

NSW Environment Protection Authority

Driving NSW's circular economy

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Discussion paper on enhancing the NSW Container Deposit Scheme



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Front cover image: Depositing into a Reverse Vending Machine. Photo: TOMRA Cleanaway.

Page 6 image: Containers for recycling. Photo: Quentin Jones/EPA

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Acknowledgement of Country

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The EPA acknowledges the traditional custodians of the land on which we live and work, and pay our respects to Elders past, present and future.

We recognise the connection to their land, their waters and surrounding communities and acknowledge their history here on this land.

We also acknowledge our Aboriginal and Torres Strait Islander employees who are an integral part of our diverse workforce and recognise the knowledge embedded forever in Aboriginal and Torres Strait Islander custodianship of Country and culture.

Dharawal Country, Royal National Park, NSW

Minister's Foreword



Return and Earn ("the Scheme") is a wildly successful NSW Government initiative that has well and truly changed the way we think about recycling and litter by turning trash into treasure.

The Scheme has fundamentally shifted community behaviour, turning what was once seen as waste into a now-valuable resource for the recycling industry, and delivering huge refunds to the community.

Since it began in 2017, more than eight billion containers have now been returned, delivering \$800 million in refunds to the people of NSW, more than \$35 million in donations and fees to community groups and charities, and helping us reduce drink container litter by a massive 52%.

This is a huge win for our environment, with all plastic containers and glass bottles returned being given a new life and turned back into new food and drink containers to go back on our supermarket shelves within weeks.

Heading down to the local Return and Earn point has become a routine part of life, and I'd like to thank the almost 80% of adults in NSW who have got involved to do their bit for recycling.

We want to double down on our fantastic achievements and continue boosting the circular economy in NSW with an expanded Return and Earn Scheme.

Not only will our environment be better off, we know there is increased demand from industry for containers from Return and Earn, because it delivers a valuable, clean and reliable waste stream.

As a first step, we're proposing to make improvements to simplify the Scheme and harmonise it with other states. Secondly, we're also proposing to expand the Scheme to increase the amount of material that can be recovered and recycled.

Expanding the Scheme will also ensure it continues to draw investment to NSW, drive more economic activity, and create jobs.

I look forward to government, industry, and the community working together to build upon our already impressive achievements to help create a cleaner environment for our future generations.

James Griffin

Minister for Environment and Heritage



Learning how to use a Reverse Vending Machine - Manly. Photo: EPA

Driving the NSW Circular Economy

Expanding the Container Deposit Scheme will ensure it continues to facilitate investment in NSW, drive more economic activity and create jobs.



Overview

Each year, the global economy consumes 90 billion tonnes of primary materials - such as glass, paper, plastics, and metal - but only 9% of this material is recycled.ⁱ

The consumptionⁱⁱ of primary materials is set to double by 2060 but, with an estimated 150 million tonnesⁱⁱⁱ of plastics in our rivers, seas and oceans today, this is already having a significant impact.

To help address this concern, NSW is moving towards a circular economy – where materials are shared, reused, and recycled.

The NSW Container Deposit Scheme – known as Return and Earn – is leading the way, helping to change community behaviour for the better across the state. It has played an important role in advancing the NSW Government's commitment to reduce litter and improve the environment.

By offering a 10-cent refund upon the return of an eligible drink container, the Scheme has driven a reduction in litter and incentivised recycling, delivering more than \$1 billion in refunds to the community. Charities and community groups have benefited with more than \$35 million delivered through donations and handling fees for managing return points and as donation partners on vending machines, and many charities, community groups and schools are accessing refunds through the redemption of containers.

The state-wide network of more than 600 return points is delivering clean streams of high-quality recyclable material that is contributing to the development of a circular economy in NSW.

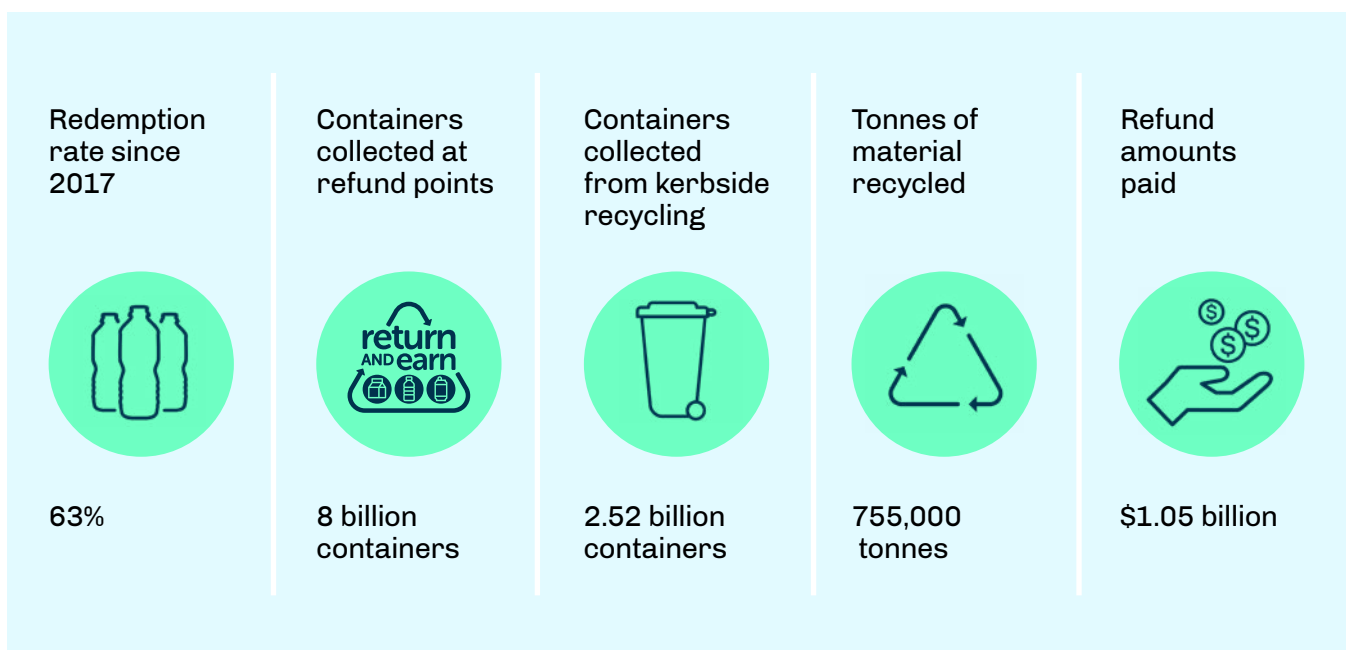
Since the Scheme was introduced, the volume of drink container litter has been cut by 52%.

Before the Scheme, only 33% of drink containers were being recycled in New South Wales and they were being collected through kerbside pick-up. Since the start of the Scheme, the number of containers being recycled has risen significantly to as high as 67%, despite the impact of COVID-19 lockdowns, and other external factors.

These outcomes support the local community, foster a better local environment, and provide a clean stream of valuable recyclable material to industry.

Building on this success, now is the time to review this performance and look at ways to improve the future delivery of the Scheme to ensure it continues to deliver for the community, industry and the environment.

This discussion paper proposes the inclusion of additional drink container types in the Scheme and identifies operational efficiency and customer service improvements.



Have your say

Government, industry and community all have a role in the success of the Scheme, and this is your chance to help set its future direction.

Let us know your thoughts at <https://yoursay.epa.nsw.gov.au>.

