we have
47 had a greater opportunity to review the model. We have

1 found that the hybrid model would now require funding of
2 approximately \$60 million.

3
4 The cost and revenue model would operate on an
5 overdraft fund of between \$20 million and \$55 million.
6 Westpac has indicated that if they had a guarantee from the
7 state for this overdraft, then they would be willing to
8 fund the overdraft. The service fee of this overdraft
9 would be approximately 0.05 cents per container.
10 Therefore, if the cost per container was 10.3 cents, the
11 overdraft would make this cost 10.35 cents.

12
13 This arrangement would improve suppliers' payment
14 terms by approximately 80 days compared with the current
15 arrangements. This is based on payment terms of seven days
16 from the date of issue. IPART's recommendation was to
17 increase payment terms to 28 days from the date of invoice
18 issue. Based on the revenue and cost model, we do not
19 believe this is necessary and we are concerned about the
20 additional costs that it would create. It would increase
21 the size of the overdraft to \$76 million and it would
22 increase the costs of funding the overdraft by 0.02 cents
23 per container.

24
25 All of these calculations are also based on reducing
26 the network operator's payment terms from the current
27 arrangement of 20 days in advance to seven days in advance.
28 Based on the significant volumes being processed by reverse
29 vending machines (RVMS), we do not believe that these funds
30 need to be paid so far in advance and we do not believe
31 that these changes of trading terms would have a negative
32 impact on TOMRA Cleanaway. Thank you.

33
34 THE CHAIRMAN: Thank you very much Peter, and thank you
35 for outlining that alternative approach. Shae?

36
37 MR COURTNEY: Thank you, Mr Chairman. Shae Courtney,
38 Australian Beverages Council Ltd. Thank you for the
39 opportunity to appear and partake in this important public
40 forum. Thanks must also go to the other tribunal members
41 and associated analysts.

42
43 I will start by providing a little bit of context on
44 the Australian Beverages Council and our role in the
45 container deposit schemes, including the New South Wales
46 scheme.

1 The Australian Beverages Council has been the leading
2 peak body representing the non-alcoholic beverage industry
3 for more than 70 years and the only dedicated industry
4 representative of this kind in Australia. The ABCL
5 represents approximately 90 per cent of the industry's
6 production volume and our member companies are some of
7 Australia's largest drinks manufacturers.

8
9 The ABCL also represents many small and medium-sized
10 companies across the country. Collectively the ABCL's
11 members contribute more than \$7 billion to the Australian
12 economy and they employ over 50,000 people across the
13 nation.

14
15 The industry also pays \$1.2 billion in taxes per
16 annum, and for every one direct employee in the beverage
17 manufacturing industry, there are 4.9 jobs required
18 elsewhere in the economy to produce and retail beverages.

19
20 The ABCL strives to advance the industry as a whole,
21 as well as successfully representing the range of beverages
22 produced by our members. These include carbonated soft
23 drinks, energy drinks, sports and electrolyte drinks,
24 frozen drinks, bottled and packaged waters, 100 per cent
25 juice and fruit drinks, cordials, iced teas, ready-to-drink
26 coffees, flavoured milk products and flavoured plant milks.

27
28 The unified voice of the ABCL offers members a
29 presence beyond individual representation to promote
30 fairness in the standards, regulations and policies
31 concerning non-alcoholic beverages.

32
33 The ABCL plays a role in educating consumers on making
34 informed choices which encourage balance, moderation and
35 commonsense. The ABCL advocates on issues such as portion
36 sizes, environmental sustainability, nutritional labelling,
37 responsible industry marketing and advertising, accounting
38 guidelines and many other issues.

39
40 Our members listen to consumers and adapt their
41 products accordingly by making positive changes and
42 standing by a commitment to promote greater choice,
43 appropriate portions and by developing more low and
44 no-kilojoule products.

45
46 The ABCL is an important conduit between the
47 non-alcoholic beverage industry and governments, supporting

1 the Australian government, state and territory governments
2 and local councils.

3
4 We welcome the draft report produced by the tribunal
5 and the many positive findings contained within it.

6
7 Mr Chairman, we do, however, have some concerns and
8 questions to which we would seek some answers. These
9 relate to, particularly, registration and compliance costs.
10 In relation to registration, the tribunal has recommended
11 the EPA's container approval fee be set at \$13.70.
12 Currently this is \$80.

13
14 The Australian Beverages Council favours - we would
15 like to be quite clear about this - a zero cost to
16 register, as is the case in Queensland and the ACT where
17 that is set in legislation, and our very strong
18 recommendations are that this should be set at zero.

19
20 Perhaps some greater clarity would be useful, at least
21 for our organisation and members, as to how the fee of
22 \$13.70 has been calculated and, specifically, what does
23 this fee cover?

24
25 For those who have paid the \$80 to register a
26 container, will there be a refund if it is set at \$13.70;
27 and, indeed if it is set at zero, as we would hope, can
28 those members expect a full refund of \$80 per container?

