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TRANSCRIPT OF PROCEEDINGS

INDEPENDENT COMPETITION AND REGULATORY COMMISSION

PUBLIC FORUM: CONTAINER DEPOSIT SCHEME PRICE MONITORING – PROGRESS REPORT

CANBERRA MUSEUM AND GALLERY, AUSTRALIAN CAPITAL TERRITORY

3.03 PM WEDNESDAY, 20 MARCH 2019

MR DIMASI: Good afternoon all. My name is Joe Dimasi, I'm the Senior Commissioner for the Independent Competition and Regulatory Commission. I'd like to welcome you all to this public forum of our recently released report on the container deposit scheme.

Next to me is Dr Patrick Hamshere, he heads up the economic team within the Commission, and he'll be giving you the details of our findings. So we'll make a presentation, a run through, which if you've all read the report, you will know already. But nevertheless, we'll run through all the key findings.

Just a couple of matters first, a couple of housekeeping matters. If you haven't already done it, would you please sign the sign-in form before leaving the public forum, just so we know who's attended. The forum is going to be recorded and transcribed, and we'll have a microphone, so at the end, if people would like to make statements or ask questions, we'll have a mic to you so we can pick up exactly what you say.

Can I ask, if you do have mobiles, could you please turn them off to silent or off, or whatever you like, so they don't ring through the proceedings. Also, can I ask that what we're planning to do is go through the presentation and we will then ask for any questions or statements at the end. But by all means, feel free to ask questions if you need to clarify something that you don't understand or you'd like clarified.

But we'd like to have a discussion at the end after you've seen all the findings, if that – hopefully that works best. But as I said, any clarifying questions, feel free to jump in and ask. If you do ask questions or make a statement, can you please let us know who you are, that way we can have a record of who it is that's asking the question or where it's come from, and who you represent. If you're here in a private capacity, that's great too, we'd love that, so you can tell us that as well. So I think that's probably it for the housekeeping.

So turning to what the Commission has been asked to do. We received a reference from the Government to monitor and report on the price and competition effects of the scheme. We are the economic regulator, by the way, so it's really to look at the economic issues, make recommendations to address any adverse effects or behaviours arising from the operations of the scheme or the CDS scheme. In looking at it, what we found, we did find price increases, as you would expect, and we found that the price increases – and these are draft findings only, we are still to complete our inquiries – we found that the price increases resulting from the scheme appear consistent with what you would expect, given the nature and magnitude of the scheme costs. And we haven't found specific evidence to date that the scheme has adversely affected competition in the beverages markets in the ACT.

That's a very, very broad overview. Patrick will go through the details of our findings; there's a lot more to it than that. I stress that this is a draft and we will be looking for whatever other evidence we're able to collect before the final, before we make our final – we reach our final conclusions on the scheme.

So with that, I'd like to hand over to Patrick.

DR HAMSHERE: So I thought I'd start by giving a quick overview for the rest of the presentation. So the first thing I'll talk about is the investigation timeline, the second thing I'll talk about is the Commission's approach to the Terms of Reference, the third part of the presentation will be on the draft findings, including the findings on prices and the findings on competition. Then we'll talk about the draft recommendations and open up for questions.

So in terms of the investigation timeline, as Joe mentioned, we received a Terms of Reference on the 4 April 2018. We then released an issues paper on the 5 July 2018 that outlined our approach to addressing the Terms of Reference. At the end of February this year we released a progress report which outlined our draft findings and our draft recommendations, and I'll work you through those today.

We're now going through a period of stakeholder engagement and we're aiming to conclude that by 12 April this year. That will help us prepare the final report, which we'll deliver to the Government by the 31 July this year.

So in terms of the Commission's approach to price monitoring, we were trying to answer the question of whether the price impacts of the scheme were similar to the costs of the scheme. We're trying to answer this question, because that's what we would expect if the market is behaving is in a competitive way. In a competitive market there should be enough rivalry between firms so that prices are cost reflective, basically.

So the approach that we've taken involved three steps: the first step was to estimate the costs of the scheme; the second step was to estimate the price impact of the scheme; and the third step was to compare our estimate of the cost to our estimate of the price.

So in terms of the direct costs of the scheme, these are costs that are charged to the first suppliers by the scheme coordinator. So for those of you who are not familiar with the scheme terminology, the first supplier is the first business to bring the beverage into the ACT. So for instance a wholesaler that's located in Sydney and is delivering beverages to retailers in the ACT, it would be that wholesaler that is the first supplier. The scheme coordinator is the organisation responsible for scheme finances and making sure that first suppliers participate in the scheme.