You can also provide a written submission by emailing cds.haveyoursay@epa.nsw.gov.au.

Your feedback from this consultation process will be used to inform recommendations for further enhancements.

Too Good To Waste

What happens to drink containers in the NSW circular economy



A recycling success story

The NSW Container Deposit Scheme has been a success, creating positive outcomes for the community, industry, and the state.

Less litter

The NSW Government set an ambitious goal to reduce by 40% the volume of all types of litter by 2020. Before the introduction of the Scheme, discarded drink containers made up almost half of all litter across the state.

By 2020, overall litter volume had dropped by 43%, while drink container litter volume dropped by about 50%, a higher rate of decline than other types of litter, with the Return and Earn Scheme playing a major role.

Figure 1. National Litter Index NSW (litres per 1000m², FY 08-20)^{iv}



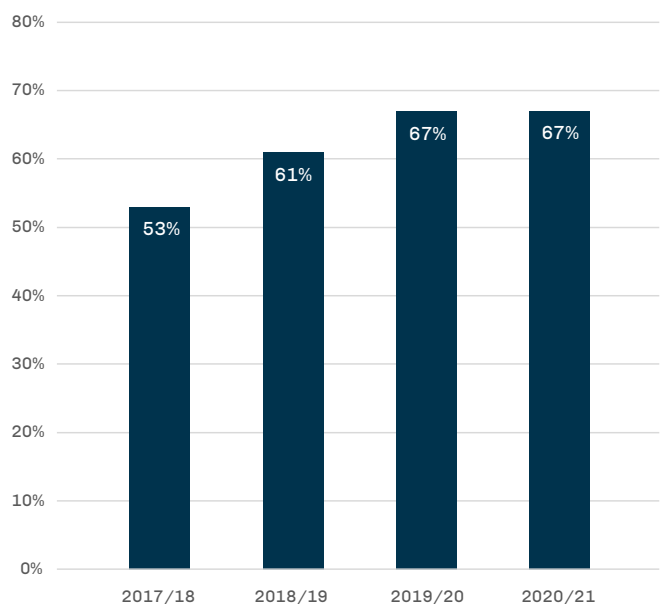
More resources recovered

There has also been strong growth in the collection of drink containers, although this was affected by major bushfires, floods, and the COVID-19 lockdowns over the last two years.

In 2021/22, return points in the Greater Sydney area were shut from early July to the end of September, while lockdowns in regional areas resulted in a significant reduction in collection volumes compared to the previous year.

Despite these challenges, the resilience of the Scheme – including the community's commitment to participating – was demonstrated, when the highest redemption volume was recorded following the network re-opening.

Figure 2. Annual Average Scheme Redemption Rate



Source: Exchange for Change Annual Reports

All drink containers that are collected must be recycled and, as the Scheme has continued, more is being recycled here in Australia. This means that what was once considered waste is now a valuable commodity for local manufacturing.

With supporting investment from the Australian and NSW Governments, the private sector is investing in more local recycling infrastructure here in NSW. Today, all glass collected by the Network Operator is sold to Australian recyclers.

The largest PET recycling plant in Australia

The largest PET recycling facility in Australia was officially opened this year in Albury-Wodonga. This joint venture between Pact Group, Cleanaway Management, Asahi and Coca-Cola will take approximately 30,000 tonnes of used PET bottles per year from the Scheme and process them into raw, recyclable food grade material. This equates to around 1 billion drink bottles.

The plastic bottle you take to a return point is taken to this facility, washed and shredded into flakes. Those plastic flakes are then turned into resin, ready to be remade into another beverage bottle.

That new bottle can then be filled by a manufacturer, labelled and will be back on the shelf in around 6 weeks. Then the cycle begins again.



First delivery of PET containers to Australia's largest PET recycling facility in Albury-Wodonga.

Photo: TOMRA Cleanaway

Material Recovery Facilities (MRFs) that process kerbside material are an important part of the Scheme and can claim a refund for eligible containers that are placed in the kerbside bin.

As they are required to share refunds with the council, the community which funds kerbside recycling also share in the benefit.

saveBOARD

In the past, market demand for used Liquid Paperboard beverage containers has been low. With investment from government this is starting to improve.

By the end of this year, a newly commissioned recycling facility for liquid paperboard will be operational in NSW. The SaveBOARD facility will remanufacture liquid paperboard products into environmentally sustainable building construction boards.

These boards can be used in place of traditional materials like plywood and plasterboard. The facility was, in part, funded from the Australian Government's Recycling Modernisation Fund and the NSW Government's Waste Less, Recycle More program and is another example of the NSW Scheme driving onshore recycling opportunities.



saveBOARD recycling facility processing liquid paperboard into building materials. Photo: saveBOARD



saveBOARD's finished building product. Photo: saveBOARD

Greater value

Operation of the Scheme is split between two contractors, selected through a competitive tender process:

- The Scheme Coordinator manages the financial operations, marketing and community education for the Scheme, while ensuring the integrity of the Scheme through audit and risk management.
- The Network Operator is responsible for establishing and maintaining the state-wide return point network, while managing the logistics and sale of the collected material for recycling.

The Scheme Coordinator and Network Operator have gone above and beyond since the Scheme commenced. The Scheme Coordinator in partnership with the EPA implemented a new invoicing approach that provides greater pricing certainty for beverage suppliers participating in the Scheme and continues to look for opportunities to simplify the process.

The NSW Scheme Coordinator also leads a national program to harmonise the audit program for suppliers across Australia which is a significant step towards simplifying this process for industry operating across borders.

The Network Operator has consistently delivered more than just the minimum number

of return points required and has shown significant resilience in managing the disruption from China's import ban on recycling materials, COVID-19 shutdowns, as well as bushfires and floods.

More convenience

Since introduction, the Scheme has improved community recycling convenience. It does this by design.

The Network Operator receives a fixed fee per container collected, thereby incentivising the collection of as many containers as possible, in as many locations as possible.

As a result, the operator has exceeded community access requirements established in the Scheme and continues to innovate to improve accessibility and ease for consumers.

There are now more than 600 return points available across NSW - comprising a mix of over-the-counter return points, reverse vending machines and centres, automated depots, and donation points.

The operator continues to explore new opportunities to expand services and convenience in metro, regional and remote areas including the consideration of mobile collection services.



Bags of eligible containers being returned to an automated depot. Photo: Exchange for Change/EPA

Community support and engagement

Community support is essential to the success of the Scheme and regular consumer research has consistently shown high levels of participation and support for the Scheme:

- 89% of NSW adults are supportive of the Scheme^v
- 79% have participated in the Scheme, and
- More than 90% continue to use the Scheme on a quarterly basis.

Surveys show the community is supportive of the environmental drivers of the Scheme and it is seen as a trusted, long-term way to increase recycling rates and benefit the broader environment.

From the outset, the Scheme was designed to provide fundraising opportunities for charities, schools, sporting, and community groups through:

1. Redeeming donated containers at any of the return points
2. Applying to become a return point host, and
3. Registering to become a donation partner at a reverse vending machine or on the app.

The response from the community and not-for-profit sector has been overwhelmingly positive with more than 8 billion containers redeemed through return points since the start of the Scheme.

In partnership with the Network Operator, charity and not for profit groups are successfully operating 64 return points and have earned more than \$35 million via donations at reverse vending machines and through fees for hosting return points. This does not include funds raised for schools, charities and community groups who informally collect containers and redeem them at return points.

