



ICRC

independent competition and regulatory commission

MEDIA RELEASE

COMMISSION RELEASES PROGRESS REPORT ON CONTAINER DEPOSIT SCHEME PRICE MONITORING

The ACT Independent Competition and Regulatory Commission today released a progress report outlining its draft findings and recommendations in relation to the price and competition impacts of the ACT Container Deposit Scheme (CDS).

“Overall, based on the information received and our analysis to date, the average price increases for the container beverages included in the ACT scheme appear consistent with what would be expected given the nature and magnitude of the scheme costs,” Senior Commissioner Joe Dimasi said.

The Commission has found that average non-promotional wholesale prices for eligible beverages have increased by around 12.4 cents per container (including GST) as a result of the CDS. This price increase was higher than the Commission’s estimate of the scheme’s direct costs of around 7.1 cents per container (including GST). In addition to these direct costs, beverage suppliers incur indirect costs of participating in the scheme such as the cost of compliance, reporting and updating billing systems.

Based on the Commission’s analysis to date, retail beverage prices, which are the prices that consumers pay, increased by less than non-promotional wholesale prices. Retail beverage prices may be lower than wholesale prices, due to for example discounts and promotions.

The Commission has found that retail price increases in Canberra appear to be similar to those in Sydney when the NSW CDS was introduced. The average price increase for water, soft drinks and juices was around 5 per cent in Canberra following the introduction of the ACT CDS, compared to around 8 per cent in Sydney following the introduction of the NSW CDS. The average price of beer increased by around 2 per cent in Canberra, and also in Sydney, following the introduction of their respective CDSs.

The Commission has not found any specific evidence to date that the scheme has adversely affected competition in ACT beverage markets. However, the Commission has identified some factors that have the potential to restrict competition in the future.

“Beverage suppliers have indicated that the scheme payment model may be creating cash flow pressures for them, as they have to pay the scheme costs in advance. This is particularly the case for small businesses,” Mr Dimasi said. “In addition, the advance payment model and associated ‘true-up’ adjustments in later months create undesirable volatility in the scheme costs. This volatility creates uncertainties for beverage suppliers, both in making invoice payments for the scheme costs and in setting prices that reflect those costs.”

The Commission's draft recommendations in the progress report aim to improve the operation of the CDS, make it more transparent and increase the stability of the costs invoiced to beverage suppliers.

Based on feedback to date from beverage suppliers, the Commission considers that harmonising the scheme with those in other jurisdictions (particularly NSW) could reduce administrative costs incurred by beverage suppliers, such as ongoing compliance and reporting costs. These administrative costs are likely to be more burdensome for smaller suppliers.

"The Commission appreciates the cooperative approach and constructive engagement from beverage suppliers and retailers throughout the price investigation," Mr Dimasi said. "Thanks are also due to the ACT consumers who have taken the time to give us their views and tell us about their experiences with the scheme."

ENDS

For media enquiries, please call 02 6205 0799 or email: icrc@act.gov.au

Background

Draft recommendations

The Commission's draft recommendations include:

- The ACT CDS should move to an arrears payment model with payment terms of 14 days, in particular if NSW CDS adopts an arrears payment model (from the current advance payment model and 7 day payment terms).
- The ACT Government should consider providing the security for the overdraft facility required to implement an arrears payment model, with the associated costs being recovered as a scheme cost from beverage suppliers.
- The ACT Government and Exchange for Change should work with their counterparts in other jurisdictions to harmonise the ACT CDS with other schemes across Australia, particularly with the NSW CDS, to the extent that harmonisation would benefit ACT beverage suppliers and consumers.
- The ACT Government should consider publishing more information about the operation of the CDS, including on the roles and responsibilities of the Network Operator and Scheme Coordinator, the number of collection points, and the Scheme Compliance Fee charged to beverage suppliers.
- Based on the analysis to date, ongoing monitoring of price and competition impacts of the ACT CDS is unlikely to be needed beyond the initial 12-month period, ending 30 June 2019.