So the direct costs are charged on a per container supply basis, and they include things like the 10 cent container refund amount as well as the cost of running the scheme. So for instance, the cost of container handling and the cost of the scheme organisations.

What we found is that the direct costs averaged 7.1 cents per container over the first seven months of the scheme, and that that was a little less than the direct cost that IPART estimated for New South Wales, which was 9.4 cents per container. We suspect that our direct cost is a little lower than the cost in New South Wales because we have a lower container return rate here in the ACT. The container return rate in the first six months of the scheme was 29 per cent in the ACT compared to 61 per cent in New South Wales. So it's fairly low.

We also found that the direct costs were quite volatile, so they moved around a fair bit from month to month. The reason for this is that first suppliers are charged at the start of each month, before the costs of the scheme are known. The invoices they receive are based on forecasts of containers supplied and a forecast of the container returned. The invoices they get are then trued up when actual container numbers are known. And they are trued up in such a way that first suppliers only pay the actual cost of the scheme. The forecast that the invoices are based on are different from the actual container numbers, and that leaves too large monthly true ups

I have a graph of this now. So this graph is showing the direct costs per container. So on the horizontal axis I've got each month from July 2018 to January 2019, and on the vertical axis I have the cents per container. The black line on this chart is showing the advance contribution per container each month, which is just the amount the first suppliers were required to pay. The red line on the chart is showing the true ups. So you can see that there's a true up in every month from August 2018, which is when data from collection points became available, and there's also a true up for the recycling facility in November 2018, when that data became available.

The fact that that red line in below zero in most of the months means that the advance contribution was over-stating the scheme costs in most months, and that first suppliers are getting that back through the negative true up. The grey line on the chart is showing the direct cost per container when you account for the true ups. So it's pretty much the black line minus the red line. The yellow dotted line I've got going across there is just the average of the grey line, so that's the 7.1 cent direct cost that I talked about earlier. As you can see, that grey lines moves around a fair bit, so that's the volatility of the direct costs.

So while we're talking about costs, it's also worth talking about indirect cost of the scheme. So indirect costs are other costs that are incurred by first suppliers when they participate in the scheme, and it includes things like costs they have to make when they report data to the scheme coordinator, but it also includes the costs that they have when they have to make changes to the billing systems or managing true ups.

What we've found is that they're quite difficult to estimate, because they differ a lot between businesses. IPART, when they looked at the New South Wales container deposit scheme, found that the indirect cost was around one-and-a-half to 2.3 cents per container, but we suspect it could be larger for Canberra because we are a smaller market for which those costs can spread.

So moving onto the price impacts. We looked at wholesale price impacts and retail price impacts of the scheme. To estimate the impact on wholesale prices, we examined price data from a sample of first suppliers, and the data set we received listed prices with and without a container deposit scheme charge applied to the price.

So on the chart I've got up at the moment, it's showing the non-promotional wholesale price impact for the scheme – I'll go – get to retail prices in a minute – and on the horizontal axis of the chart I've got different beverage types, and I grouped them according to whether they're alcoholic beverages or non-alcoholic beverages, and on the vertical axis I've got the impact on a cents per container basis.

The red bars on this chart are showing the average impact of – the average price impact, sorry. So just to interpret the first red bar there, it's saying that the scheme led to an increase of 12.4 cents per container for non-promotional wholesale prices for eligible beverages. With non-alcoholic beverages the impact was 12.3 cents per container, and for alcoholic beverages it was 12.6 cents per container. So there isn't a whole lot of variation by average by beverage type.

Now, it is just worth mentioning, on this slide, that these are wholesale prices that we have looked at here. So they're prices that are paid by the retailers, they're not the price paid by the end consumer. It's also worth pointing out that that 12.4 cent price impact I've got up is higher than the direct cost I spoke about earlier, which was 7.1 cents per container.

There's a few reasons for this. The first reason is that the price impact I have up at the moment is for non-promotional wholesale prices. So it excludes the effect of discounts and promotions, which we know are important if we're going to estimate price impacts. The second reason is that the 12.4 cents I have up on the screen includes the indirect cost of the scheme. So have the 7.1 cent direct cost plus the indirect costs.