More than 650 local and major donors have been listed as on-screen charity partners at reverse vending machines. This has been supplemented with the introduction of the Return and Earn app, where more than 180 charities and community groups are registered as donation partners.



Young children holding eligible containers. Photo: Quentin Jones/EPA

Engaging the next generation on sustainability: turning trash into energy self sufficiency

Thanks to a student-led initiative to fundraise for solar panels using Return and Earn, Warilla Public School on the NSW South Coast is entirely self-sufficient for power.

The school's Student Representative Council decided to introduce Return and Earn at the school to reduce litter and landfill. They also saw the potential to raise money for solar panels.

Students set up recycling bins and established a volunteer 'Sortin' Squad' to separate the containers. Students took responsibility for making sure bottles and cans from the cafeteria – 8,000 per semester – were all collected. They also partnered with local businesses to collect containers and encouraged locals to direct their Return and Earn refunds to the school.

The students raised enough to fund 100 solar panels at the school, saving tens of thousands of dollars in electricity costs each year. The savings on electricity go back into the school to support learning and development.



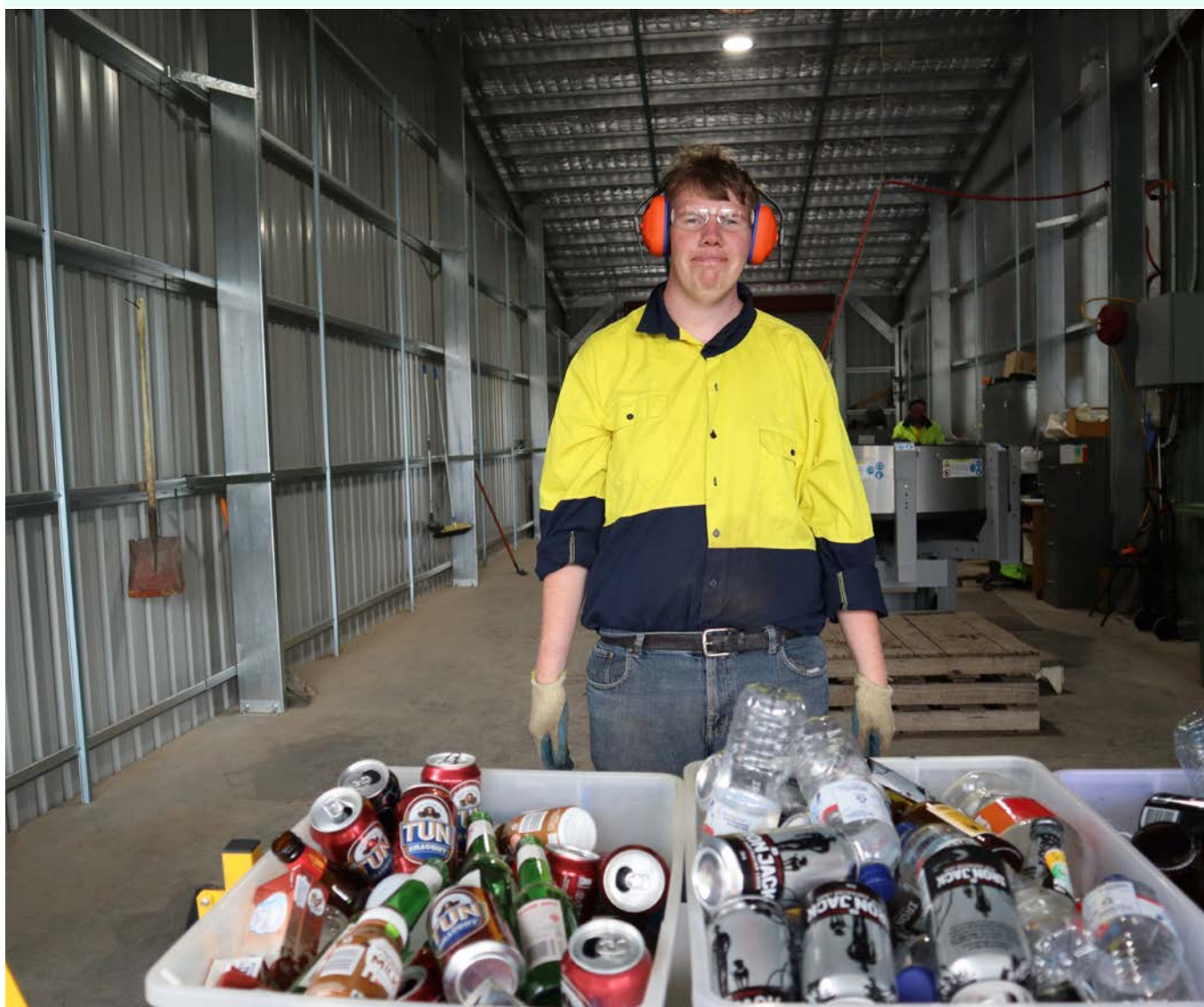
Sortin' Squad members from Warilla Public School, NSW. Photo: Exchange for Change

Disability services in the Snowy Valley grow with Return and Earn

Disability services organisation Valmar Support Services saw the launch of Return and Earn as an opportunity to create for people who live with disabilities in regional NSW's Snowy Valley Council area.

In 2018, they expanded their business service arm in Gilmore, which includes an op shop and other recycling facilities, to become an automated depot for Return and Earn. In doing so, they have been able to employ 14 people who live with disabilities to work directly with the scheme. Around 50 people living with disabilities, and who otherwise face barriers to employment, are employed at the Gilmore site.

Valmar also receives great support from the local community. Funds raised through donated containers and revenue from hosting the return point help pay the wages of the staff employed at the site.



Employee at Valmar Support Services Automated Depot, Gilmore, NSW. Photo: Exchange for Change

Tuncurry Automated Depot

Resource Recovery Australia (RRA) is a national, not for profit social enterprise, founded in Tuncurry, that has been running for over 30 years. In partnership with Mid-Coast Council and JR Richards & Sons, RRA runs the Return and Earn automated depot at Tuncurry.

RRA has a focus on empowering people who are experiencing barriers to employment, by creating meaningful employment opportunities and providing ongoing training and development.

Funds raised from the depot are used to create more employment opportunities. Returns at the depot average around 20,000 containers per day, with the record for the biggest day so far being 54,000 containers returned. The depot is run in conjunction with a reuse shop, a community recycling centre, community gardens, a green bikes program and a Men's Shed.



Joel Godron (L) and Liam Simon (R) at the Tuncurry automated depot. Photo: Resource Recovery Australia

Financial flows

The Scheme's governance and oversight structure continue to provide transparency and value for the beverage industry and the community.

In the most recent **Scheme annual report**, drink supplier funding of \$422 million covered all refunds and the operating costs of the Scheme. Other flows include:

- More than \$178 million in refunds have been paid directly to the community and more than \$43 million to MRF operators and glass crushing service providers.
- \$11.8 million in rebates for containers exported out of NSW.
- The Scheme Coordinator's administration fee was \$8.8 million for financial management, audit and risk oversight, coordinating marketing and communication activities.
- The Network Operator's fees of \$173.5 million cover infrastructure, handling fees for return point operators and logistics for collecting, sorting, baling, and transporting containers to recyclers.
- \$2 million for marketing and community engagement.
- \$3.6 million paid to the EPA to oversee administration and compliance.

Comparable costs

The Scheme is run on a cost recovery basis.