Retail price changes (based on the ABS consumer price indices for beverages)

The Commission examined whether the CDS's effect on retail beverage prices in Canberra was similar to that found in Sydney when the NSW CDS was introduced. To do this the Commission examined the ABS consumer price indices for water, soft drinks, and juices, and beer, in Canberra when the ACT CDS was introduced (Figures 1 and 3), and compared the changes to those in Sydney when the NSW CDS was introduced (Figures 2 and 4). These price changes were also compared to price changes in Melbourne, as Victoria does not have a CDS and controls, to some extent, for other factors affecting beverage prices (that is, non-CDS related factors).

The Commission has found that changes in the ABS consumer price indices in Canberra, when the ACT CDS was introduced, were similar to those changes in Sydney when the NSW CDS was introduced. For example, the ABS consumer price index for water, soft drinks, and juices in Sydney increased by around 8 per cent with the introduction of the NSW CDS (see Figure 2). The same index for Canberra increased by around 5 per cent with the introduction of the ACT CDS (see Figure 1). Using the price index for water, soft drinks, and juices in Melbourne to control for other factors affecting beverage prices makes little difference to these price changes (the price increase for Sydney becomes 7 per cent and for Canberra it remains around 5 per cent).

Similarly, the ABS consumer price index for beer in Sydney increased by around 2 per cent with the introduction of the NSW CDS (see Figure 4). The same index for Canberra increased by around 2 per cent with the introduction of the ACT CDS (see Figure 3). Using the beer price index for Melbourne to control for other factors affecting beverage prices makes little difference to these price changes (the price increase for Sydney becomes less than 1 per cent and for Canberra it becomes around 1 per cent).

IPART findings on retail prices

IPART found that average retail prices of eligible beverages in NSW increased by 7.7 cents per container (including GST) because of the NSW CDS, with non-alcoholic beverage prices increasing by 10.1 cents per container (including GST) and alcoholic beverage prices increasing by 5.1 cents per container (including GST).

Public forum and submissions to the progress report

The Commission will hold a public forum as part of the investigation from 3pm on Wednesday, 20 March 2019, at the Canberra Museum and Gallery, Cnr. London Circuit and Civic Square, Canberra City ACT 2601.

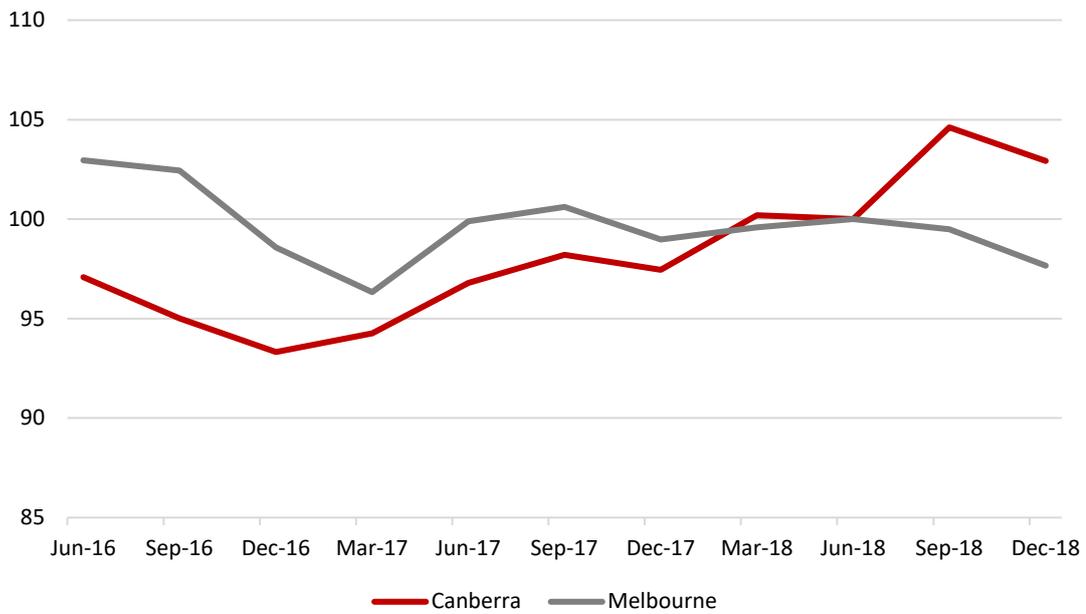
The Commission encourages consumers, beverage suppliers and retailers, and other interested parties to give their views and feedback on the draft findings and recommendations in the progress report. The closing date for submissions is 12 April 2019. Feedback can be provided at the public forum, in a formal submission, or via the feedback form on the Commission's website.

