

Monday, 13 July 2020

Karl Shanley
Manager, Waste and Resource Recovery, Waste and Recycling Division
**Environment and Climate Change | Department of Environment, Land, Water and
Planning**
Level 1, 8 Nicholson Street, East Melbourne

The National Retail Association (NRA) welcomes the opportunity to provide feedback on the introduction of a Container Refund Scheme for Victoria and our inclusion on the Advisory Group.

The NRA supports the Victorian Environment Minister's objective to reduce litter. Retailers and customers alike share the concern about the harmful impact of littering on the environment. We understand that the Government seeks to address the low recycling rates in Victoria. Plastic in our environment has proven impacts upon marine wildlife including birds and endangered turtles. Local governments play an important role in ameliorating the impacts of disposable plastic but the expense is ultimately borne by our communities.

A CDS that seeks to apportion costs on business for a small percentage of consumer litter is a last resort; it's a blunt policy tool. However, if a CDS is implemented, we hope that there are a number of considerations that are kept in mind during implementation to reduce retailer burden and address the impact of drink container misuse.

It is important to our businesses that a CDS is implemented in a practical way which limits the cost to the business, manufacturers and ultimately customers. We recommend the government works closely with key stakeholders on the CDS and forms an Implementation Advisory Group with representation from all sectors. We suggest stakeholders from the beverage and retail, local government, waste and recycling, and environment and community sectors are given an opportunity to comment on the Bills development over a year.

A comprehensive communication strategy is important because retailers are focused on meeting customer expectations and should not be responsible for explaining government policy. NRA understands that Victoria has adopted a state-based approach to a national issue and applauds them for making the bans as consistent as possible in an effort to address the needs of national retailers.



ABOUT THE NATIONAL RETAIL ASSOCIATION

The Australian retail sector accounts for 4.1 percent of GDP and 10.7 percent of employment, which makes retail the second largest employer in Australia and largest employer of young people.

The National Retail Association (NRA) is Australia's most representative retail industry organisation. We are a not-for-profit organisation which represents over 39,000 outlets from every category of retail including fashion, groceries, department stores, household goods, hardware, fast food, cafes and services.

The NRA Policy Team helps retail businesses succeed and grow within an ever-changing regulatory environment. We work with a wide range of industry stakeholders – retailers, government, law enforcement, regulatory bodies, shopping centres, community groups, supporting associations and many more – to develop industry-wide policy platforms or positions on issues affecting the Australian retail sector. We bring the insights and concerns of retailers to the table to ensure that regulation is realistic, cost-effective and manageable across all retail businesses.

We work proactively at international, federal, state and local government levels to ensure the interests and needs of the Australian retail and services sectors are protected and promoted. Rather than running from inevitable regulatory change, we provide a bridge between retailers and government – facilitating the exchange of ideas and information, which ultimately leads to more informed, commercially-aware outcomes for all parties.

Our action on sustainability

The NRA has a great track record when it comes to proactive initiatives that bring industry, government and community together to not only protect our environment, but deliver beneficial outcomes for all. Over the past few years, the NRA and our members have been instrumental in some of the most significant environmental changes in Australia, from over 3 billion lightweight plastic bags being prevented from consumption, to collaborating on key taskforces responsible for rolling out container deposit schemes, environmental legislation and voluntary product stewardship schemes.

From 2017, we have been directly engaged by the Queensland, Western Australian and Victorian state governments to broker major retailer change and manage the education of over 70,000 retailers in regards to state bag ban legislation. We were also engaged by both Queensland and Western Australian governments to develop and deploy state-wide



customer education and awareness campaigns supporting the introduction of each state's bag ban. These two campaigns reached over 5 million Australians and contributed to significant consumer behaviour change. We continue to deliver complaint handling and auditing programs across Australia to ensure retailers comply with the relevant legislation. To date, over 3 billion lightweight plastic shopping bags have been prevented from consumption and many retailers have gone further, introducing recycled content and bag fees, reducing total bag consumption by up to 90 per cent.

In early 2019, we founded the National Retail Sustainability Committee which brings together experts from across the retail industry, government and associated agencies, to review and collaborate on retail sustainability initiatives. This Committee has already enabled increased shared knowledge and increased the ability of industry to commit to bold, consistent actions.