There are more than 1,300 suppliers that have agreements with the Scheme Coordinator and contribute according to the number of containers they supply. Pricing is based on the number of supplied containers, their material type, and their recovery rate, plus fixed scheme costs. The major driver of Scheme costs is the redemption rate therefore a higher redemption rate will result in a higher cost per container invoiced to suppliers.

The Independent Pricing and Regulatory Tribunal (IPART) monitored beverage pricing and competition between 1 November 2017 and 1 December 2018 and found there was an average increase of 7.7 cents per container (including GST) during the first year of operation. This is consistent with a competitive market.

Additionally, the number of containers supplied in NSW has continued to increase, indicating that the introduction of the Scheme has not had a significant or long-term impact on beverage sales.

While scheme costs in other jurisdictions are not directly comparable due to differing redemption rates and other factors, NSW Scheme prices are within a similar range to others. For example, the contribution suppliers pay for glass in NSW is, on average, the second lowest of the schemes that publish this data.

Table 1: Jurisdictional comparison of scheme pricing (glass and weighted average) in 2022

State	Glass (price per container ex GST)	Weighted average (price per container ex GST)	Average annual recovery rate (2021/22 for all material types)
WA	11.84 cents	11.65 cents	59% ^{vi}
NSW	12.52 cents	11.71 cents	66%
ACT	13.72 cents	12.23 cents	68%
QLD	13.09 cents	13.03 cents	61.6%
NT	NT contributions data not available.		72%
SA	SA contributions data not available. Economic analysis in 2021 determined that average SA scheme costs were 11 cents per eligible container sold in SA. ^{vii}		76%

Taking the Scheme to the next level

The ongoing participation and support from both industry and community, coupled with the extensive collection and processing infrastructure now being in place, provide an opportunity to take the Scheme to the next level.

The Scheme is currently focused on the kinds of drink containers that are typically found in litter stream to help meet ambitious litter reduction targets. Both the Scheme and the waste recovery sector have matured - recovery rates have increased from about 33% to as high as 67% since introduction - and many fewer containers end up in landfill.

Making progress towards establishing a truly circular economy can be achieved by including additional drink container types in the Scheme.

Expanding the reach of the Scheme

Demand for clean and separated recycled material is increasing globally. What was once considered waste is now a valuable commodity. Recycling has also evolved, and less energy is required to manufacture containers from recycled material:

- Recycled glass products now require around 40% less energy to produce than glass products made from virgin materials, while
- Recycled aluminium requires only 5% of the energy to produce than using primary production.^{viii}

Research has also found the environmental benefit, alongside financial incentive, are the top reasons consumers participate in the Scheme. Consumers are increasingly valuing sustainability and most Australian consumers

believe that brands have a responsibility to make a positive change in the world.^{ix}

The Scheme currently includes all beverage containers between 150 millilitres and three litres, except:

- Milk (other than flavoured milk), cordial, concentrated fruit or vegetable juice, and registered health drinks
- Wine and spirits in glass containers
- Flavoured milk and fruit/vegetable juice in containers (at least 90% juice) of one litre or more
- Wine, wine-based beverages, or water in casks/aseptic packs of one litre or more, and
- Wine in sachets of 250 millilitres or more.

In deciding how best to expand the Scheme the costs and benefits of four options have been examined. The four options examined were:

1. Glass only expansion of the Scheme.
2. Comprehensive expansion of the Scheme to capture a broad range of additional beverage containers.
3. Comprehensive expansion of the Scheme to capture a broad range of additional beverage containers plus plain milk containers.
4. Dedicated kerbside glass bin.

All options were found to improve resource recovery in NSW and deliver a net benefit for the community (see Appendix B).

The Government's preferred option to take the Scheme to the next level is to remove all exclusions except for plain milk and health tonic containers - Option two.



Containers ready to be baled. Photo: Adobe Stock

The updated Scheme would include:

- Water (aseptic packs) – one to three litres
- Fruit and vegetable juice (at least 90% juice and all container types) – one to three litres
- Flavoured milk (all container types) – one to three litres
- Concentrated fruit and vegetable juice intended to be diluted before consumption (all container types) – 150 millilitres to three litres
- Cordial (undiluted and all material types) – 150 millilitres to three litres
- Wine (sachets – plastic and/or foil) – 250 millilitres to three litres
- Wine (aseptic packs) – one to three litres
- Flavoured alcoholic beverages with a wine base (aseptic packs) – one to three litres.

This will bring wine and spirits in glass containers and cordial and concentrated fruit juice containers into the Scheme and increase the size limits for some beverages already in the Scheme.

In 2021/22, more than 3.5 billion eligible beverage containers were supplied in NSW and, of these, 23.82% were glass, 40.11% were aluminium, and 30.80% were plastic (mostly PET). The remaining material types (steel, liquid paper board, and other) made up 5.27%. Including these additional container types would add an estimated 417 million containers to the Scheme (approximately 12%), comprising:

- Around 196 million glass wine bottles
- 37 million glass spirits bottles
- 115 million plastic containers
- 64 million liquid paper board containers
- Four million glass containers (other than wine and spirits), and
- One million metal containers.



Clean glass recyclate is a valuable commodity. Photo: Adobe Stock

A harmonised and comprehensive approach

The Government's preferred option for expanding the Scheme has already been consulted on in South Australia, and other states and territories are expected to follow suit. Environment ministers have agreed to expand and harmonise the scope of their own schemes by the end of 2025. Introducing a harmonised expanded scope of containers makes it easier for businesses that supply into multiple states and territories.

A key benefit of a more comprehensive Scheme is that it would help to reduce consumer confusion over which beverages and container types are included in the Scheme.

Research has shown that around 37% of participants consistently think that glass

containers for wine or spirits could be refunded, for example. Consumer feedback also consistently finds that people do not have a good understanding of why some drink containers are excluded, or why they are included in smaller sizes but not in larger sizes.

Larger juice containers and wine bottles typically make up around 60% of ineligible items attempted to be returned at reverse vending machines which equates to people unsuccessfully attempting to redeem about 35 million of these containers annually.

Research also indicates that a lack of clear understanding of which containers are eligible may also be discouraging some people from participating in the Scheme. A more comprehensive expansion of scope would help to remove this complexity, which in turn may improve not only the recovery of the additional container types, but also containers that are currently part of the Scheme.

What would new suppliers need to do

- Register with the Scheme Coordinator www.exchangeforchange.com.au.
- Sign and return the supply contract.
- Update product labels to include the 10c Refund Mark and barcode.
- Apply for a container approval with the EPA.
- Report your monthly supplied volumes.
- Pay monthly invoice.
- Provide a Statutory Declaration at the end of each financial year.

Implementing the proposed changes

For any expansion in the scope of the Scheme, suppliers will need time to transition. They will need to understand their roles and responsibilities and will need time to meet labelling requirements and manage products that are already in the supply chain.

At the same time, the Scheme will need time to build up logistics capacity to manage the additional containers, and consumers will need to be educated about the new types of containers that can be redeemed.

This is especially the case for wine and spirits as they, unlike other categories, are sometimes stored for periods of time both before and after they are sold.

While some wine containers not made of glass are already partially included, wine in glass bottles make up almost half of the proposed expanded scope of the Scheme.

The government acknowledges that wine packaged in glass is more typical of local wineries that contribute to the economy both through wine sales and tourism. NSW is Australia's second largest wine producing state behind South Australia, accounting for 32% of Australia's \$44 billion wine industry.*

To ensure a successful transition we want to hear from all stakeholders, especially those in the wine and spirits industry, and work with industry to collectively design implementation solutions.

