

Key Issue 3: Scheme Approvals and Container Markings

EPA approval is necessary before eligible containers are distributed or sold and returned for a refund in South Australia. To gain approval for beverage containers, there must be:

- a waste management arrangement in place for the collection, sorting and aggregation of empty containers for their reuse or recycling
 - » Category A containers are approved to be returned for refund to any outlet where that beverage is sold
 - » Category B containers are approved to be returned for refund to any of the SA collection depots. A waste management arrangement for this return method is by way of a contractual arrangement with one of the super collectors
- a displayed approved refund marking [see Figure 15]
- payment of an application fee.

More than 23,000 types of eligible beverage containers are currently approved by the EPA in accordance with the container deposit legislation. Four Category A containers are currently approved by the EPA, and these are comprised of containers for

freshly pressed juice products sold at the premises where the beverage is produced. All of the Category B containers are sold within supermarkets and other retailer outlets and are approved for return to any of the 132 SA collection depots.

Beverage producers and suppliers pay beverage container application fees to the EPA to complete the container and waste management arrangement assessment of new beverage containers on a cost recovery basis. The SA Government currently funds the additional regulatory services, such as compliance and enforcement, reporting and auditing, and legislative and policy updates. More information about the current beverage container approval process is provided in the EPA guidelines: *Beverage container approval*⁵¹.

The refund marking informs consumers or container collectors that the beverage container is included in the CDS and that a refund is available when the empty container is returned to a CDS collection depot [for Category B containers] or to any outlet where that beverage is sold [for Category A containers]. The refund marking is also used by the depot operators and scheme collectors to verify that the container has been approved by the EPA and is eligible for the refund when returned. There are also specific rules around operating a collection depot or super collector facility. A person must not operate a business as a depot or super collector without the approval of the EPA⁵².

Figure 15—Refund marking requirements for CDS containers sold in South Australia



51 Environment Protection Authority South Australia 2020, *Beverage container approval*, https://www.epa.sa.gov.au/files/4771402_cdlguide_01.pdf.

52 In accordance with [section 69 of the EP Act](#). A collection depot is a facility or premise for the collection and handling of approved beverage containers presented for refund and includes a reverse vending machine. A super collector collects, handles and delivers for reuse, recycling or other disposal, containers received from collection depots.

Scoping Paper feedback: Container refund markings

The Scoping Paper asked whether there is a need to modernise how containers are marked to display the 10-cent refund and indicate their inclusion within the CDS. Community and sector stakeholders pointed out that the current markings are well-recognised by the SA community and operators of CDS collection depots. Most industry stakeholders did not want to see changes to existing container refund marking requirements due to the costs involved in refund marking alterations and the potential risks of causing confusion amongst consumers. Some stakeholders highlighted that a revision of beverage container refund marking could assist non-English speakers and/or those living with disability, and may present an opportunity for renewed community and consumer education about the CDS.

Scheme approvals and application fees

Application fees and scheme compliance costs

The application and assessment processes for CDS beverage container approvals differs between schemes across states and territories. The application fee in South Australia varies depending on the number of labels in a single application, as shown in Table 4.

Table 4—CDS beverage container application fees

Description	Fee (\$)
Application with 1 label	328.50
Application with 2–5 labels	547.50
Application with 6–10 labels	810.30
Application with 11–20 labels	1,335.90
Application with more than 20 labels	2,387.10

During public consultation, it was identified that this fee structure has a disproportionate impact on small and boutique beverage producers and suppliers

who typically supply a wide range of products in small volumes and seek container approvals frequently. NSW and SA are the only states that charge a container application fee, with the NSW fee currently prescribed at \$13.70 per application. This amount was recommended by the NSW Independent Pricing and Regulatory Tribunal (IPART), which was asked by the NSW Government to monitor and [report on the impact of the NSW CDS on beverage prices and competition](#) between 1 November 2017 and 1 December 2018.

The SA fees were established at a time when approvals were manually undertaken and were designed to partially cover the costs incurred by the EPA of administering the beverage container approvals, compliance and enforcement of the scheme. The application process is now an online one, which has reduced the administrative effort required by the EPA when assessing applications.

The IPART report recommended that the container approval fee should cover only the costs associated with container assessment and approval. IPART also recommended that regulatory compliance and enforcement costs incurred by the NSW EPA should be recovered through a scheme compliance fee payable by the scheme coordinator.

As is the case in NSW, the primary regulatory costs associated with the SA CDS relate to compliance and enforcement rather than approval fees. A modernised CDS that seeks to embrace new ways for the SA community to participate in the CDS, return containers and receive the deposit will also result in new ways for beverage producers and suppliers, depots and super collectors to take part within the CDS. EPA's cost recovery requirements are being reviewed in this context of a modernised CDS. The introduction of a scheme compliance fee that reflects the efficient level of regulatory and compliance costs of the modernised CDS provides for a transparent cost recovery system, is being considered. The requirement for scheme compliance fee to be payable by the super collectors on behalf of the eligible beverage producers and suppliers will also improve the efficiency of the cost recovery system.

Limited terms for scheme approvals

Approvals issued to beverage producers and suppliers, collection depot operators and super collector operators are currently perpetual. Beverage suppliers continually update their range of beverages and cease production or distribution of particular brands. Introducing a limited term for approvals and allowing for a review and subsequent revocation or extension of approvals at the end of that term would provide a tool to revoke approvals that are no longer needed by beverage producers or suppliers. This would enable the container approvals database to be updated.

Prior to the end of the term, a renewal notification would be sent to the approval holder seeking confirmation of contact details and that the activity is still being undertaken at the premises. Any amendments to the

previous approval could then be incorporated into the new five-year approval and databases could be updated to enable accurate auditing and reporting.

