

Inquiry - Improving Queensland's Container Refund Scheme

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Submission to the Inquiry into Improving Queensland's Container Refund Scheme

Executive summary

Lion welcomes the opportunity to contribute to the Health, Environment and Innovation Committee's Inquiry into Improving Queensland's Container Refund Scheme (CRS) – Containers for Change.

Second only to Australia's system of returnable beer kegs, Container Refund Schemes (CRS) are the key contribution from the beverage industry to the circular economy of our value chain, where consumers receive a 10-cent refund for each bottle and can they deliver to a return point for recycling. These schemes keep valuable resources from landfill by giving the bottle or can the best chance at becoming another bottle or can, keeping the resource in circulation while reducing the carbon footprint of the container.

Lion has a long history and involvement in the management and governance of CRS in Australia, dating back almost 50 years with South Australia, where we are a supercollector through Marine Stores Pty Limited (a joint venture with Coopers). We have worked collaboratively with governments and industry partners to design and fund implementation of the recent schemes in New South Wales, the ACT, Queensland, Western Australia, Victoria and Tasmania (which commences on 1 May 2025). We remain an active and proud participant in scheme coordinators in all CRS in Australia.

The Containers for Change Scheme is not funded by any level of government, with Container Exchange (COEX) being a producer responsibility organisation (PRO), funded by participating beverage industry participants like Lion. The Queensland Containers for Change scheme is a world-leading example of producer responsibility schemes, and as a strong supporter and funder of this scheme we are committed to and invested in further improving the scheme in Queensland.

While there has been focus on the annual recovery rates falling short of the legislated target of 85% – it is important to acknowledge the significant and positive strides that have been made in achieving a recovery rate of 67.4% in FY2023-24. There are a range of barriers that have impeded higher recovery rates (which are outlined in further detail below). Notwithstanding these barriers, the return rate of 67.4% still compares favourably with other jurisdictions. Even South Australia (the longest running and most successful scheme in the country since its commencement in 1977) only has a return rate of ~74%, still below the 85% legislated target in Queensland.

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The success of Containers for Change in collecting more than 11.5 billion containers and recycling more than 600,000 tonnes of waste, while returning more than \$980 million in refunds to Queenslanders, charities, community groups, schools and businesses (in addition to \$170 million being paid to material recovery facility operators and councils) in just over 6 years is commendable. Charitable donations from the scheme now exceed \$16.6 million and alongside this, there has been a 60% decrease of beverage container litter across Queensland. We believe that the scheme's objects as outlined in the *Waste Reduction and Recycling Act 2011* remain broadly appropriate, however, there are opportunities to improve the operational functioning of the scheme and deliver higher return rates, which we outline in further detail below.

It is important that Government, industry and other stakeholders work together to adopt a balanced approach to achieving any improvements – which considers the impacts of any proposed change on beverage industry manufacturers, consumers, and the community. Simply increasing the refund amount from the current 10 cent level would drastically increase costs for beverage manufacturers (and place upward pressure on consumer prices). Moreover, there is a significant body of evidence which shows that there are other more impactful ways to address barriers of higher return rates and address consumer behaviours which do not carry these significant disbenefits.

While we are strong supporters of CRS in Australia – they have added significant additional cost to the business models of beverage companies like Lion and have placed upward pressure on prices that consumers pay for beverage products. In FY2023-24 the beverage manufacturing industry nationally contributed close to \$1.5 billion towards Container Recycling Schemes (noting that this figure will rise further as it did not include the Tasmanian scheme, and the Victorian scheme was not in operation for the full year).

For our business, the cost of CRS is in addition to other Government charges like alcohol excise – which is the third-highest in the world for beer and spirits products – and GST. Collectively these Government costs make up a significant component of our cost base – but we also have other costs which have increased in recent years due to inflationary pressures, like wages, ingredients, packaging, utilities and freight. We have not fully recovered these cost increases through higher consumer prices.

We support changes to Queensland's scheme to improve return rates and the scheme achieving its objectives – but it is important that these changes align to the principles of minimum effective regulation, given the fact any additional cost is borne by industry and ultimately consumers through higher prices.

Recommendations

We have identified a range of opportunities, both operationally and from a policy perspective, that could further increase scheme return rates, with a much lower cost impact on Queenslanders and business than a raise in the refund amount.