Have your say

- Do you support an expansion in scope of containers included in the NSW Scheme?
- Do you support the proposed containers that would be included in an expanded scope?
- What factors will need to be considered and addressed during the transition period?
- What period of transition would be required to prepare impacted stakeholders?
- What activities should be included to prepare impacted stakeholders?
- How should stored wines and spirits be treated in an expanded Scheme?



Making a return at an RVM. Photo: TBA

Further improvements to consolidate and build on success

It is clear from performance and the response of industry and the community, that the Scheme has been successful in reducing litter and supporting greater resource recovery. Consolidating and building on this success, however, requires continuous improvement.

The Government is undertaking a review of the terms and objectives of Part 5 of the *Waste Avoidance and Resource Recovery Act 2001* (the Act) to explore potential changes that could improve the efficiency and effectiveness of the Scheme.

Through ongoing feedback from stakeholders and experience of the Scheme's operation, the Government has already identified the following amendments that may help to improve the Act. Community views on any potential changes that will improve the achievement of the Act's objectives are welcomed and we encourage you to have your say.

Shared responsibility to reduce drink container waste

Those that produce, sell, use, and/or dispose of products, have a shared responsibility to manage them throughout the product's lifecycle in a way that minimises environmental impact.

The Scheme was designed to reduce litter and keep containers out of landfill by requiring drink suppliers to fund their recovery. Consumers share the responsibility by paying the upfront cost when they make a purchase and are then able to redeem a 10c refund when the empty container is returned.

The objectives of the Scheme are established under Part 5 of the Act, to:

1. Recognise the responsibility that the beverage industry shares with the community for reducing and dealing with the waste generated by beverage product packaging, and
2. Establish a cost-effective State-wide container deposit Scheme to assist the beverage industry to discharge that responsibility and to promote the recovery, reuse, and recycling of empty beverage containers.

Have your say

- Do you think the Scheme is achieving the objects of Part 5 of the Act?
- Do you think the objectives remain valid?
- Do you think the terms of the Act remain appropriate for securing those objectives?

For suppliers

The following proposed changes are most relevant to suppliers.

Supporting small suppliers

In Queensland and Western Australia, small suppliers can elect to pay monthly, rather than quarterly, to assist with their cash flow. In NSW, monthly payment terms are standard but, as part of the simplified pricing and contribution approach introduced in 2020, suppliers that

qualified as small suppliers were provided with the option to receive invoices on a quarterly, rather than monthly, basis.

We are seeking industry's views on how small suppliers could be further assisted in managing Scheme obligations. This is also an opportunity to examine whether the threshold of 300,000 containers per year is an appropriate measure, or whether there may be an alternative way to group suppliers that have smaller product lines or supply volumes.

Have your say

- Is the threshold of 300,000 containers per year the right threshold for defining a small supplier?
- Are there other ways the Scheme could make it easier for small suppliers to participate?



Recycled glass bottles ready to be filled. Photo: Adobe Stock

Container approval applications

The government charges a \$13.70 application fee for processing container approval applications and, while this fee is relatively modest, feedback from industry indicates that it has more impact on smaller suppliers because they can only recover the fee over fewer containers. Removing the fee will reduce the administrative burden on suppliers and government, and simplify the process of invoicing and receipting.

The Government recognises that there are significant benefits in removing the fee for small suppliers but is also considering removing the application fee for all suppliers. The cost of assessing applications would therefore be added to the Scheme Compliance fee. This fee

is amortised across all containers supplied in NSW as opposed to only the containers supplied by the person making the container approval application.

The net effect of this change would be cost neutral to Government while reducing the complexity of managing container approvals and eliminating a significant disincentive on small businesses to participate in the Scheme.

Eliminating these barriers also reduces the compliance activities that occur when unapproved containers are identified and also reduces community frustration when containers that people believe should be eligible for a refund are rejected.

Have your say

- Should the Scheme incorporate the container approval application fee into the overall Scheme cost and reduce the administrative burden for all suppliers or just small suppliers?



Baled aluminium cans. Photo: TOMRA Cleanaway

Simplifying refunds for consumers

Queensland, South Australia and the ACT allow containers from other participating States and Territories to be redeemed. NSW is looking to harmonise with other schemes by removing the penalty that applies to consumers redeeming a container they have purchased in another state or territory with a container deposit scheme.

By next year, all states and territories will have operational schemes. This provides a further opportunity to consider whether the current refund marking that has been agreed by all states and territories can be simplified. All eligible containers must currently include the

refund marking: 10c refund at collection depots/points in participating State/Territory of purchase.

Industry groups have also advised that there may be benefits in permitting alternatives to the current labelling requirements. Consumers need to be aware that they can get a refund, the amount of the refund and know how to get it, so we are supportive of any solution that makes this simpler.

Any change would need to be based on consumer research and analysis and agreed by all participating States and Territories, before being adopted.

Have your say

- Do you support NSW removing the penalty for redeeming containers purchased outside NSW?
- Would you support an alternative to the current refund mark requirements that suppliers could elect to use?
- What kind of wording or symbols for the refund marking would be more effective in your view?



Eligible plastic containers. Photo: Quentin Jones/EPA

Extending container approvals application timeframes

The process for suppliers to apply for a container approval is subject to a 28-day assessment and processing period. If the government is unable to make a decision during that timeframe – due to insufficient or incorrect information received, for instance – the application is refused.

In practice, this process sometimes requires additional communication between the applicant and the EPA due to errors or an absence of

important detail. If this additional information is not received quickly, then the 28-day timeframe may not be adequate for the EPA to make a fair assessment requiring the applicant to submit a new application and pay another application fee.

The Government is considering amending the Act to “stop the clock” if the EPA requests additional information. Similar provisions are in place for the other NSW government application processes. This flexibility would reduce the administrative burden for suppliers and the EPA without compromising the approvals process.

Have your say

- Is an amendment to the current container approval application processing timeframe supported?



Brown glass bottles for recycling. Photo: Evolving Images/EPA

Concept of 'first supplier'

Under the Scheme, the 'first supplier' to supply a drink in a container into NSW is responsible for paying the Scheme costs. First suppliers must enter into a supply arrangement with the Scheme Coordinator, make the contributions to the Scheme's fund, and ensure that the containers they supply have been approved by the EPA. Currently, contract bottlers may be considered "first suppliers" if they are engaged by a brand owner to make an eligible product. Contract bottlers, therefore, may be defined as the first supplier even though they have little control over the drinks being produced, container design or supply volumes. In other jurisdictions contract bottlers are excluded and the brand owner is the responsible party.

This places a significant administrative burden on the contract bottler and they have little control over the drinks being produced.

All jurisdictions have different approaches to this, so there is an opportunity to examine whether contract bottlers should be expressly excluded in NSW. In QLD and WA, contract bottlers are expressly excluded from the responsibilities of being the contributing supplier, requiring the brand owner to pay into the Scheme. Tasmania's scheme will also expressly exclude contract bottlers, once it commences. In other jurisdictions, such as Victoria and the ACT, the legislation is not clear.

Table 2: First supplier terminology

	Tas	Vic	WA	ACT	NSW	QLD	NT	SA
Terminology								
First supplier	✓	✓	✓		✓			
Supplier				✓				
Manufacturer						✓		
CDS supplier							✓	
Manufacturer/ Retailer/ Distributor								✓
Contract bottlers excluded								
Contract bottlers excluded	✓	X ^{xi}	✓	✓ ^{xii}	X	✓ ^{xiii}	X ^{xiv}	X

Some submissions to the IPART review of the Scheme suggested the NSW definition of 'first supplier' is more complicated to administer than other schemes and the absence of a nationally harmonised definition¹ was criticised for causing additional complexity.