Refund marking and national alignment

States and territories are currently working together to align three elements of their respective schemes, including container approval processes and refund markings. The potential gain in efficiency for both beverage producers and government is significant. This is echoed by the Northern Territory CDS Review recommendation advocating the adoption of a coordinated approach or mutual recognition of container approvals across participating states and territories in Australia. Refund markings for containers sold within and across jurisdictions are already in place and approved for use within each scheme [see Figure 16].

Figure 16—South Australian EPA-approved refund markings

Approved refund markings in South Australia are:

10c refund at collection depots when sold in SA



10c refund at SA/NT collection depots in state/territory of purchase



10c refund at collection depots/points in participating state/territory of purchase



10c refund at points of sale when sold in SA

Economic analysis

Beverage producers and suppliers are considered new entrants to the CDS if they distribute or sell in SA:

- new beverage containers [that is, a new product range] that are within the existing CDS scope, or
- new classes of beverage containers that may fall within a potential expanded scope of CDS, should this be agreed by all states and territories.

The costs to new entrants and the costs incurred by beverage producers and suppliers of products included within the CDS are:

- container application fees
- application preparation costs
- labelling costs
- ongoing scheme participation administration costs
- costs of the deposit and handling fees [as determined by super collectors].

Both the costs of the deposit and handling fees are influenced by the CDS return rate in that the deposit and handling fees are not paid for non-returned containers and so not incurred by beverage producers and suppliers.

Economic analysis of the costs to new entrants and the distribution of ongoing costs of the CDS to beverage producers and suppliers was undertaken. The analysis identified the following core factors that impact upon the relative costs to beverage producers and suppliers:

- number of separate beverage containers [products] that require approval
- extent to which existing labels need to be redesigned to incorporate CDS labelling requirements
- number of markets in which the beverages are supplied and sold.

To provide an indication of these costs, indicative modelling was undertaken of a beverage producing sector ranging from small enterprises, whose average value of sales is \$15,000 and includes 6 beverage products, to very large enterprises, whose average value of sales is \$15 million and includes 54 beverage products. The modelling assumed that 50% of the products produced by the small enterprises and 20% of the very large enterprises are sold in SA and included within the CDS.

The modelling estimated that the initial costs for small beverage producers is 45 cents per container [equating to 2.27% of annual revenue] with an annual cost per CDS container sold in SA of 4.6 cents. For very large beverage producers, the estimated initial cost is 7 cents per container [equating to 0.14% of annual revenue] with an annual cost of 0.5 cents per CDS container sold in SA. For small beverage producers, the container application costs account for around 51% of the CDS entry costs and ongoing costs of 2.7 cents per container per annum. For very large beverage producers, this container application cost accounts for 22% of the CDS entry costs and ongoing costs of 0.4 cents per container sold per annum. The illustrative modelling demonstrates that the impact of the CDS on new entrants that are small to medium-sized enterprises with a greater proportion of their beverage product range sold within SA is greater than very large enterprises with a wider range of beverage products sold outside SA.

The modelling also illustrates that the current container application fee structure has a disproportionate impact on existing small to medium-sized enterprises that have a broad range of eligible beverage containers sold in SA. As a result of the analysis, it was recommended that the application process be simplified and that fees be more equitably spread to reduce fees for smaller operators. The indicative modelling showed that the removal of the application fee for the new entrant beverage producers will result in the ongoing annual cost per container reducing from 4.6 cents to 1.9 cents per container sold for small beverage producers and 0.5 cents to 0.1 cents per container sold for very large beverage producers⁵³.

53 Hudson Howell 2021, South Australian Environment Protection Authority, Container Deposit Scheme Economic Analysis Review - Addendum Report January 2021, https://www.epa.sa.gov.au/files/15057_cds_econanalysis_review_addendum_jan2021.pdf.

Preferred option – Maintain the current refund marking, review the CDS cost recovery system, introduce limited term for approvals and assist smaller to medium beverage producers and suppliers in the transitioning period.

It is proposed to make changes to container approvals and the CDS cost recovery system through methods such as:

- removal of the application fee for container and refund marking approvals
- establishment of a scheme compliance fee payable by the super collectors [or scheme coordinator] to the EPA to recover regulatory costs for compliance and enforcement necessary for the effective administration and oversight of the scheme
- introduction of a limited term for new and retrospective approvals to allow for a periodic review of approvals, which would provide a tool to extend or end container, depot and super collector approvals
- enable the CDS to subsidise the initial scheme preparation costs for new-entrant small to medium beverage suppliers and producers
- continue work with other states and territories that are investigating alignment of cross jurisdictional approval processes.

Container refund marking preferred options are as follows:

- Retain the current refund container markings.
- Work with other states and territories to review container markings to promote CDS branding and circular economy awareness.

Questions

Scheme approvals and scheme cost recovery

- 3.1** As a beverage producer or supplier, do you support the CDS subsidising new-entrant small to medium beverage suppliers and producers in the form of scheme induction and initial preparation costs? If not, why not?

- 3.2** As a beverage producer or supplier, do you agree with the application of a scheme compliance fee paid by the super collectors to cost recover the scheme compliance and enforcement costs? If not, why not, and what alternative method of cost recovery could be applied?

- 3.3** As a beverage producer or supplier, do you support the removal of the container approval application fee and incorporation of these assessment costs as part of the scheme compliance fee? If not, why not?

- 3.4** If the SA Government introduces a limited term for approvals, do you think a five year term, in line with other state and territory schemes, is a suitable time period? If not, why not, and what would you suggest?

Container refund marking

- 3.5** As a beverage producer or supplier, super collector or depot operator, do you support the alignment of CDS-eligible beverage container refund markings nationally, and why?

- 3.6** What potential container branding would you recommend that could be used to promote and raise awareness of the CDS and the circular economy?