The NRA is also an active member in key taskforces, working groups and committees, including: the Australian Packaging Covenant Organisation (APCO); SA Single-Use Plastics Industry Reference Group; WA Container Deposit Scheme Advisory Group; ACT Single-Use Plastics Industry Reference Group; VIC EPA Small Business and Manufacturing Reference Group; Battery Stewardship Council; and Industry Supporter of Moving the Needle (reduce textile waste) program. We see our role as instrumental in bringing together stakeholders and ensuring retailer insight and perspectives are represented for positive, practical outcomes.

Given our extensive experience and knowledge in sustainability initiatives, we believe that the National Retail Association is well-placed to contribute to Victorian plastics policy moving forward.

Issues paper

The issues paper recognizes that the Container Refund Scheme has the dual objectives of reducing litter and increasing recycling. To ensure its' success, the NRA considers that the scheme should be run as efficiently as possible, reducing any unnecessary duplication and overhead.

It is understood that the beverage container makes up a volume of litter in Victoria based on results of the NLI. The materials that are considered eligible containers are also readily recyclable and have established markets in Australia.

We need to ensure a high level of awareness by the public and customers, including tourists, so there will be no confusion about what rules apply in Victoria. It is vital that the government provides a consumer awareness program prior to and long after the implementation date to ensure consumers are aware of the legislated changes.

1. Based on your experience or observation of the introduction of schemes in other jurisdictions, do you have any concerns about the project timing for the three stages to design Victoria's CDS?

The National Retail Association submits that maintaining consistency between the State and Territories is paramount to the success of any such scheme. We understand that the Victorian government is working on adopting processes which align with other states and reduce the duplication that may occur.

We consider that the proposed schedule in Figure 1 does allow enough time to develop a scheme. However, consideration needs to be given to the timing of the legislation, the appointment of a Scheme Coordinator and the network tender process. As they are all reliant on each other, it is important that the deadline for each phase is met otherwise the next phase will suffer with compressed phases.

2. Do you think technical working groups will be required?

Technical working groups are an important part of the consultation process. These working groups allow for meaningful conversations on very detailed aspects of the legislation, and allows for stakeholders to get a perspective of other groups and the issues that some solutions present.

We strongly suggest that these groups are established, chaired or co-chaired by a stakeholder. This will greatly inform the government on the background of some of the issues that have or may arise.

3. What aspects of schemes in other jurisdictions would you encourage Victoria to explore to achieve the Recycling Victoria CDS themes and features?

Design

The National Retail Association submits that maintaining consistency between the State and Territories is paramount to the success of any such scheme. We understand that the



Victorian government is working on adopting processes which align with other states and reduce the duplication that may occur.

From a retailer / beverage supplier's point of view we are more aligned with schemes in Queensland and Western Australia as these deliver lower costs.

For retailers with a national business and supply chain, the scheme will have a significant impact on their business. These supply chains are not limited to state borders and, in many cases, act as consolidation points for suppliers across multiple states.

Currently all of the state schemes require a duplication of administration for the retailers (for each state). At some point in the future we believe there should only be one national scheme that beverage suppliers pay into and then the central body splits the money between the individual state schemes.

Whilst most national manufacturers and retailers have experience with a CDS, some local manufacturers and retailers will need a transition period to comply with the CDS requirements.

The Victorian Government proposed implementation of the CDS by the end of 2023. We urge Government to not schedule this during the December to January period. This is problematic for retail businesses as this is a critical trade period that requires the dedicated resources of all of the workforce. Allocating resources to other non-essential projects at this time of year is not recommended, and we would suggest not scheduling during this period.

Impacts on Retail

With millions of customers shopping across Victoria every week, the CDS will have a cost of living impact on customers. This is why it is important that the costs of the CDS, including any administrative costs and handling fees are kept to a minimum to mitigate the impact on household budgets.

Food retailing is a high volume / low margin business and as such products attract an extremely thin margin, there is simply not enough scope to absorb the cost increase associated with the implementation of such a scheme.



Many small businesses, especially in the retail sector, may not have a presence in other states. It will be very important that these businesses have the time to understand the impacts on their business.

We consider that the consumer education campaign promotes these aspects of the CDS and alert the consumer about the issues raised, and educates the public to the product price rises that the CDS will deliver.

Retailer Obligations

NRA does not support a legislated obligation for retailers to provide refund point facilities. The capacity for retailers to enter into network arrangements is determined by a range of factors and is best left to the discretion of those businesses.

In most cases, the retailer does not own their car parks, councils or shopping centre management do. As such, retailers do not have the authority to commit to the placement of RVMs. If – as is the case in NSW – a collection point must accommodate all types of containers, the RVMs would be of considerable size and therefore cannot be placed within a retail store.