An option would be to retain the concept of a first supplier while expressly excluding contract

bottlers meaning it will be the brand owner that would be considered the 'first supplier' in NSW. This would better align the NSW Scheme with other states and reduce the administrative burden on those smaller businesses that undertake contract bottling on behalf of brand owners.

Have your say

- Is the exclusion of contract bottlers supported?
- Are there any other participants in the supply chain that should or should not be considered a 'first supplier'?
- Which definition of 'first supplier' used across the Australian Schemes is the easiest to administer?
- Do you have any other suggestions about how the concept of 'first supplier' could be improved?



Over the counter collection point. Photo: Exchange for Change/EPA

Exporters

Drinks that are manufactured in NSW but directly exported out of the state are not captured in the Scheme because they are not considered to have been first supplied in NSW. Drinks that are first supplied in NSW are liable for the Scheme costs. If they are subsequently exported, then that cost, including the refund amount, may be passed on in the cost of the beverage even though they will not be redeemed in NSW. This has an impact on the financial viability of the exporter, as well as downstream consumers.

If they are exported into another state where a container deposit scheme operates, then these drinks would be liable for another scheme fee. To avoid this, exporters of drinks that have already been first supplied in NSW can apply to the Scheme Coordinator for a rebate of the NSW Scheme fee.

While this is an important and comparatively complex area, the Act does not include legislation, nor is there regulation, for exports or exporters.

To receive a rebate, exporters must sign an Exporter Deed Poll, which governs the obligations of an exporter in the absence of legislative requirements. A Container Export Protocol further sets out the procedures and requirements for exporters to make a rebate claim including separate rules for the airline and cruise ship industries. In 2021-22, there were 34 exporter claims, totalling \$11.8 million.

In Western Australia, the Waste Avoidance and Resource Recovery Act 2007 (WA) requires exporters to enter into an export rebate agreement^{xvi} where it is an offence for an exporter to claim or attempt to claim a rebate they are not entitled to.

A benefit of including exports and exporters in legislation is there are comprehensive levers to address and deter non-compliant and or fraudulent behaviour.

Have your say

- Would the NSW Scheme benefit from referring to exporters and or exports in the legislation? Why or why not?
- Would the WA approach be preferred? Why or why not?



Baled aluminium. Photo: TOMRA Cleanaway

Extending responsibilities to all suppliers

The NSW legislation requires suppliers of beverage containers sold in the state to ensure that contributions are made to fund the Scheme and to drive compliance. The legislation requires that eligible containers:

- are approved by the EPA
- have a compliant barcode, and
- if metal, do not have a metal-ring pull tab.

All suppliers in the supply chain are currently responsible for ensuring that all beverage containers have the refund mark. This has been an effective way to use supply chain pressures to deliver a high level of compliance. The proposal is to establish similar responsibilities for barcodes and metal containers with ring-pull lids.

Currently, it is only the container approval holder that is responsible for ensuring their containers have a barcode and do not have a ring pull lid. However, in practice many suppliers first supply the same beverages besides the container approval holder, making compliance more difficult and unequitable. Compliance for these requirements is relatively simple as they can be checked through a simple visual inspection.

The Government is also considering making all suppliers responsible for ensuring that containers are approved. In this case, there would still only need to be one approval holder, but all suppliers in the supply chain would need to verify that a container is approved by checking the publicly available container approval database on the EPA web portal.

Have your say

- Do you support holding the entire supply chain accountable for metal ring pull lids and barcode requirements? Why/why not?
- Do you support holding the entire supply chain accountable for ensuring containers have a container approval? Why/why not?
- Are there any other responsibilities that the supply chain should have to improve the Scheme's efficiency?

For the waste industry

The following proposed changes are most relevant to the waste industry.

Managing the relationship with recovery facility operators

Quarterly payments to MRF operators can be significant. There are currently 26 MRFs and two bottle crushers participating in the NSW Scheme. Between them, \$43 million was paid in processing refunds in 2020-21.

While the Act allows for MRF operators to be paid for containers collected through kerbside recycling services, the Scheme Coordinator does not have a contractual relationship with these operators, and they are not defined as a Scheme participant under the Act.

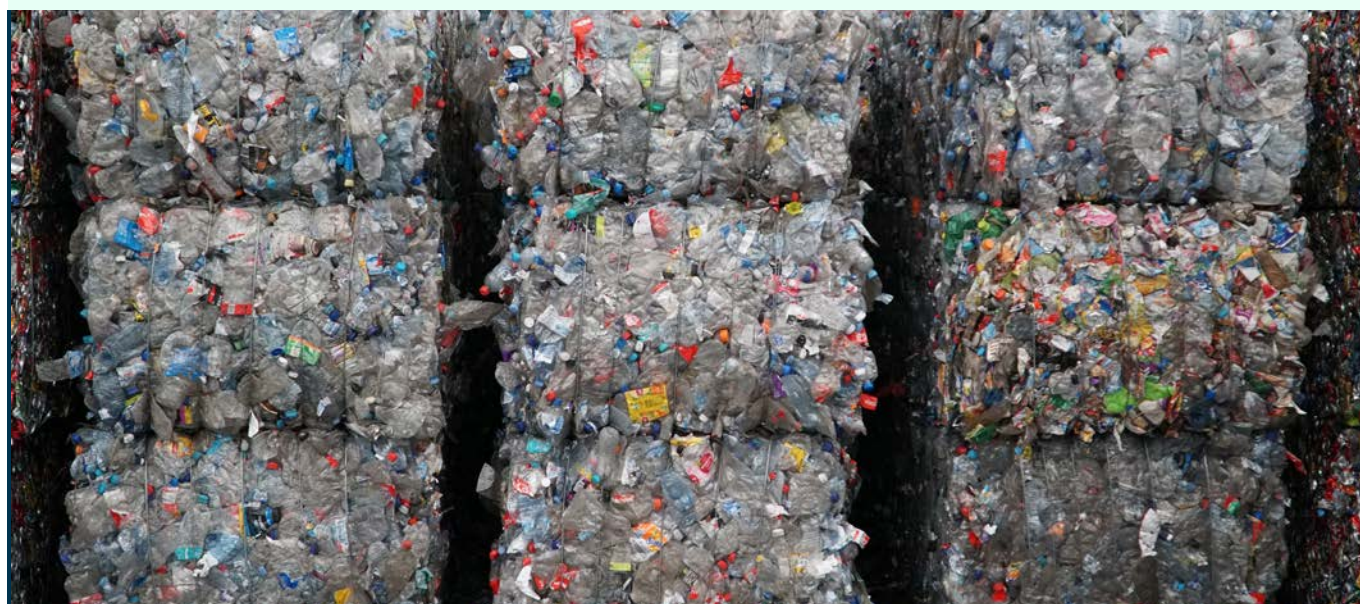
This differs from the arrangements with suppliers that contribute to the Scheme's funds or return point operators that redeem containers from the public.

If a commercial arrangement was in place between the Scheme Coordinator and MRF Operators, it would give the Scheme Coordinator greater standing in the event of a default and would also align with the schemes operating in Queensland and Western Australia. It would also align with the relationship that suppliers have with the Scheme Coordinator and return point operators have with the Network Operator.