We believe these opportunities would deliver more revenue for existing and new scheme operators, local businesses, community groups and charities while reducing the impact on beverage manufacturers (including independent breweries and soft drink manufacturers), and in turn, the Queenslanders who buy these drinks.

RULE OUT INCREASING THE REFUND AMOUNT

The refund amount should remain at 10 cents per container. There is significant evidence (detailed throughout this submission) to show that increasing the refund amount will not address the main barriers to higher return rates, but will significantly increase costs for beverage manufacturers, while driving up the price of drinks for all Queenslanders (exacerbating inflation) and reducing investment confidence from our sector in Queensland. We strongly encourage the Committee to recommend ruling out an increase to the



refund amount to provide certainty for industry and the community and ensure that there is instead focus on measures that will address current scheme constraints.

MAINTAIN EXISTING STRUCTURE AND GOVERNANCE OF THE SCHEME

The current structure and governance arrangements best support the achievements of Queensland's scheme objectives and balances high performance as well as supporting strong outcomes for local businesses and community organisations. Given Containers for Change is a not-for-profit producer responsibility organisation, it also ensures that beverage manufacturers continue to play an appropriate governance role as the industry which continues to bear the costs of the scheme.

REDUCE RED TAPE TO INCREASE THE AVAILABILITY OF REFUND POINTS ACROSS QUEENSLAND AND UNLOCK INCREASED CONVENIENCE AND ACCESSIBILITY

There is a significant opportunity for Container Exchange to drastically increase return points. While COEX currently oversees 380 return points – there is an opportunity to significantly increase return points, particularly with a focus on Reverse Vending Machines and small-format sites suited to urban locations. We understand COEX is committed to increasing these return points and has identified target areas, however, assistance is required to simplify regulatory and planning processes. In other states planning regimes and regulations have been amended, and exemptions have been provided where sites can meet certain criteria. For example, in Victoria prior to the establishment of their CRS in November 2023, the Victorian Government introduced an amendment to the Victoria Planning Provisions which “exempts the use and development of land for an automated collection point and streamlines the permit process for a transfer station if specified requirements are met”. This was a key factor allowing VicReturn to stand up 220 Reverse Vending Machines in just over 12 months. Meanwhile, in FY2023-24 COEX only managed to increase RVMs by a net of 2, despite targeting a substantially higher number to be implemented (an additional 4 have been added in the current financial year). We believe there is an opportunity to introduce streamlined approvals and exemption processes into the Queensland planning framework for new CRS sites where certain criteria (such as noise minimisation) can be met.

INCREASE OVERALL PARTICIPATION IN GAP AREAS THROUGH TARGETED APPROACHES

There are a range of simple solutions to help remove barriers to increased return rates. These include:

- **Consider including more beverage products:** Only certain beverages are covered and although Queensland includes wine and spirit bottles, which is more than other states and territories, we would recommend a review and assessment of broadening the scheme to allow for all beverages, including those currently exempt such as milk, milk alternatives, cordials and large format juice to be included as an Australian first to increasing recycling through Containers for Change.
- **Consider options for multi-unit dwellings like apartment buildings:** Including developing guidelines for developers and architects for designing waste and recycling systems for these dwellings. We recommend developing guidelines and considering mandating for all new developments to include a separate bin / service for CRS containers across residential multi-unit dwellings.
- **Encourage other out-of-home returns:** There is an opportunity to further investigate ways to encourage other out-of-home places, like Government buildings, other workplaces and hospitality venues, to participate in Containers for Change.



STRENGTHEN PUBLIC AWARENESS CAMPAIGNS AND EDUCATIONAL PROGRAMS

There is evidence that the public have a lack of trust that containers are actually being recycled, which has been exacerbated by failures of schemes for soft plastics. There is an opportunity for Government, COEX and industry to work together to develop and strengthen public awareness campaigns and educational programs to help inform the community about the scheme's benefits (including how community groups can raise money using the scheme) and how to participate effectively. Consumer behavioural research conducted for the Heads of EPA CRS group indicates that this would in turn increase participation of non and rare user groups. While COEX already dedicates a significant proportion of its annual expenditure to marketing and educational campaigns, there is scope to increase this work in partnership with Government.