29
30 Mr Chairman, you will appreciate that this impacts, as
31 the report highlighted, small and medium-sized enterprises
32 in many ways. We would ask for expedient reimbursement for
33 all manufacturers, should that be the case.

34
35 Our second concern relates to compliance costs in the
36 scheme. We would like to have some greater understanding
37 about how much the EPA has been paid or will be paid for
38 compliance. Our estimate suggests it is somewhere within
39 the region of \$5 million. As with such charges, this is
40 not an inconsequential amount. These charges will
41 invariably impact consumers and we would ask for these to
42 be considered.

43
44 One solution could be the transfer of scheme
45 coordination for a minuscule charge, as is the case in
46 Queensland.

47

1 Our final concern is in relation to the fees
2 associated with TOMRA Cleanaway. We would seek some
3 greater clarity, in the spirit of transparency, on all the
4 fees associated with and paid to TOMRA Cleanaway as part of
5 the scheme.

6
7 Finally, we are very supportive of a funding and
8 arrears model and thank you for taking this into due
9 consideration.

10
11 Thank you. We do not have any further questions or
12 comments at this juncture.

13
14 THE CHAIRMAN: Thank you very much Shae. Why don't we
15 have some contributions along the table and then we will
16 get to answering your questions, I am sure.

17
18 MR GREEN: John Green, Australian Hotels Association.
19 I am the director of liquor and policing with the AHA and,
20 for my sins, they also gave me the role of looking after
21 the CDS.

22
23 I acknowledge that IPART's role is to monitor the
24 impacts on container beverage prices and competition, so
25 I will try and limit my opening comments just to that
26 issue.

27
28 In relation to Albury and the support given to the
29 areas near the border, thank you very much for that.
30 I think you have identified that, whereas all the other
31 states and territories either have a CDS or are moving
32 towards it in the coming months, Victoria is continuing to
33 run its own race. Obviously in terms of the level of
34 impact, there will continue to be impact on those
35 businesses until such time as Victoria comes on board, or
36 for the foreseeable future.

37
38 The other thing down in that region is whereas they
39 received some financial support at the time, nothing will
40 change down there. There are still issues. I am still
41 receiving reports that the people who used to shop in
42 Albury are now going to Wodonga. It is not only for the
43 purchase of packaged liquor. The other businesses are also
44 being impacted, and the other services that these
45 businesses provide.

46
47 We represent hotels - mum and dad hotels - that

1 provide packaged liquor and sales on premise, but those
2 hotels also do a range of other things, as do their
3 adjoining business. They have all been impacted as well.
4 From a pricing point of view, that competition will
5 continue to have an impact. We would encourage that that
6 issue continue to be looked at into the future.

7
8 Obviously hotels, apart from their packaged liquor,
9 also do on-premise sales, food and accommodation. I think
10 the model was to recognise those venues where the
11 predominant business was the sale of packaged liquor.
12 However, any impact on that business will again have an
13 impact on other services. We would ask that you consider
14 that issue as well. We will probably put that into our
15 submissions at a later time.

16
17 In relation to the impact on alcoholic beverage sales
18 my understanding is that there was no way of measuring the
19 reduction, as you would for a non-alcoholic beverage. With
20 the non-alcoholic beverages, I think there was a 5.5 per
21 cent reduction in sales.

22
23 Prior to the CDS rollout, our beverage suppliers had
24 indicated to us that the impact would probably be somewhere
25 in excess 5 per cent, so that is probably on par with what
26 the reduction would be in packaged alcohol beverage sales
27 as well.

28
29 We note that the average rise in beer prices is around
30 4.5 cents. There is a live argument, I suppose, but it
31 might come down to the fact that businesses - small
32 businesses in particular, and hotels - tend to absorb
33 increases. There are twice yearly excise rises. There are
34 rises in electricity costs and rises in other areas. They do
35 not put their prices up twice a year for the excise. They
36 do not put their prices up as electricity goes up. They
37 reduce their margins. I think you will find that they have
38 accepted that as part of business, and they are taking
39 another hit.

40
41 When we consider that the CDS is about litter
42 reduction, and I am talking about the on-premises
43 environment, the predominant hotel business, that is just
44 another unintended consequence where they are bearing the
45 brunt of the cost as we go through. That is just another
46 consideration from a pricing point of view.

47

1 As I say, I get calls, about this, and I will not go
2 into some of the other issues of it, but a lot of hotel
3 businesses are just accepting it, as they do; they just get
4 on with the business of doing what they are doing. The
5 small number of calls I get in relation to pricing have
6 come from as far away as Broken Hill, where some of the
7 big-box businesses are virtually running, say, a 30-pack of
8 alcoholic beverages at virtually under cost price on a
9 consistent price. It is virtually what you might say is
10 close to predatory pricing.