A commercial arrangement would also make onboarding and off-boarding MRF operators that enter or leave the Scheme easier and help improve management of reporting requirements.

Have your say

- To strengthen the governance of the Scheme, should MRFs be required to have a commercial relationship with the Scheme Coordinator?
- Can you suggest any other regulatory or other tools that would help to protect the Scheme's funds in the event of a MRF exiting the Scheme?



Baled PET containers. Photo: TOMRA Cleanaway

Payments to facilities outside NSW

In states that border NSW, MRF operators could be receiving material collected from NSW councils, but the Scheme Coordinator does not have the power to pay processing refunds to operators that process such materials outside of the state.

The Act would need to be amended to expand the scope of the Scheme Coordinator to allow refunds to be processed by MRF operators located outside NSW. This is not a simple question. It would be more difficult for the

Scheme Coordinator to audit and assess claims made by MRFs outside NSW and the legal framework that would be required for the Scheme to operate in other states is not clear.

An option would be to recognise interstate operators as being subject to the NSW Act and protocol allowing them to process material and claim refunds from the NSW Scheme Coordinator. This would mean an operator may be subject to both the NSW Scheme and the scheme in their home state or territory and would require amendments to legislation here and there.

Have your say

- Should interstate MRF operators be able to claim refunds on containers collected in NSW kerbside services?
- How could this operate with fairness to NSW MRFs?



Caption: Eligible PET bottle. Photo: Quentin Jones/EPA

Broadening participation

Current legislation covers operators that process waste collected during the course of domestic waste management, but regulation also allows for other operators such as bottle crushing service operators that collect glass from venues such as pubs and casinos.

Stakeholder feedback has shown there are operators that sort waste only from commercial premises - such as offices, stadiums and business parks - who have expressed an interest in participating in the Scheme.

Legislation would need to be amended, and a new protocol to assess claims and new eligible container factors that assess the value of a refund by weight, would need to be developed, to include these commercial operators. Operators that may need a unique sampling regime will need to consider whether the costs to participate in the Scheme will be offset by the refunds they are likely to receive.

Have your say

- Would you support the creation of a category of commercial-only MRF operators to participate in the Scheme?



Reverse vending machine. Photo: Exchange for Change/EPA

Maintaining transparency

The Scheme strives for transparency, providing an annual report to the Minister which is then tabled in both houses of Parliament. The Scheme is also independently audited each financial year and the Scheme Coordinator and Network Operator publish data on many core elements of the Scheme's operation at regular intervals.

As the Scheme matures, there are additional measures that could be adopted to further improve the transparency of its operations. The annual report, for instance, could be gazetted rather than tabled in parliament so that it remains on public record, with a simplified

publication process. The Act also requires an annual report on the performance of the Scheme Coordinator but in practice has been prepared to report on the entire scheme. It is proposed to make it clear that the annual report applies to the entire Scheme rather than just the performance of the Scheme Coordinator.

We are seeking your views on whether there are additional matters that should be included in the annual report that would better assist stakeholders to participate in the Scheme and any safeguards that may be required for the collection and use of commercially sensitive information provided by industry to the NSW Government.

Have your say

- Are there any reasons why the annual report should continue to be tabled in Parliament?
- Are there any other matters that should be included in the annual report, or that should be published from time to time on the EPA or Scheme Coordinator's website?



Glass bottles ready to be filled. Photo: Adobe Stock

Fraud prevention

Schemes of this nature involve the movement of significant sums of money meaning there is always the potential for fraud.

The Scheme has been designed to minimise the risk of fraud and the NSW government and its Scheme partners take the detection and management of fraud seriously. This includes minimising the risk of fraudulent refund claims.

If fraudulent claims are paid, this adds to the overall cost of the Scheme which is ultimately paid by suppliers and passed on to consumers. To ensure the cost of the Scheme remains low, it is important that only eligible containers for which contributions have been paid are redeemed.

The Act contains the general prohibition on the redemption of containers that have not contributed to the Scheme, but this section could be broadened to cover additional scenarios to reduce the risk of fraud.

Currently, the list of activities covered by the Act is limited and the Government proposes to broaden the section to include additional activity that could result in refunds being claimed on containers that have not contributed to the Scheme or where containers that are not subject to the Scheme are falsely included.

Have your say

- Do you support adding additional prohibited activities to reduce the risk of fraudulent refund claims?
- How could the risk of fraudulent claims be further reduced?



Using and RVM. Photo: Getty Images

Appendix A – About Return and Earn

How it works

The following provides an overview of how the Scheme operates:

Drink suppliers who supply an eligible product in NSW must enter into a Supply Arrangement with the Scheme Coordinator and ensure the container is approved by the Environment Protection Authority (EPA).

- The Supply Arrangement sets out the container reporting requirements and payment terms for suppliers contributing to the Scheme. Suppliers can choose to pass on the Scheme costs to consumers.
- The supply of unapproved beverage containers is prohibited. To obtain approval, a supplier must apply to the EPA and ensure the container has the mandatory refund mark and a compliant barcode. The refund mark helps consumers know they can return the container. Barcodes are used to check the validity of the container.
- The EPA can approve or refuse an application. An example of why an application may be refused is if the container cannot be recycled through the Scheme.
- Each beverage container only needs to be approved once and there is only one approval holder. Once a container is approved, it can be first supplied by multiple first suppliers.

After the drink is consumed, the consumer (or another party) takes the empty container to a Return and Earn return point or places the container in the kerbside recycling bin.

- If a container is taken to a return point, the consumer can collect a 10c refund per container. Redeemed containers are collected by the Network Operator, separated by material type, and sold to recyclers for processing back into high value commodities.

- Eligible containers collected through co-mingled kerbside recycling services are taken to Material Recovery Facilities (MRFs) where they are separated into material streams and on-sold to recyclers together with other recyclables made out of similar materials. MRF operators have a statutory right under the Scheme to claim a processing refund on containers in the kerbside recycling stream if they meet the requirements in the MRF Protocol. Claims can only be made on materials that have been sent for recycling and MRF operators are obliged to share the refunds with the councils that supply the kerbside materials.
- For commercial venues that use glass crushing services, eligible glass containers are crushed on site and therefore cannot be returned to a return point. The glass crushing service provider is able to claim the refund on the eligible glass containers collected through this service. Refunds are only paid for glass that is sent to a recycler.

Government oversight

The EPA is responsible for the oversight of the Scheme to ensure transparency, efficiency, effectiveness, and compliance with the rules. This is achieved by overseeing the contractual performance of the EPA's Scheme partners; implementing and monitoring the policy settings governing the Scheme; approving containers and collection point operators and undertaking compliance and enforcement activities.

The EPA receives a fixed compliance fee which is paid from the Scheme.

Appendix B – Scheme expansion cost/benefit analysis

Economic analysis has looked at the costs and benefits of four options to capture more containers to improve resource recovery in NSW.