The other thing worth pointing out on this chart is that non-promotional wholesale prices are generally updated infrequently. So it might take time for those prices and each price impact to more accurately reflect scheme costs, especially in the context of the month-to-month volatility I just spoke about in the direct cost, and the uncertainty that that will create if you are trying to set an appropriate price.

So moving on to retail prices. So to estimate the impact of the scheme on retail prices we downloaded data from of the Australian Bureau of Statistics. So at the moment I've got the ABS Consumer Price Index for water, soft drinks and juices. On the horizontal axis I have each quarter, from the June quarter 2016 to the December quarter 2018, and on the vertical axis I have the price index.

The chart on the left has Canberra, the price index for Canberra, which is the red line, and the price index for Melbourne, which is the grey line. Likewise, the chart on the right-hand side has Sydney, which is the blue line, and Melbourne, which is the grey line.

Now, I've done Melbourne on these charts, but the price index on these charts, because there's no container deposit scheme in Victoria, and because of that it acts like a control group. So it kind of tell us what we would expect to have for prices in Sydney and in Canberra if those jurisdiction haven't implemented a container deposit scheme.

So if we look at the left chart for a moment, what you can see there is that prices in Canberra increased by about 5 per cent compared to Melbourne in the quarter following the introduction of the scheme. So in the September quarter 2018. You can see if we then look at the right chart, that that price increase is similar to the price increase in Sydney when New South Wales introduced the container deposit scheme. So in Sydney prices increased by about 8 per cent.

So given the magnitude is similar – the increase is similar between Sydney and Canberra, we expect the impact on a cents per container basis to be quite similar, and IPART estimated that to be about 10.1 cents per container. So we expect something similar for retail prices in Canberra.

This slide here is showing the same as the previous slide, except I've replaced the ABS Consumer Price Index for water, soft drinks and juices with the index for beer, and it tells a similar story. So we can see that in Canberra prices increased between 1 and 2 per cent following the introduction of the scheme, and in Sydney it was a similar increase, but the increase has jumped up a bit following that.

But again, given that the increases are similar magnitude, it may be a little less for Canberra at this stage, we would expect the impact on a cents per container basis to be similar to or perhaps a little less for Canberra. And IPART estimated the impact for New South Wales for beer to be only 4.2 cents per container. So in Canberra we expect beer prices to increase by about 4.2 cents per container, or perhaps a little less.

So in terms of other competition and market impacts on the scheme, so far we've found no specific evidence of changes in supplier behaviour that would restrict or reduce competition in beverage markets. ACT Government agencies have not received complaints about prices or anti-competitive behaviour, but we are still investigating this and we're encouraging feedback from suppliers and from consumers.

We did find that the container deposit scheme might create cash flow pressures for small businesses, and this is because of two reasons. The first reason is that the scheme contributions paid by first suppliers in advance of the scheme cost being known; and the second reason is that there are seven day payments terms imposed by a scheme coordinator on first supplies, and that seven days doesn't give much time to respond to an invoice.

We also found that the scheme's efficiency could be improved by an increase in transparency of the scheme and by harmonising or aligning the scheme with interstate schemes, particularly with the New South Wales scheme. We found that differences in the schemes across jurisdictions are likely to lead to higher administrative costs for the scheme. So for instance an organisation operating across multiple schemes, or multiple jurisdictions, sorry, will have to set up different payment systems and processes to comply with different payment models and different payment terms. And we think that will have a disproportionate impact on small businesses.

So in light of our findings we've made several draft recommendations. So the first draft recommendation is to move to an arrears payment model with 14 day payment terms. This type of payment model would remove the need for forecasting container volumes for invoices, and would therefore provide more certainty of the cost of the scheme and reduce cash flow pressures for business.

In our report we've also proposed that the ACT Government consider financing the overdraft facility for such a scheme. In this type of payment model, an overdraft facility is required because the scheme needs to be financed in each month before the invoices are sent out to first suppliers. We would propose that the ACT Government recover that cost as a direct cost to the scheme. IPART made a very similar recommendation to this, and they estimated that the impact on the direct cost would be about 0.06 cents per container. So it's quite small.

The second draft recommendation we made was to limit the period for which suppliers can report actual container supply data to 12 months, and this relates to container true ups. So as I discussed earlier, there's some monthly volatility in the direct costs because first suppliers, the invoices they receive depend on a forecast of containers supplied, but also a forecast of a container returned.