11
12 Even though South Australia has had a CDS of some
13 description for 40 years, because of the nature of the
14 large business, they have been able, one would argue, to
15 provide discounted packaged beverages there. So there are
16 some issues. There are some pricing issues that we have
17 seen close to the borders, and they are ongoing issues.
18 I suppose that is just the main issue that we have had to
19 date.

20
21 THE CHAIRMAN: Thank you very much, John. Markus?

22
23 MR FRAVAL: Thank you. Markus Fraval from
24 TOMRA Cleanaway. Thanks for inviting me to the roundtable
25 today.

26
27 Obviously with the focus of pricing and invoicing,
28 I will keep our comments relatively short and I would be
29 happy to answer any questions more in relation to the
30 infrastructure that TOMRA Cleanaway runs.

31
32 I have a couple of brief comments, firstly, responding
33 to IPART's recommendation, and Peter Bruce's comments about
34 the nature of the invoicing between the scheme coordinator,
35 Exchange for Change, and then on to TOMRA Cleanaway.

36
37 Certainly, we take note of those comments. We have
38 had some initial discussions internally and we are open to
39 the idea of a shorter period of payment, which would
40 therefore reduce the amount of overdraft required, if that
41 is the arrears model that you go down. Obviously, we will
42 wait for a very specific proposal to be made to be able to
43 come up with a definitive response, but we are certainly
44 open to that as a concept.

45
46 The other comment I would like to make, of course, is
47 that this forum is all about pricing, and rightfully so.

1 I would make the point that the scheme has actually been a
2 major success in terms of its environmental rationale,
3 which, of course, is the whole purpose of the scheme in the
4 first place.

5
6 As of today, I think over 830 million containers have
7 been collected through the scheme. There have been reports
8 that in the latest true up on the MRF and volume through
9 the network, we are at about a 67 per cent return rate,
10 which is a significant boost to the rate from kerbside only
11 prior to the launch of the scheme.

12
13 There are also reports about the 33 per cent drop in
14 the litter of eligible containers. All these are obviously
15 very important environmental and social outcomes, which no
16 doubt come at a cost, and this is all about what that cost
17 is.

18
19 Perhaps I will provide a final bit of numbers in
20 terms of our own network at the moment. We have over
21 680 collection points across New South Wales, 313 of those
22 are reverse vending machine kiosks, and they are made up of
23 over 1,200 individual reverse vending machines. In
24 addition to that, we have just over 330 over-the-counter
25 collection points for smaller volumes. At the very large
26 volume end, we have currently 19 automated depots and that
27 number is continuing to grow. Thank you.

28
29 THE CHAIRMAN: Good, thank you very much, Markus. And
30 Sanjay?

31
32 MR SRIDHER: I am Sanjay Sridher from the EPA. Firstly,
33 I would like to thank IPART for the very thorough analysis
34 that has been done around this piece of work.

35
36 From the EPA's perspective - and Markus stole a lot of
37 my statistics, so I will not go into them again - we have
38 to recall that this was a litter reduction initiative, as
39 John pointed out, around achieving a 40 per cent reduction
40 in litter by 2020. The Keep Australia Beautiful statistics
41 that came out - and that is an independent body - several
42 months ago showed that there was a 40 per cent reduction.
43 So from a Premier's priority point of view, we are well on
44 track, well on target to meet that priority. Also the
45 number, not including kerbside, of 830 million-odd that has
46 been collected since 1 December is outstanding. It really
47 is outstanding. It underscores how much the community has

1 engaged with this.

2
3 If any of you have been to an RVM, sometimes that
4 engagement is a problem because there are lines. There are
5 things we are doing about trying to address that with the
6 introduction of the automated depots and having a much more
7 commercial arrangement around how this rolls out. But
8 sitting here nine, ten months into a very complex and
9 statewide scheme, having 830 million containers just
10 through our collection points is an outstanding success.
11 I think from an environmental point of view, we are very
12 happy with that.

13
14 There are also other environmental benefits, and they
15 relate to the quality of the materials that is going
16 through and being collected through the CDS collection
17 points. It is of a higher quality. It is cleaner and much
18 more usable in terms of higher order recycling outcomes.
19 Overall, from an environmental perspective, we are happy
20 with the way things are going.

21
22 With that said, there are always improvements that can
23 be made, and now we are at the right point of time, as we
24 finish the roll out - it was in trouble at the start, but
25 we have redeemed ourselves in many ways - and as we get to
26 the end of the implementation phase, now is the time to
27 think about how we optimise the scheme.

28
29 In terms of a lot of the IPART recommendations, we
30 have started a broad program of engagement ourselves. A
31 lot of what we are hearing is mirrored in the IPART report.
32 Things like invoicing in arrears, reducing payment for
33 services, et cetera, we are getting loud and clear.