The options explored were:

Option	Description	Benefit cost ratio
1. Wine and spirits in glass containers and larger juice containers	<ul style="list-style-type: none"> Wine and spirits in glass containers from 150 millilitres to three litres Larger juice bottles up to three litres 	1.38
2. Comprehensive expansion of the CDS to capture a broad range of additional beverage containers (Preferred option)	<ul style="list-style-type: none"> Everything in option one plus: Water (aseptic packs) – one to three litres Fruit and vegetable juice (at least 90% juice) (all container types) – one to three litres Flavoured milk (all container types) – one to three litres concentrated fruit and vegetable juice intended to be diluted before consumption (all container types) – 150 millilitres to three litres Cordial (undiluted) (all material types) – 150 millilitres to three litres Wine (sachets – plastic and/or foil) – 250 millilitres to three litres Wine (aseptic packs) – one to three litres Flavoured alcoholic beverages with a wine base (aseptic packs) – one to three litres 	1.38
3. Comprehensive expansion of the CDS plus plain milk	<p>Everything in option one and two plus:</p> <p>Plain milk including milk substitutes - 150 millilitres to three litres</p>	1.41
4. Dedicated kerbside glass bin	A separate glass-only kerbside bin for all glass containers, including non-drink containers.	1.08

All the options would deliver a net benefit for the community.

Cost considerations

These benefits are driven primarily by removing glass from the co-mingled kerbside recycling system. Glass in kerbside co-mingled recycling (yellow) bins can break during collection and processing and can contaminate other materials, such as plastics, paper, and cardboard. This results in lower quality recycled

material. If contamination is significant, the material is diverted to landfill.

Glass itself is also susceptible to contamination from other debris found in yellow bins, such as ceramics, Pyrex, dirt, and other materials. Overall, the analysis found that separating more glass from kerbside comingled bins would provide greater benefits.

From this perspective, the analysis found the kerbside glass-only bin (option four) would remove more glass from the kerbside yellow bin than expanding the Scheme, as it would also divert non-beverage glass packaging and therefore generate the largest benefit. The costs of this option, however, would be significantly greater than expanding the Scheme, with the costs being almost equal to the benefit, leaving a marginal net benefit overall. Sensitivity analysis of this option found that small changes in the cost assumptions could make this option a net cost to the community.

The analysis found the options for Scheme expansion (options one, two and three) would divert less glass away from kerbside recycling bins and therefore generate smaller overall benefits, but that the costs of these options are substantially lower due to the collection infrastructure already in place for the Scheme.

The net impact of these options would therefore deliver a much stronger net benefit to the community.

Plain milk and health tonics will continue to be excluded

Option two, which is preferred, continues to exclude plain milk and milk substitutes (soy, oat, almond etc) from the Scheme. This is because plain milk is a staple food in many households, including low-income households, and including the containers would not add a significant benefit compared to the other options (options one and two).

Kerbside recycling continues to provide an effective way to recover used milk containers in terms of existing network capacity and high recovery rates.

Health tonics registered with the Australian Therapeutic Goods Administration are also proposed to remain excluded due to their therapeutic nature.

Glossary and Abbreviations

Glossary

Circular economy

A circular economy values resources by keeping products and materials in use for as long as possible. Maximising the use and value of resources brings major, economic, social and environmental benefits. It contributes to innovation, growth and job creation, while reducing our impact on the environment.

Container collection point

- a. Any facility or premises for the collection and handling of containers delivered to the facility or premises in consideration of the payment of refund; or
- b. A reverse vending machine; or
- c. Any other facility or premises of a kind prescribed by the regulations.

Eligible container

A container that is designed to contain a beverage and to be sealed (when filled with the beverage) for the purposes of transport or storage before its sale, or delivery, for the use or consumption of its contents, or any other container of a kind prescribed by the regulations, unless it is excluded from the operation of the Scheme.

Material Recovery Facility (MRF)

A facility or a place that is or includes the processing for reuse or recycling of domestic

waste designated for recycling and collected by that or any other person during the course of domestic waste management services.

Network Operator

Means a person with whom the Minister enters into a network operator agreement (and, when used in relation to a network operator agreement, means the person with whom the Minister enters into the agreement).

Redeem

To return a container for a 10c refund.

Redemption rate

The rate of containers returned through the NSW CDS out of the total number of eligible containers supplied in NSW minus exporter volumes.

Refund mark

In relation to a container, means a marking or labelling that complies with the requirements prescribed by the regulations.

Scheme Coordinator

Means the person with whom the Minister enters into a Scheme Coordinator agreement.

Abbreviations

AD	Automated depots
AWT	Alternative waste treatment plant operators
CDS	Container Deposit Scheme
EfC	Exchange for Change
EPA	Environment Protection Authority
IPART	Independent Pricing and Regulatory Tribunal
LPB	Liquid Paperboard

MRF	Material Recovery Facility
NO	Network Operator
OTC	Over-the-counter return points
RVC	Reverse vending centres
RVM	Reverse vending machines
SC	Scheme Coordinator
WARR Act	Waste Avoidance and Resource Recovery Act 2001

Reference List

ⁱCSIRO. Mission Area: Resilient & Valuable Environments 2020.

ⁱⁱOECD. Global Materials Resources Outlook to 2060, Economic Drivers and Environmental Consequences 2019.

ⁱⁱⁱOcean Conservancy, Stemming the Tide: land based strategies for a plastic-free ocean, 2015.

^{iv}National Litter Index 2007-2020.

^vMarket research findings conducted by the Scheme Coordinator - Return and Earn website: <https://returnandearn.org.au/>.

^{vi}Between January to March 2021, Department of Water and Environmental Regulation | Annual report 2020–21, Western Australia.

^{vii}South Australian Discussion Paper: Improving South Australia's Recycling Makes Cents; https://www.epa.sa.gov.au/files/15078_cds_discussion_paper_sep2021.pdf, p 82

^{viii}Metal recycling: The need for a life cycle approach, CSIRO, p 2, <<https://publications.csiro.au/rpr/download?pid=csiro:EP135565&dsid=DS2>>.

^{ix}EY. Sustainability isn't what it used to be, 2021; Deloitte. Shifting sands: How consumer behaviour is embracing sustainability, 2020

*Facts & Figures – NSW Wine

^[xiii]Waste Reduction and Recycling Regulation 2011 (QLD), cl 42B

^[xiii]Waste Management and Resource Recovery Act 2016 (ACT), 64Y(2)(a)(i) and cl 24A of the associated Regulation refers.

^{xi}No express exclusion, however, section 98 of the Victorian Circular Economy (Waste

Reduction and Recycling) Bill 2021, provides that the Head of Recycling Victoria must be notified by a person that wishes to supply an eligible container in Victoria, and the Head of Recycling Victoria will determine whether that person will be the 'first supplier'.

^{xii}s 64B Waste Management and Resource Recovery Act 2016 (ACT). Neither the Act, nor the Regulation excludes contract bottlers. Guidelines however seem to indicate that contract bottlers may not be considered the relevant 'supplier'. https://actcds.com.au/wp-content/uploads/2018/09/Definition_of_a_Supplier_into_ACT.pdf

^{xiii}s 99(1)(ii) Waste Reduction and Recycling Act 2011 (QLD). It is the person that 'engages' the another person under a contract to make a beverage or to fill a container with a beverage that must pay into the Scheme. But note that the definition means that in some instances the contractor may be identified as the beverage manufacturer. These include where a once-off low volume product test run is produced or where small volumes are produced for discreet events and conferences

^{xiv}s 41A Environment Protection (Beverage Containers and Plastic Bags) Act 2011 (NT) – A manufacturer, retailer or distributor can apply to be a CDS Supplier. There is no express exclusion of contract bottlers, however, a contract bottler could be considered a manufacturer, and could therefore elect to apply to be a CDS supplier.

^{xv}IPART NSW Container Deposit Scheme Final Report, p 84.

^{xvi}Waste Avoidance and Resource Recovery Act 2007 (WA) s 47P.