Some suppliers take time to report actual supply data, and that contributes to the volatility in the direct cost, since the direct cost on a per container basis changes every time a first supplier updates their actual supply data, and currently there's no restriction on how long first suppliers have to update their actual data.

The third draft recommendation we made was to improve the scheme's transparency. When we made this recommendation we were really referring to the scheme coordinator and network operator agreements, and in particular publishing the details of the scheme compliance fee, because currently that is not published.

The fourth draft recommendation, and I've already spoken a little bit about this, is harmonising and aligning the scheme with interstate schemes, particularly the New South Wales scheme.

The fifth draft recommendation was that ongoing monitoring of prices and competition is unlikely to be needed beyond the initial 12 month period that we've been asked to do on prices and competition. But having said that, the Commission is seeking feedback, and any evidence on this, before we make a decision in the final report.

So in terms of the next steps, we are seeking – as I mentioned earlier, we're seeking feedback on it from stakeholders and submissions on the progress report close on Friday, 12 April and they should be emailed to us. We'll then prepare a final report which will include more up to date analysis as well as the information we receive in the submissions, and we'll provide that to the Government by 31 July.

Thank you. I'll hand it back over to Joe.

MR DIMASI: Thanks, Patrick. Any questions, comments or would anyone like to make any statements? We're here to receive your feedback.

MR TAYLOR: I've probably got a loud enough voice to talk without the microphone, but anyway. So I'm Alex Taylor, the Director of Waste Regulation ACT Government. I had a question about the first draft recommendation, which was the payment in arrears question. What happens – how does time feature into this? As time goes on, does volatility naturally drop out?

DR HAMSHERE: So as the forecasts become more accurate the volatility would reduce. But still the problem with the current payment model is that the first suppliers are invoiced before the event has occurred. So it does still create cash flow issues for them based on that. Yes, that would be my response to that.

MR DIMASI: Yes. And we're starting to see a little bit of that smoothing already as the scheme – as time passes with the scheme in operation. But I think the issue still remains. Sorry, there was a question over here?

MS SOMMER: Yes, thank you. Didi Sommer, Tuggeranong Community Council. This sort of may be a comment, I participated in the Waste Feasibility Study, a community reference group when this was on at the beginning of 2017, and we had a presentation on the container deposit scheme, and I come from Austria, so I know this scheme very well, we used actually reverse vending machines, like the ones in New South Wales. It's just that we don't have to – changing for a container, because they're actually at the – installed at shopping centres for the convenience of the customers.

So I ask a question as well, will the ACT scheme and the New South Wales scheme being aligned, and this was confirmed, and it was really very clear – told to us that the ACT scheme and the New South Wales scheme need to be aligned and basically the same in order to work well.

And when it was introduced, of course we had a completely different scheme.

So this is something, and now you make this recommendation actually that the schemes should be harmonised. So I just thought I make this comment. And you may have seen this report by the Boomerang Alliance in New South Wales from December 2018, where they – it's a 17 page report where they talked about scheme in New South Wales and what they see as it has worked very successfully or what not.

Particularly they say that the reverse vending machines, 80 per cent of returns within the network are coming through the automatic network, where collecting is convenient and is exceeding the volumes collected by kerbside. So maybe if you haven't seen the report, I would highly recommend it to you.

MR DIMASI: Yes.

MS SOMMER: Quickly, I believe – like being on the government community council, I actually put out those flyers that are available from the return scheme, and these people have no idea that this scheme is actually in place. So I think this is definitely something that ACT Government, ACT NoWaste and also ACT Actsmart Business should really start a big advertising and awareness campaign of this scheme, because it's not only that we try to reduce litter from kerbside, what is really important, and this is highlighted in the Boomerang Alliance report as well, and TOMRA, who actually runs the scheme in New South Wales, they also highlighted this, that the value of the scheme is that the various containers are separated, and it actually reduces the contamination rate, and this in effect increases the resale value for the recycler. So this is the huge benefit of the scheme.

Ans in Europe for instance, Germany and Austria, the container deposit scheme, with all those reverse vending machines at the supermarkets, obtain a return rate of almost 98 per cent. So this is something which really has been proven in Europe and it works very well. So why can't we replicate it here in some ways? Why do we have to invent everything new again?