34
35 What is important, as we start to look at how we
36 implement some of these improvements, is that we do not
37 create further unintended consequences. For example, one
38 of the things that is very important in the New South Wales
39 design of the scheme is that no-one is ever charged for
40 something they have not consumed. There is a real clear
41 connection between what has been consumed and what has been
42 charged. That is why the true-up process was difficult,
43 and I say that, hand on heart.

44
45 If we move down a process where we are looking at
46 potentially implementing something that does not have a
47 true-up process and therefore it talks about smoothing

1 things out so that there is a little impact, we lose some
2 of those principles, and those principles are important.

3
4 What we need to do is to go through this consultation
5 process and really critically evaluate what the options are
6 and what they may or may not do to the principles of the
7 scheme, and we are very focused on that.

8
9 There have been other consequences, again as John
10 talked about in terms of the Victorian border, and the
11 government has provided some transitioning compensation.
12 That initial 12-month program is coming to an end. We are
13 currently discussing what further options there may be, and
14 that is an active process at the moment.

15
16 I would caution against too much comparison. We would
17 be inclined to think that in terms of the size and
18 complexity of the New South Wales scheme, Queensland is a
19 good model to compare. But Queensland has not gone live
20 yet, and we need to bear that in mind as well when we are
21 thinking about what works and does not work. The proof is
22 always in the pudding.

23
24 That said, we are grateful for this opportunity. The
25 EPA wants to make sure that the scheme is accessible for
26 the vast majority of our stakeholders. We are proud of the
27 outcomes and we are very focused on improving it. Thank
28 you.

29
30 THE CHAIRMAN: Thank you very much, Sanjay.

31
32 QUESTION AND ANSWER SESSION

33
34 THE CHAIRMAN: This is now the opportunity for questions
35 or comments from the floor. Would anybody like to add a
36 question or comment? No? Well, there will be plenty of
37 opportunity to butt in.

38
39 Shae, you had a couple of questions on the proposed
40 charge at \$13.70. We will start and go through how we got
41 from \$80 to \$13.70. The reason why it is not zero is
42 because there is a cost in registering a container.

43
44 If you have a draft brewer, for example, who has a new
45 line of product and they have a new container, then that
46 container needs to be registered so that they can then make
47 a refund on it. What this is saying is that indirectly the

1 person who buys that drink pays part of the registration,
2 in a sense, because if it is zero, somebody else will have
3 to pay it.
4

5 The reason we got from \$80 to \$13.70, and the staff
6 can let you know, is basically that the \$13.70 is the
7 variable cost or the cost of actually registering the
8 container. The other \$66 or so, we thought was more fixed
9 costs and should go to the scheme overhead. Is that right
10 Heather?
11

12 MS DEAR: Yes. It is the portal costs, which were the
13 main problem, setting up the portal, which does a range of
14 things, not just registering containers, but the \$80 was
15 contributing to that. \$13.40 was the figure that the CIE
16 came up with, and we just escalated it into \$2018-19 to
17 \$13.70, and that was the variable cost of the staff time
18 for the EPA to actually do the registration for each
19 container. So that is why we recommended that split
20 reduction, but still recognising it is a cost to register
21 containers.
22

23 MS TOWERS: And we had a consultant look at the
24 efficiencies of those costs as well.
25

26 MR COURTNEY: We would like to see those figures if we
27 could.
28

29 MS TOWERS: It is on the website.
30

31 MS DEAR: The report is published on our website - the
32 CIE's report.
33

34 MR COURTNEY: Forgive me, if I may have overlooked
35 something, but we were particularly concerned that there
36 was not enough synergy between the GS1 barcode database
37 that we use as an industry. We thought there might be
38 greater opportunities for synergy and cost savings within
39 that.
40

41 MS DEAR: I can't talk about the barcodes.
42

43 THE CHAIRMAN: Markus, is that something you can talk
44 about or not?
45

46 MR FRAVAL: I can briefly comment on that. We looked some
47 years ago at using the GS1 database for barcode recognition

1 of RVMs. It was literally only 30-40 per cent of the
2 registered containers, so it was not actually particularly
3 helpful.

4
5 MS WIENAND: Would there be a consideration --

6
7 THE CHAIRMAN: Sorry, could you give us your name, please.

8
9 MS WIENAND: I am sorry. My name is Melinda Wienand. I
10 am from Coca-Cola Amatil.

11
12 I have a further view on that in terms of
13 consideration that there is a national registration scheme,
14 so that any state department that has any data for the
15 scheme could tap into a national registration to avoid
16 duplication of costs across the states.

17
18 THE CHAIRMAN: Sanjay?

19
20 MR SRIDHER: I am happy to comment on that, Mr Chairman.

21
22 I think harmonisation across the country is ultimately
23 where we want to get to. We are not there at the moment.
24 My own opinion is that it would have to be a
25 federal-government-run initiative. However, I think it is
26 hard to argue that it is illogical. It just needs to be
27 driven from the right place.

28
29 THE CHAIRMAN: We can send it off to COAG, along with
30 energy policy.