The Commission's final report will be provided to the Minister for City Services in July 2019.

The progress report is available on the Commission's website at www.icrc.act.gov.au or can be obtained by contacting the Commission on (02) 6205 0799 or via email at icrc@act.gov.au.

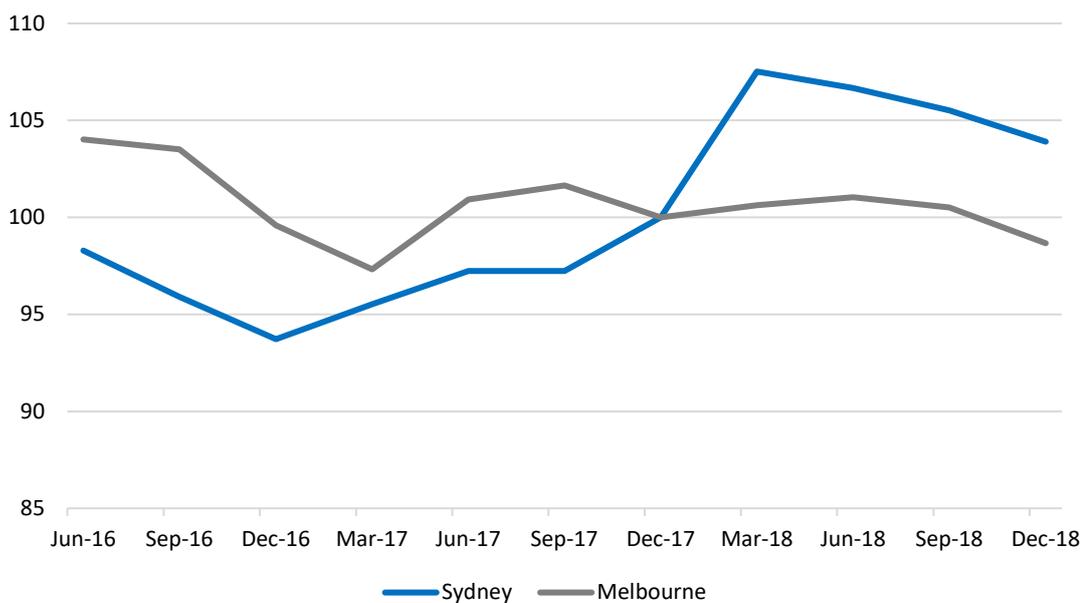
Attachment: ABS beverage price indices for Canberra and Sydney compared to Melbourne

Figure 1 ABS consumer price index for water, soft drinks, and juices (rebased to the June quarter 2018)