MR DIMASI: Thank you for your comments. They're good questions and good comments, and I think that they do go to the question of the scheme design and policy, and the representatives of Government and the scheme operators, I'm sure they're listening to you and it's something for them to take away and think about and perhaps you can get in touch with them directly if need be.

Any other questions, comments, statements? Okay.

MR BRUCE: Peter Bruce, Exchange for Change. So the scheme coordinator for the New South Wales and ACT schemes. As a general statement, Exchange for Change is very, very supportive of the recommendations that you've made. In terms of harmonisation between schemes, there's currently five CDS schemes across Australia and all five schemes are completely different, from types of containers that they cover to how the invoicing works.

So the faster we can consolidate and get aligned, the better. But more importantly is between ACT and New South Wales, as you rightly point out.

MR DIMASI: Yes.

MR BRUCE: While you asked to – while your recommendation is around harmonisation, we believe it should go further, we believe that from a scheme coordinator's perspective, that the two schemes should become one, and that would require legislation changes in both jurisdictions, and that would be hard work, but hard work would pay off.

The reason why we believe this is that we have an end – it should have an end benefit to consumers, but the administration price of the scheme should go down. So at the moment there's approximately 30 per cent of the containers that are supplied in the ACT have already been supplied in New South Wales. So that means that we always choose Coca Cola and Woolworths, as our examples because it is easy to talk them through and they're big.

Coca Cola delivers containers to Woolworths in New South Wales, so Coca Cola pays that CDS. Woolworths then decides that they need to sell some of those containers in ACT, so Woolworths has to pay – sorry, Woolworths applies for an export credit on the New South Wales scheme, and then has to pay the first supplier in ACT, a lot of administrative burden. So we could eliminate that if we can combine at the scheme coordinator level.

So far we have two separate accounts, we invoice first suppliers separately. We've had 69 suppliers that have paid into the wrong account, we've had 69 who have done it once, nine suppliers have done it twice, one supplier has done it three times. You'd think they'd learn. But it is complex, and so we need to eliminate that complexity.

All of the dates around alignment, the processes around alignment, we can just try and consolidate and bring those two things together, which would be fantastic.

Regarding arrears, we think the arrears scheme would be great. As I say, there's a lot of different invoicing arrangements across Australia, we believe at the moment the Queensland scheme has the best payment arrangements. We would be strongly supporting of that, however, based on the location of the ACT, it would be far better to be aligned with New South Wales than necessarily finding the best scheme.

MR DIMASI: Yes.

MR BRUCE: And New South Wales is still going through various reviews and trying to find what scheme that they want to do. In terms of the overdraft - - -

MR DIMASI: Sorry, if I could just pause you there for a sec. So if you had to choose, I think you've already answered this question, but if you had to choose between harmonising with New South Wales or choosing going – for example, with the arrears, going it alone, your preference would be that we harmonise with New South Wales.

MR BRUCE: Correct.

MR DIMASI: Over and above all the other things.

MR BRUCE: Correct.

MR DIMASI: Okay.

MR BRUCE: But not give up on the long-term goal.

MR DIMASI: No, no, I'm not suggesting you said that, not suggesting that at all.

MR BRUCE: The fight is worthwhile having, and it's a long-term vision and we will eventually get there. They eventually moved from having a different rail gauge in every state to having a common rail gauge, we will eventually get to having a common CDS. Hopefully it doesn't take as long.

So we've done our analysis, the size of the overdraft would be approximately $3 million if we were operating on an arrears scheme. The bank that we use, Westpac, their advice is – sorry, we don't believe that the ACT Government needs to provide that $3 million. What we need from – what our bank needs to give us an overdraft is an unconditional guarantee. So they don't need the – normally when I talk about this I normally say that Westpac don't need the title deeds to the opera house, I'm not sure of the appropriate landmark in the ACT as an equivalent to the opera house.

But all they need is an unconditional guarantee, that would give us the line of credit and we can operate in that way. So it reduces the burden on the ACT Government of putting that on their balance sheet. I think that's covers all my points. Thank you.

MR DIMASI: Thank you. I think we – all your points have been well recorded and noted, thank you very much. I think at the back we've got a question.

MR A TAYLOR: Alby Taylor from the Australian Beverages Council. I would endorse most of Peter's comments, the only thing I'd say is it makes perfect sense in the short term to align with New South Wales, but moving from a model which isn't perfect to a fraught model probably isn't a good move in itself.

I guess my thoughts would be I note one of the recommendations is effectively a 12 month limitation on suppliers being able to adjust their figures.