31
32 MR BRUCE: Some states have already commented that in terms
33 of if a container is registered in another state, then it
34 is automatically registered in their state. It does exist
35 somewhere, but someone has to do the hard work up-front and
36 register it.

37
38 MS TOWERS: Is that in the ACT?

39
40 MR BRUCE: Yes.

41
42 MS WIENAND: And Queensland.

43
44 MR WILLETT: So that is mutual recognition. Is the
45 technology not capable of dealing with that?

46
47 MR FRAVAL: No, the technology is agnostic about that.

1 There is a database that covers the range of containers sold
2 in the market or state. There will be subtle differences.
3 Some products are just sold in one state and not another,
4 so there is some administration required.

5
6 MR WILLETT: But unilaterally couldn't you also add, say,
7 Queensland's database into the system so that --

8
9 MR FRAVAL: Yes, but TOMRA Cleanaway does not actually
10 develop the database. We rely on the registration process
11 that the EPA does.

12
13 THE CHAIRMAN: So it is an EPA responsibility?

14
15 MR SRIDHER: Yes, it is an EPA responsibility. I don't
16 have much detail around this.

17
18 Alex, is there anything you want to add to this about
19 the registration?

20
21 MR YOUNG: Yes, just that --

22
23 THE CHAIRMAN: Sorry, could you say your name, please.

24
25 MR YOUNG: Alex Young from the EPA. The container
26 registration process is aimed at capturing all the
27 containers that have been supplied in New South Wales.

28
29 Obviously there is an issue in other jurisdictions. In
30 Queensland, the ACT, et cetera, there will be containers
31 which are only supplied in that jurisdiction, in which case
32 they will not be particularly sold or picked up some in New
33 South Wales. However, we have talked about sharing our
34 database with them.

35
36 Part of the reason why they have said they are happy
37 to not have registration is because they are happy to share
38 ours. We are happy to share it essentially because we are
39 doing it on a cost recovery basis and, therefore, it is
40 essentially being covered by the scheme. But they still
41 need to pick up their own containers that are only sold in
42 those jurisdictions.

43
44 THE CHAIRMAN: Thank you, Alex. Deborah?

45
46 MS COPE: To follow up on that, you are saying they call
47 on the New South Wales database. Are there any barriers to

1 New South Wales piggy-backing on their registration
2 processes?
3
4 MR YOUNG: Queensland obviously has not started yet.
5
6 MS COPE: Yes, I understand that, but --
7
8 MR YOUNG: To my knowledge in the ACT, only a very small
9 number of containers are locally produced and locally
10 consumed, which are not picked up in New South Wales, so we
11 have not particularly had a need to pick them up.
12
13 MR SRIDHER: Sorry, if I could jump in here, I think there
14 are no barriers. Once Queensland goes live and once their
15 systems are in place, we can then have a discussion with
16 them.
17
18 MS COPE: Do you have a good feel for what are the
19 differences in the work you would need to do between
20 registering something from scratch in New South Wales
21 versus recognising the registrations that occur in another
22 jurisdiction?
23
24 MR SRIDHER: No, I don't. I think we would have to do
25 that analysis based on the feedback.
26
27 THE CHAIRMAN: Thank you. That is a very useful
28 suggestion. It will now be recorded and on our website.
29
30 Are there any questions or comments?
31
32 MS LAUSBERG: Adele Lausberg from Tourism Accommodation
33 Australia. It seems that there has been a lot of focus on
34 individuals rather than the cost to business. Obviously
35 from a hotel perspective, there is a large amount of
36 collection that goes on. Sometimes in the regional areas
37 there are issues with that large amount. Many businesses
38 have an agreement with a waste collection body already, and
39 some of these waste collection bodies are not keen on
40 varying the terms of contracts that are in place.
41
42 I guess just a general comment is that there is a lot
43 of focus on the individual. It does feel a little bit at
44 times that business has been introduced as an afterthought.
45 That would be a comment that I would pass on.
46
47 THE CHAIRMAN: Thank you, Adele.

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Are there any other comments or questions? Any comments on Peter's model vis-a-vis the model in the draft report by IPART?

I guess, Sanjay, you are not so keen on the ones that, in a sense, smooth as an alternative to the true up.

MR SRIDHER: I think it needs careful consideration. I am not saying EPA is against or for it. It needs careful consideration and I think it needs consultation.

The principle of being able to tell somebody or an organisation that you will only pay for what you consume is an important principle. But if broadly by consultation, it starts to show that industry - because a lot of this is about administering it for industry - says, "Well, we are willing to deal with that as a compromise" - because it would be a compromise from a principle point of view - then I think we need to listen, but we would need to do that consultation first.

MS WIENAND: Mr Chairman, I would like to make a comment.

THE CHAIRMAN: Yes, Melinda.