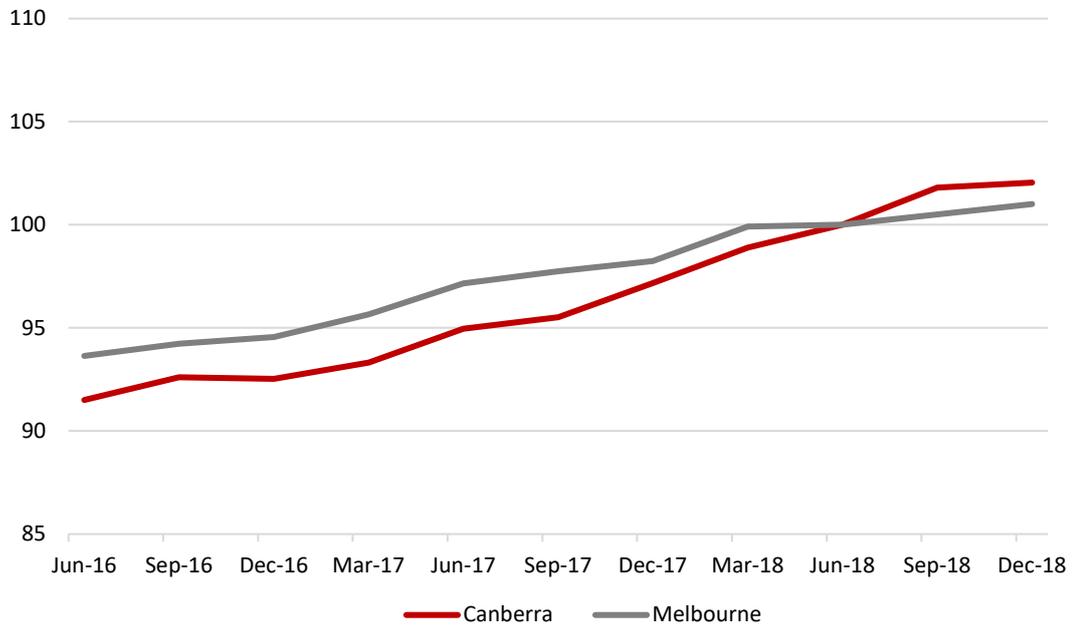
Source: Commission's analysis of the ABS CPI data.

Figure 2 ABS consumer price index for water, soft drinks, and juices (rebased to the December quarter 2017)



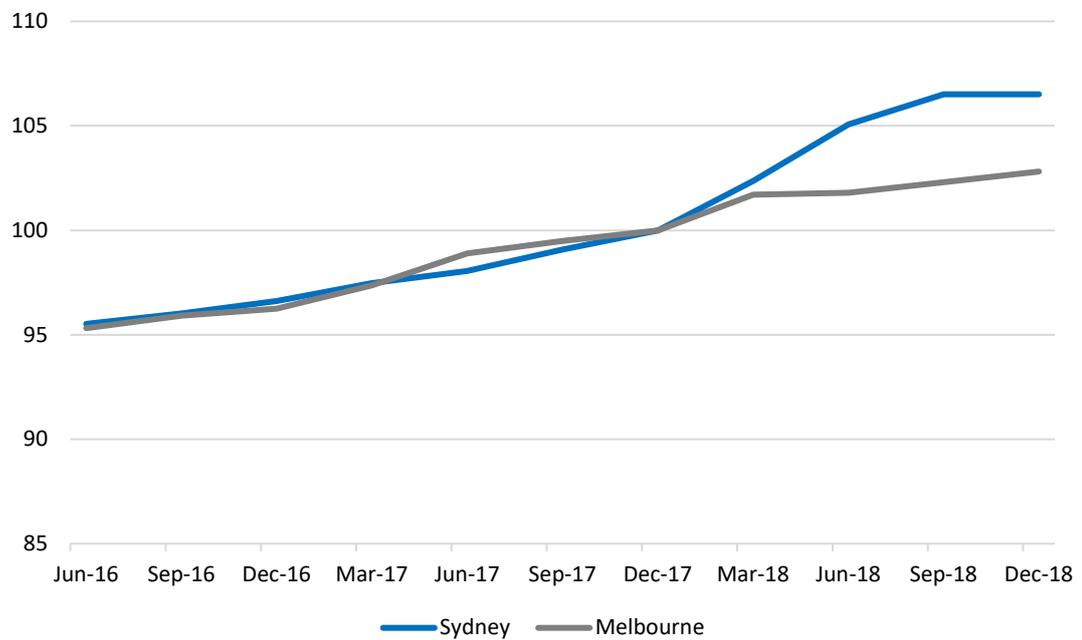
Source: Commission's analysis of the ABS CPI data.

Figure 3 ABS consumer price index for beer (rebased to the June quarter 2018)



Source: Commission's analysis of the ABS CPI data.

Figure 4 ABS consumer price index for beer (rebased to the December quarter 2017)



Source: Commission's analysis of the ABS CPI data.