MR DIMASI: Yes.

MR A TAYLOR: If you move to the Queensland model where it's built 30 days in arrears and based on actuals, then you actually satisfy that recommendation at the same time.

MR DIMASI: Yes.

MR A TAYLOR: So I think whilst changing to positive, change for change sake might be counter-productive and it might be better to talk about what the big picture and the end goal is, to move to, what was it, Pete, the common rail gauge.

MR BRUCE: That's the one.

MR A TAYLOR: And I think that should be agenda. I think let's shoot for the best model, not the most convenient model.

MR DIMASI: Thank you, and again, I think that goes to the question of design, but we've noted it and we'll take note of that for our final report. Okay.

MS SOMMER: Can I make one more comment?

MR DIMASI: Absolutely, feel free.

MS SOMMER: So in this Boomerang report, they also said that the value of the CDS-collected material has also increased markedly due its lack of contamination. So unsorted PET was fetching for instance 110 per ton where sorted CDS PET is selling for around 375 per ton, and that in Europe the China sort policy which rejects contaminated recycled up to 0.5 per cent, I believe. So it is actually helping our domestic recycling industry if we can collect less contaminated containers through the CDS.

MR DIMASI: Okay, yes.

MS SOMMER: But from the consumer point of view, the scheme here in the ACT is really not practical. First of all I think we need to include reverse vending machines because in New South Wales it has been proven highly successful, and in Queensland they actually have the combination of the ACT and New South Wales scheme. And as it's only been introduced recently, we'll still have to see how it works.

But what I hope, for instance in restaurants, people who work at the restaurants and throw all these containers not in the recycling bin, they throw in the landfill bin. And the ACT Government wants to increase the recycling rate, and we've used the rate, both for their rates going – we're seeking waste that is going to landfill. So this would be something that Actsmart Business actively needs to promote. It shouldn't wait until a business approaches it, which is the usual scenario, but a lot of those restaurant owners don't even know that the scheme exists.

So this is one of the things that I think you should look into it, how this communication can get better and for the average community here, they don't know about it either. So if the aim of the ACT Government is to reduce things going to landfill, then we need to become more proactive and advertise this scheme, raise the awareness of this scheme proactively. Because that's – it will take some time, but this is what the ACT Government wants to achieve, less items going to landfill.

If I just can say for instance that the Canberra – the caravan parks, they don't even provide recycling bins for the customers. So there needs to be something done, and I've talked to Actsmart and to ACT NoWaste about it, and they said, "Oh, you can't get proactive". Well, if they want to listen to me if I go there and say you can actually make some money if you put the container deposits scheme bins there for your clients, and you will recuperate some of that money, because they have a lot of stuff that goes now to landfill, not given to recycling.

So from the consumer point of view, I think it is important to look at – I mean, what you have done is fantastic, but include these other things for the government so that they actually see that the scheme could work much better if there are these coordination between businesses and the scheme operator, or Actsmart Business where they promotes this, and on the other side for the consumers. Thank you.

Those vending machines are really important, and they just increase the return rate enormously. As I said, in Germany and Austria, we have 98 per cent return rate. And we also can actually – we have glass, aluminium cans and we actually have this TOMRA machines that allow – that you can actually put full crates in there as well, which is very handy.

MR DIMASI: Thank you, I think you've made your point very eloquently and very clearly. Thank you.

MR A TAYLOR: Yes, Alby Taylor again. I just want to ask one further question. In relation to the pricing, did you have any regard for how the various operators in the scheme were appointed? So for example in the Queensland scheme there was a free market tender process to operate collection points, which brought back a different range of pricing to New South Wales where there was a monopoly operator appointed.

In the ACT a return group was appointed to run the collections points as a monopoly operator, as opposed to undertaking a tender process. And did you have any regard to what effect that might have had on pricing and the contract which was awarded by government to return, and I also note as a part of that question that they were also established MRF operator in the ACT as well, directly contracted to government, and whether there was any influence there.

MR DIMASI: No, we didn't. Sorry, Patrick, you go ahead.

DR HAMSHERE: I was just going to say, yes, Joe's correct, we haven't given too much consideration to it, other than with the network operator, there can be more than one operator in the ACT. So if it is – for instance, if you had an network operator that was charging a lot, there would be room for another network operator to move in and bring those economic profits to zero.