MS WIENAND: I understand the principle of transparency and also the consumption from an industry perspective versus what we pay, but ultimately, it is about the consumer and what the consumer pays.

As an industry, we cannot actually fluctuate our prices as the costs fluctuate. It is actually advantageous to the consumer to have that consistency of cost and then we can budget accordingly around our pricing as well. I think from a transparency point of view, and back to the consumer, who we are all caring about, it is better to have that consistent forecast with fewer changes.

MR SRIDHER: I hear you. I think we would need to hear more people to come up with a broader view.

MS WIENAND: Yes, sure.

MR BRUCE: Certainly from Exchange for Change's board, which represents five of the larger beverage suppliers, they have all endorsed the model that I put forward. Those

1 five companies represent approximately 75 per cent of the
2 beverage containers supplied in New South Wales, and they
3 are very supportive of it.
4

5 That scheme I have outlined is the process that is
6 used in South Australia. Every beverage supplier is very
7 used to that process in South Australia. South Australia
8 is a very small market when compared with all of New South
9 Wales, and I don't think all the beverage suppliers
10 understand fully how South Australia works. It has been in
11 place for so long, they just kind of pay the bill.
12

13 But the broad principles, if that is what is in place,
14 and what is being implemented in Queensland, also reflect
15 what I have proposed. Queensland is talking about holding
16 its prices firm for a quarter, whereas South Australia is
17 holding them for a much longer period, and that is based on
18 the maturity of models.
19

20 When I have spoken to many beverage suppliers, a
21 significant cost to them is the different schemes. I am
22 sure some of the people here can comment better than I can,
23 but you have to have teams looking after each of the
24 different container deposit schemes and knowing how each
25 one operates, which adds a lot of complexity. They also
26 have to modify their IT systems to report these different
27 schemes. That, once again, adds a lot of cost.
28

29 I always jokingly refer to it as having a national
30 rail gauge. Every state had their own rail gauge. Over
31 time, we were able to move to having a common rail gauge.
32 This is the new national rail gauge. We need to, over
33 time, find a way of blending CDSs so that we reduce
34 administration costs for the beverage suppliers and have
35 a uniform approach. It might not be the best approach,
36 but it does not matter which one we choose, as all of them
37 will have certain wrinkles associated with them, but we
38 need a common approach which minimises costs for beverage
39 suppliers, which would then reduce costs to the consumers.
40

41 MR WILLET: To clarify, the categories of costs we are
42 talking about: first, product manufacturer; manufacture
43 individual products for each jurisdiction; reporting; you
44 want a common recording mechanism so you can rationalise
45 your IT.
46

47 MR BRUCE: Yes.

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MR WILLETT: Are there other categories?

MR BRUCE: That's the main one, I suppose. Tanya may be able to comment.

MS BAINI: I think registration reporting --

MR WILLETT: But if you have a mutual registration that gives you Australia-wide rights, if we could get that in place, that deals with that.

MS BAINI: Yes, that is an important one, and I think the reporting of the movement of containers.

There are other compliance costs. With exports, currently we have a different definition of what an export is in New South Wales and in Queensland, so there is a lot of duplication of effort. There are probably a few others which we can provide. I think we might have included them in our submission.

MR BRUCE: There is also a difference in contract bottlers between jurisdictions as well.

MS BAINI: Yes, that's right.

MR BRUCE: In some jurisdictions, a contract bottler is somebody that makes a bottle on behalf of someone else. As an example, you may have a major retailer that has their home brand. They do not manufacture that themselves, but, they contract that out to other manufacturers. There might be three different manufacturers that they are using - Jenny, Peter, Tanya - and they move the volumes between each of these three manufacturers.

How it is structured in New South Wales is a very, very complex process of whether each of us - the three contract manufacturers - are responsible for being first supplier or whether the retailer that owns the brand is responsible. If it is the contractors who are responsible, we do not control how much we are going to supply each month or any other aspect, and the major retailer can say, "No, I don't like Peter's brand anymore. I am going to use Tanya as my contract manufacturer", I would still have to pay a CDS component for previous months, so it becomes very unfair.

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In other jurisdictions what they have gone for is that the brand owner is responsible. If there is a one-to-one relationship between the contract bottler and the brand owner, then the brand owner takes responsibility for being first supplier. That is another area of variation between the states.

MR WILLETT: Would that usually be a container manufacturer issue or a labelling issue?

MR BRUCE: It is who owns the formula, who provides the main ingredient of the formula, who owns the label, who provides the actual container. It is a complex thing.

Alex would be able to tell me more precisely, but there are about five or six different inputs to choose who is the first supplier based on that model.

MR WILLETT: Thank you.

THE CHAIRMAN: John?

MR GREEN: I want to build on something that Adele from TAA was saying earlier, and that is in relation to commercial and on-premises, from an IPART point of view, and that is the hidden cost to business, in particular on-premise business. Obviously they have contracts - three or four-year contracts - with their waste providers. Therefore, they do not reap the benefits of any reductions that are currently ongoing and any of the container deposit scheme rebates, because they have already entered into contracts.