REDUCE THE BURDEN ON MANUFACTURERS FROM CONTAINER RECYCLING SCHEMES

We urge the Queensland Government to take a leading role in championing efforts to reduce the administrative burden on manufacturers. There are differences in each of the CRS schemes around the country – for example, currently each shop keeper unit is required to be registered in each of the schemes in each state and territory. Manufacturers currently have 6-7 touchpoints or processes (contracting, registration of products, monthly volume submission, monthly invoicing and payment, annual audits and annual statutory declarations) in every state & territory in which they sell products. Retailers that are both manufacturers and exporters (i.e. move products to other states) have even more. This is a significant and onerous burden on the industry that could be significantly reduced through technology, and alignment between jurisdictions (for example on product registries).

CONSIDER BROADER WASTE POLICY LEVERS THAT PROMOTE GREATER CRS PARTICIPATION

The CRS legislation should not be considered in isolation in terms of improving overall participation. The highest performing schemes globally tend to incorporate broader and complementary waste policy initiatives that could be examined and considered for the Queensland context as work commences on the Waste Management and Resource Recovery Strategy 2025.

These include:

- Requiring CRS to be included in all government waste management procurement processes.
- Requiring all government sites/buildings/departments/facilities to have CRS segregation/participation.
- Requiring CRS solutions to be part of waste management plans for any event permit/approval.
- Consideration of other ways to disincentivise landfill usage.
- Encouraging businesses to segregate CRS containers and participate in Containers for Change.

Several of these suggestions can be supported by COEX in terms of infrastructure, coordination of collection and promotion.

CLARIFY LEGISLATION IN RELATION TO PROXIMITY PRINCIPLES TO ALLOW FOR MORE TRANSPARENT AND CIRCULAR OUTCOMES FOR MATERIALS COLLECTED

Complexity arising from legislative requirements in the *Waste Reduction and Recycling Act 2011* around proximity principles for materials collected has resulted in practices of only selling to Australian based



parties. This results in a reduced transparency, traceability and circularity of materials that cannot be reprocessed onshore (principally Liquid Paperboard and aluminium). Clarifying these provisions and allowing for direct contracting with overseas recyclers where capacity does not exist in Australia would result in increased circularity for aluminium (as COEX could sell directly to the re-processors that supply aluminium coil to Australian can producers rather than to commodity brokers), and better governance and oversight and transparency around materials that COEX pays to be recycled overseas (Liquid Paperboard) as COEX could contract directly with recyclers and stipulate terms such as visibility over end outcomes, audits and appropriate chain of custody.

About Lion

Lion is a leading Australian adult beverages company. With an incredible heritage spanning more than 180 years, Lion has a portfolio of iconic brands in Australia, New Zealand and the United States. Our core beer portfolio across Australia includes major and loved beer brands like XXXX, Hahn, Tooheys New, Kirin Ichiban, Stone & Wood, James Squire and Little Creatures. We're increasingly expanding into the ready-to-drink category with brands like Kirin Hyoketsu and James Squire, and we have a growing craft spirits business in Australia. This business includes Vanguard Luxury Brands which distributes our own brands including Four Roses Bourbon and Fuji Whiskey, partner brands like Fortaleza Tequila, and products from our award-winning, world-class distillery Four Pillars Gin. We're also proud to brew and distribute global beer brands Heineken and Guinness in Australia.

Our network of breweries and operations in Australia, New Zealand and the United States play an important role in the communities where we operate, including supporting direct employment for the more than 4000 people who work for our businesses. In Australia we employ more than 1500 people and in Queensland, Lion is the proud custodian of the iconic XXXX Castlemaine Brewery in Milton, where we currently employ approximately 170 people across all aspects of our business. We are proud to be a significant player in the Australian beer industry, which generates \$16 billion a year for the Australian economy and supports roughly 97,000 jobs from barley growing through to pouring a pint in the pub or club, with more than \$4 billion generated and 21,000 jobs supported in Queensland.¹ The spirits manufacturing sector accounts for a further \$15.5 billion in added value to the Australian economy supporting a further 100,000 jobs. Importantly, both sectors rely on domestic inputs and are great examples of true domestic manufacturing success stories.

Lion's commitment to be a Force for Good

We are proud to be Australasia's first large-scale carbon neutral brewer and champion the responsible consumption of alcohol. Whether it's community investment, carbon reduction, circular economy, packaging and waste or building a culture of performance and belonging for our people – Lion is always looking to do better and ensure the role we play in society is focused on doing the right thing for the long term.

Our Sustainability Report 2023 comprehensively details our progress to date², but some specific relevant examples include:

- Lion is a founding member and continuing major supporter of DrinkWise, an independent not-for-profit which works nationally to promote a healthier and safer drinking culture in Australia.