The sale of beverages is a broadly accepted practice from the largest national brands down to small one owner stores, schools and sporting groups. We would suggest that if the government is undertaking a selection of suitable retailers for a return to retail model, this would be highly problematic, even anti-competitive.

With consumer habits evolving significantly, we consider most food shopping trips are not planned. There are selected retailer models and brands that have a greater selection of forecourt site operations, which could be conducive, but should remain discretionary.

Scheme Pricing

The approach to scheme finances should be the same as Qld and WA with payment in arrears with these payments to be fixed for as long a period as possible.

Adjustment of scheme pricing should only occur at the same time as Qld to minimise the number of times we have to adjust pricing.

4. Do any of these draft objectives concern your organisation

The National Retail Association considers that the objectives are in line with both retailers and the community. The consumer will need to be educated to understand that not all these elements come without a cost, and best practice will not be achieved immediately.

5. How do you think Victorian can best achieve its draft objectives for the three thematic areas through its CDS design?

- i. **Circularity**
- ii. **Product stewardship**
- iii. **Best practice**

See below

6. Which of these three broad approaches will best enable Victoria to achieve its draft objectives?

Answer for 5 & 6 below

Scheme coordinator with delegated responsibilities for network operations

The National Retail Association submits that maintaining consistency between the States and Territories is paramount to the success of any such scheme. We understand that the Victorian government is working on adopting processes which align with other states and reduce the duplication that may occur.

From a retailer / beverage supplier's point of view we are more aligned with schemes in Queensland and Western Australia, as these deliver lower costs.

Collection Points

Determining reasonable access point density for redemption is a difficult and problematic consideration. We submit that there needs to be a balance. Victoria is diverse and the population is spread across the state, therefore we consider that an alternative which offers a balance of access needs to be considered. We recommend that any collection points are located in areas where litter is most prevalent, normally the away from home market areas.



The costs of the containers that are collected by kerbside recycling in states with a current CDS do not attract a handling fee. We consider this important in Victoria to ensure the costs of the scheme are minimized.

We recommend the manufacturer / brand owner or the original importer of the product in Victoria is considered the “manufacturer” and the entity liable to ensure the levy is paid. In our experience, passing ownership onto the retailer / distributors is not the correct solution and makes the process more complicated, given these products are not their brands as such, retailers / distributors do not have any control over which channels they can be sold in.

We also agree with your assessment of the payment of refund at the refund point. However, we recommend the costs associated with cash be minimised, and urge the government to allow the refunds to be given as vouchers or at the discretion of the refund point operator.

We would encourage a voucher scheme as this allows all participating retailers to redeem vouchers produced at RVM’s or collection points. This would be an opt in process and allow a level playing field for redemption in common sites. We do however recognise that if retailers tender for a collection point, they do this to drive trade to their store and may wish to have the dockets exclusive to their brand / store.

To encourage retailer entry into the scheme, access to the voucher redemption system should not be constrained by a requirement to deal with a specific collection point operator.

Other considerations

Refund Mark

We submit that it is necessary for the refund amount of 10 cents to remain consistent across all jurisdictions and all containers.

Importantly, all beverage manufacturers need to be given lead time to adopt the refund marking once the decision has been made on the marking. The volume of stock in the supply chain is considerable and working stock through the network takes time.

Collection Targets

A measured return rate is key to the success of the scheme. However, we note that there are many considerations. Success of the scheme lies with the reduction of litter, and this goal can be met with relatively low return rates.

The scheme should allow enough flexibility to adapt quickly and follow learnings from consumer return behaviour to maximize the scheme's effectiveness.

CONCLUSION

We hope that by coming together and forming a unified view on policy, retailers have demonstrated that we want to make a positive contribution to your deliberations around a way forward. Our members are eager to be an active part of any solution and NRA is well placed to assist with this. Any change in legislation needs to have wide level support and understanding by consumers.

As more Australian states adopt a CDS, consideration should be made regarding efficiencies at an administrative level to reduce duplication and complexity.

When the government proceeds, the NRA is eager to assist with the development and implementation of key messages which will ensure the impact on customers is kept to a minimum in terms of both cost and inconvenience. A government information campaign is essential so that customers are aware this is a government initiative. This will also assist with the protection of retail team members from irate customers.

We appreciate your assistance in this matter and look forward to hearing from you. I may be contacted on 0409926066 or by email d.stout@nra.net.au

Yours faithfully,

A handwritten signature in black ink, appearing to read "D Stout".

David Stout
Director Policy