I have businesses - a lot of large business - in the heart of Sydney that have space issues. They are now having to recycle into different containers so they have additional collection issues. There is a cost that you will never see as part of the IPART inquiry as a cost to the CDS because they are paying that as part of their business.

THE CHAIRMAN: Yes, you are right. That is not in our numbers, but we are very aware of it and we have referred to it in our report. Also when we were assessing the applications from the businesses at the Victorian border, it was an issue.

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But you are right to make that point that these costs are being absorbed by the businesses as part of doing business, but they are not directly related to the Container Deposit Scheme. They are inevitable. Part of them are transitional costs - in a business where you have a contract with a waste management company for three years, you cannot ignore it - and some of them are ongoing, for example, the need for additional space. However, you are quite right to raise it. We are aware of it, but it is not in the numbers.

Are there any other questions or comments or discussion?

Phil, would you like to add anything from the CIE?

MR MANNERS: No. Thank you.

THE CHAIRMAN: He is here to answer questions. Yes, Deborah?

MS COPE: I have a question for Peter around the overdraft.

Peter, you said that there has been a shift in your estimate of the size of the overdraft. Just talking initially about the model that is in the report at the moment, whereas it says \$15 million in the report, you said you think it's now \$60 million. You mentioned that there is more volume going through the system. Is that the only driver of that? What is the difference in those two numbers?

MR BRUCE: The variations are around the volume. As the network operator increases its volumes, and we are paying the network operator in advance, then that increases the size of the overdraft that is required.

We have introduced exporters into the scheme, and exporters are paid after the beverage suppliers have paid their money, so we are having to make an allowance for that, and that is another accrual that we would be providing.

We have also fine-tuned the model in terms of the payments to Exchange for Change and to the EPA. When we

1 submitted our proposal in the previous paper, we had not
2 moved those costs to arrears, but we have moved those costs
3 to arrears now. It is just getting greater accuracy of the
4 model and investigating it further.

5
6 THE CHAIRMAN: The size of the overdraft for the scheme
7 that we put in the draft report and the scheme that you are
8 proposing is broadly similar, isn't it?

9
10 MR BRUCE: Yes. It doesn't matter what arrears model you
11 use, it will still be in that number of around 50 million,
12 but --

13
14 THE CHAIRMAN: That's right. So it is not really a
15 determining factor?

16
17 MR BRUCE: No, no. But the important thing is - I spoke
18 to Westpac this afternoon - that Westpac is, in principle,
19 supportive of providing it if they were to get a guarantee
20 from the state, but, as we know, the devil is always in the
21 detail.

22
23 MR WILLETT: Peter, as the scheme matures over time and
24 stabilises, would you expect the need for that overdraft to
25 diminish?

26
27 MR BRUCE: It is an interesting one, whether you actually
28 build up the funds and repay the loan or whether you keep
29 operating on an overdraft. I keep changing my mind as to
30 what is the most appropriate path.

31
32 MR WILLETT: It might be a question of whose costs are
33 lower.

34
35 MR BRUCE: Well, it is an issue of costs, but one aspect
36 is if you have a beverage supplier who is participating in
37 the scheme and you are repaying the loan, so you have then
38 built up a capital cost, if that supplier then leaves
39 supplying in to New South Wales, do they have a right to
40 call on that capital? That is the dilemma that I am
41 exploring. If you are constantly running an overdraft,
42 then you are just paying the costs as you go, so if someone
43 withdraws from the market or enters into the market, there
44 is no impact.

45
46 MR WILLETT: Thank you.

47

1 THE CHAIRMAN: Thanks, Ed. Deborah?

2

3 MS COPE: The other thing that I wanted to get you to talk
4 a little bit more about was you said that with your
5 proposed model for arrears, you didn't think there was a
6 need to move from seven-day terms to 28-day terms. What
7 was the reasoning for that?

8

9 MR BRUCE: Under the current model, a beverage supplier is
10 invoiced 30 days in advance of the month that is the supply
11 month. They get invoiced 30 days in advance. They have to
12 pay that invoice within seven days, so they are paying the
13 invoice 23 days before the month that they have actually
14 supplied the product.

15

16 If we move to an arrears model, so we are providing an
17 invoice after that month - so we have the 23 days prior to
18 the month; we have the 30 days of the actual month; and
19 then we are moving to a period after the month - we
20 anticipate, on our model, that they would be paying the
21 invoice at about day 28 of that month. Overall, from minus
22 23 to plus 28, there is an approximately 85-day improvement
23 in their payment terms. We see that that is a significant
24 improvement in their payment terms.