¹ <https://www.brewers.org.au/wp-content/uploads/2023/06/Brewers-Association-Economic-Contribution-Report-2022.pdf>

² https://lionco.com/app/uploads/2024/06/Lion-Sustainability-Report-2023_FINAL.pdf

³ <https://www.lionco.com/2023/02/10/sunshine-states-xxxx-brewery-now-100-per-cent-solar-powered/>



- Since 2019, Lion has reduced scope 1 and 2 carbon emissions in Australia by 70% (or 51,000 tonnes). We are the first large-scale brewer in Australia to procure 100% renewable electricity for all our operations, and since 2023 our XXXX Castlemaine Brewery has been powered with 100% renewable electricity³.
- 99.6% of our packaging in market is now recyclable, and on average our packaging contains 71.8% recycled content.
- Based on average return rates across the various schemes applied against our volumes supplied in each market, Lion estimates that 71% of its containers are collected through CRS across the country. In Queensland, this is even higher at 75%.
- We have a reverse osmosis water recycling plant at our brewery in Brisbane (and also at our Tooheys Brewery in Sydney). Collectively these plants will achieve world-class water efficiency and we are on track to achieve our target of 2.4 litres of water used for each litre of beer produced at our large breweries in Australia.
- All spent grain from the brewing process, which is greater than 75,000 tonnes per year, is used as stock feed; this process is a high impact demonstration of a circular economy given spent grain is the largest portion of brewery waste (approximately 85%) and consumption by ruminants reduces greenhouse gas emissions. A portion of our spent grain is sent to Bega with the yeast a key ingredient for a great Australian favourite, Vegemite.
- Lion has recently announced its partnership with supply chain partners – Visy, Novelis and Rio Tinto – to trial a new can for our Stone & Wood products that uses low carbon primary aluminium. The Re-In-Can-Ation pilot will see 15 million of these cans enter the market and is estimated to reduce greenhouse gas emissions by 1235 tonnes when compared to the equivalent quantity for our existing cans. The cans contain on average 83% recycled aluminium and the trial are estimated to generate 59% lower carbon emissions than our existing cans. These cans are manufactured at Visy's facility in Yatala, Queensland, and the aluminium coil produced by Novelis includes recycled cans collected from the various container deposit schemes in Australia.
- XXXX recently partnered with the Great Barrier Reef Foundation to launch a limited edition refreshing lager – XXXX Tropical – to promote reef conservation and support the Foundation's work to restore the Reef's vital seagrass meadows. XXXX also donated \$100,000 to support the Foundation's work as part of the XXXX Tropical initiative.



Containers for Change – current status and progress to date

COEX, and the Containers for Change scheme, was established as a producer responsibility scheme by the initial members – Lion and Coca-Cola Europacific Partners, in partnership with the Queensland Government. The Containers for Change Scheme is not funded by any level of government, with COEX being a producer responsibility organisation, funded by participating beverage industry participants. It is a leading example of industry product stewardship schemes, whereby the beverage industry participants take responsibility for the recovery and recycling of empty beverage containers. The model adopted in Queensland has since been emulated in Western Australia and is set to be largely adopted by South Australia (Australia's best performing and longest running CRS) as part of their proposed scheme governance and system modernisation.⁴

As a producer responsibility organisation, COEX is responsible for ensuring an effective and efficient scheme operates in Queensland and that there is convenient and state-wide access to container refund points. There are nine board positions, of which Lion holds one which remains appropriate given the significant investment we have made and the obligations and ongoing cost of the scheme on our business. The board composition broadly reflects that COEX is a producer responsibility organisation with the inclusion of representatives from beverage and manufacturing sectors. Importantly, there are also four independent directors.

COEX operates as a not-for-profit, ensuring that there are no profit margins being charged to industry for the administration of the scheme and its operations. This not-for-profit approach also allows COEX to ensure the scheme is efficient in terms of overall cost, but is more community focused, and promotes the inclusion and profitability of small business, community groups and social enterprise within the operations of the scheme. This can be seen in the significant benefits delivered in terms of jobs and revenue for those organisations.

The scheme's success in collecting over 11.5 billion containers and recycling more than 600,000 tonnes of waste, while returning more than \$980 million in refunds to Queenslanders, charities, community groups, schools and businesses (in addition to \$170 million being paid to MRF operators and councils) in just over 6 years is commendable. Charitable donations now exceed \$16.6 million and alongside this, there has been a 35% decrease of container litter across Queensland.