In terms of the scheme coordinator, my understanding is their prices are in a contract with the government, so in some way they're government regulated so they can't charge outrageous, I guess, prices for their services. That's my understanding.

MR DIMASI: Yes. Look, I mean, the purpose of our exercise in terms of prices, whilst we try to get the best estimate of costs and assess the estimate on prices, and I guess if something – if our findings there were that we couldn't reconcile them, that there was a problem, then that might give rise to the next set of questions of what's causing those problems. And then we would then potentially be saying to Government, look, there's an issue here, and you need to have a further look and whether it's the contracts or whatever it might be, there would need to be some further work done.

So that's why – I think that's part of what our job here was in looking at the costs and prices and how they're reconciled with each other. I've got to say that the evidence that we have so far is that the costs and prices do seem to be within a range that you might expect and do seem to be – given the different size of the markets, do seem to be consistent with the outcomes in Sydney – in New South Wales generally to what we see here.

So I have to say that on the basis of the information that we've seen so far, the outcomes are not unreasonable in terms of prices. We'll see if there's more information – more evidence, as Patrick's said in his presentation, whether that changes. But that's the basis. So the contractual arrangements and all the rest of it, no, we didn't get behind those, other than to make the suggestion that some of the arrangements – that greater transparency be considered so that people do have confidence in what's there and what's in place.

But what you're suggesting I guess would be the next step, if people would suggest there's a problem.

MR A TAYLOR: Thank you for your answer. I guess the point you're making is that the price increases that have been passed on by wholesalers and retailers by and large reflects the expectation.

MR DIMASI: Yes.

MR A TAYLOR: I guess my point more broadly was the expectation is what you think the direct cost should be. But potentially there was an opportunity to lower the direct costs by going – by creating a free market process to participate in the scheme. Now, I'm curious in relation to

Patrick's comment, is the contract with returns such that any commercial operator could establish a collection point in the ACT tomorrow, or is that an exclusive monopoly arrangement?

Because if there was a situation where the Government chose to go to tender to establish one of multiple collection points on a network of say 20 across the Territory, then there may well have been cheaper bids submitted to Government which might have lowered the direct cost, which might have lowered the cost impact to consumers. That's my point.

MR DIMASI: Sure. I think that's probably a question better asked to the Government reps here rather than us. I mean, that's outside of our bailiwick.

MR TAYLOR: Be happy to talk about it later, but if - - -

MR DIMASI: Sorry, you might need it for the recording.

MR TAYLOR: Sorry. If someone came into the ACT model to establish a collection point for the purpose of the CDS, they would need to enter into an agreement with a network operator so we've Return-It, but there is nothing to say another network operator couldn't enter the ACT and run their own network of collection sites.

MR A TAYLOR: So it's not a monopoly contract or it is?

MR TAYLOR: I can't really comment on the contracts because these were established some time ago, and I actually wasn't privy to those kind of arrangements and discussions at the time. I could only talk about the situation we have now and how the rules operate and how the scheme is effectively in place.

MS SOMMER: But doesn't Return-It return the containers actually to Re.Group at Hume, that's what I – that's what is in place. And because Return-It is a company of Re.Group, basically the benefit goes back to them again because they would have been missing out on containers that people take out of the yellow recycling bin isn't it. So in effect they get what they're missing out in the yellow recycling bin, because people are taking it out to Return-It, take it to Return-It, they're getting it back this way.

MR TAYLOR: I'm just wary, we're probably stepping a bit outside of ICRC's scope, I'll be happy to talk about this, but look, under the current model, containers that do flow through from collection points through the Return-It network do go to the Hume MRF, but there's nothing to stop another network operator, another network of collection points, even another MRF, or someone looking to take containers to another site.

The environment is open for that to occur, if someone wants to step up and do that. But the current process is how it is.

MR DIMASI: Okay, thank you. Last chance for a last question, statement, comment? Thank you all, appreciate the feedback, the questions and the comments, we will now proceed to finalise the report. We will take on board what we've heard today, some of what we've heard today clearly goes to the policy question, and look, that's an issue for the Government to address. But nevertheless, it – we certainly will think about what's relevant for us and what we can pick up, and we look forward to your submissions so that we can finalise the report.

So with that, thank you all. There is coffee and tea outside, so feel free to stop, grab a cup of coffee or tea if you like, and have a chat. I now declare the forum closed, thank you.

Closed **[3.54 pm]**