25

26 I believe the payment terms that each beverage
27 supplier has with the major retailers are typically worse
28 than that, but it is a compromise. It keeps the cost of
29 the scheme at a lower number and, once again, it is in line
30 with other jurisdictions. It is in line with South
31 Australia and it is in line with what has been proposed in
32 Queensland. It gets back to that comment before: let's
33 try and find commonality as much as possible.

34

35 MS COPE: Do any of the representatives of the beverage
36 producers have views on the payment terms?

37

38 MR COURTNEY: Only to say that we support Peter's scheme,
39 and I think that is about the only comment that we would
40 add.

41

42 MS BAINI: As Melinda from Coca-Cola Amatil said, moving
43 to arrears is something we support. We appreciate the
44 comments in IPART's draft report to that effect. I think
45 the detail is obviously something that is always subject to
46 further discussion, but we support the principle and the
47 time frames.

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As Peter mentioned, we do still have a payment gap with our customers, so the retailers. I think the payment terms are usually 60 days before we are paid as a supplier. That might have a different effect on different sizes of beverage producers. Each of the beverage manufacturers would have a different perspective on that. However, I think a positive move is going to arrears invoicing.

THE CHAIRMAN: Are there other questions or comments from the floor?

MR COURTNEY: Chair, if I may?

THE CHAIRMAN: Yes, sure, Shae.

MR COURTNEY: I do want to ask this question. I apologise again if I have missed it in the report, but we would like to have some greater understanding about the fees that the EPA has charged in relation to compliance, if that is possible.

THE CHAIRMAN: Sure. Heather?

MS DEAR: As we said before, we engaged the CIE to look at the work that the EPA does in its various compliance and regulatory roles. Those reports that the CIE has put together are on our website and there is detail in here. For the current year, a lot of stabilisation of the scheme has been going on and a lot of work is still happening from that point of view.

The fees are actually lower than the efficient costs at this stage, but that will taper off, and we have recommended that the fees drop in line with that as well. But the CIE did look at the efficient costs and there is a lot more detail in their report as well.

THE CHAIRMAN: The bottom line, Shae, is that we have looked at them with the CIE, and we have come to a view that the fees that are recommended in our draft report are efficient and, for that matter, fair; in other words, parties are not being ripped off. So that is the judgment that has been made.

We do this a lot. For example, when we determine the price for Sydney Water, we go through the costs. We make a

1 judgment about whether it is prudent, efficient and we come
2 to a landing, and we use consultants.

3
4 We have gone through a similar process here. That is
5 not to say that it cannot be improved. That is not to say
6 that some areas could not be identified. However, the
7 bottom line is, as Heather outlined, that the fee is
8 actually below the initial costs --

9
10 MS DEAR: The current fees, yes.

11
12 THE CHAIRMAN: It is slightly below, and what we have
13 recommended is that it be held constant for two or three
14 years.

15
16 MS DEAR: Two years, yes.

17
18 THE CHAIRMAN: Two years, yes, and then reduced.

19
20 Similarly, on the other registration fee that we have
21 discussed, we have recommended that variable cost of
22 registering a container is about \$13.70, not \$80, and
23 \$13.70 should be the fee. The fixed cost, which is the
24 portal and stuff like that, should actually remain.

25
26 MS DEAR: Yes.

27
28 THE CHAIRMAN: We are happy to engage on that, but we have
29 been through the process. Yes, Phil?

30
31 MR MANNERS: A lot of the implementation costs have been
32 borne by the New South Wales government rather than by the
33 fees charged by the EPA. To date the fees are not
34 recovering more than the costs. A lot of the costs have
35 gone through the government channel instead.

36
37 THE CHAIRMAN: For example, with the help of the CIE, we
38 have been through the processes that the EPA uses. We have
39 identified whether we think that should be in the cost base
40 or not and there are one or two things that have been taken
41 out.

42
43 I am not saying they did this, but let's say, for
44 example, there was a fee for policy advice in there, we
45 would take that out because that is nothing to do with
46 registration or the running of the scheme. That is
47 actually to do with advising the government when they set

1 the scheme up.

2

3 MS DEAR: But the fees that are left in here are what came
4 out in the end that we think should be cost recovered.

5

6 MR COURTNEY: Okay, thank you.

7

8 THE CHAIRMAN: Are there any other questions or comments?
9 No?

10

11 CONCLUDING REMARKS

12

13 THE CHAIRMAN: Thank you very much for coming along. It
14 has been a very useful session, and we certainly have
15 something to think about.

16

17 What we are going to do now is take this on board as
18 well as any written submissions that come in by 2 November.
19 Then we will pull together our final report and present
20 it to government in December.

21

22 It is up to the government when they publish it - they
23 do not always publish it immediately - and how they respond
24 to the recommendations. But now is a good opportunity, if
25 you want to get in that written submission.

26

27 All the comments and input today will be transcribed,
28 so we will have that when we do our final report.

29

30 Thank you very much and have a good afternoon.

31

32 AT 3.14PM, THE TRIBUNAL WAS ADJOURNED ACCORDINGLY

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