Table 1: COEX / Containers for Change measures against legislated objectives

Objects per s99H WRR Act	Status	Metrics
(a) Increase the recovery and recycling of empty beverage containers	●	67.4% vs baseline 18% prior to scheme commencement. ¹²
	●	67.4% vs QLD government Waste Strategy target of 60% by 2025 and 65% by 2030 for all sectors ¹³ .
	●	67.4% vs WRR Act legislated target of 85%. Currently Glass is the only material exceeding this (at 88% in F23-24). ¹⁴
	●	383 return points vs 307 legislated minimum
(b) reduce the number of empty beverage containers that are littered or disposed of to landfill	●	Based on both reduction in litter and the c. 50bp increase in recycling, containers to landfill have significantly reduced. ¹⁵
	●	60% reduction in beverage container litter between 2018 and 2024. ¹⁶

⁴ <https://yoursay.sa.gov.au/container-deposit-scheme-amendment-bill>



(c) ensure the manufacturers of beverage products meet their product stewardship responsibility in relation to their beverage products	●	COEX estimates 95% of beverage manufacturers by number participate and fund the scheme. ⁵
(d) provide opportunities for social enterprise, and benefits for community organisations	●	13 community / social enterprises operating within the network, earning over \$7.6m in fees and employing 99 staff. ⁶
(i) making funds available through the payment of refund amounts for empty beverage containers	●	\$16.6m in donations to charities as at February 2025 through scheme payments. ⁷ This is likely to be higher in practice as refunds claimed for cash by these charities cannot be tracked.
(ii) creating opportunities for employment in activities related to collecting, sorting and processing containers for recycling	●	1581 jobs in Queensland. ⁸
(e) complement existing collection and recycling activities for recyclable waste (example: Local governments collect recyclable waste through kerbside waste collection services and arrange for the waste to be recycled.)	●	17% of total collections are through kerbside recycling bins, with refunds paid to MRFs and shared with local councils. ⁹

Increasing recycling and reducing litter

Since its commencement in November 2018, the Containers for Change Scheme has played a pivotal role in reducing beverage container litter and increasing recycling rates across Queensland, as well as meeting all of the statutory objectives of the *Waste Reduction and Recycling Act 2011 (the WRR Act)*.

Noting that the Waste Management and Resource Recovery Strategy (WMRRS) in Queensland currently calls for overall recycling rates of 60% by 2025 and 65% by 2030, even though the Containers for Change Scheme is yet to reach the legislated target of 85%, it is already delivering eligible beverage container recycling above the 2030 WMRRS targets at 67.4%¹⁰.

Superior outcomes for small business, social enterprise, community organisations and first nations communities

By virtue of its not-for-profit design, the Containers for Change scheme uniquely places small business and community-based groups at the heart of the scheme. In Queensland more than 85 small operators participate in the scheme, employing more than 1580 people across 83 refund sites across Queensland. This includes 13 social enterprises, who act as operators in various roles within the network, earning \$7.6m in fees in FY23-24 and employing 99 Queenslanders. It also enables a focus on equitable access given more than three-quarters of Queenslanders live outside of the southeast corner and this can be seen in the number of regional return points. This contrasts with other schemes, like Victoria and New South Wales, where a small number of for-profit operators manage the network and are paid a fixed fee per container collected. A key result in these states is that scheme coverage can be lower as operators

⁵ COEX Annual Report 2022-23 <https://containerexchange.com.au/wp-content/uploads/2023/10/Container-Exchange-Annual-Report-2023.pdf>

⁶ COEX Annual Report 2023-24

⁷ COEX Annual Report 2023-24

⁸ COEX Annual Report 2023-24

⁹ DETSI Written Briefing page 10

¹⁰ https://www.qld.gov.au/data/assets/pdf_file/0022/94063/qld-waste-strat-key-perform-indicators.pdf



avoid servicing areas where it is not profitable for them to do so, impacting regional and remote areas in the absence of stringent minimum requirements.

A regional analysis of the Scheme suggests that regional areas perform strongly in returns, like Central Queensland at 85%, while the Brisbane City Council and Gold Coast City Council areas have much lower recovery rates at around 55%.

Scope of containers

Queensland is the only scheme that includes wine and spirit bottles as eligible containers having successfully introduced them into the scheme in 2024, and indeed if the Scheme were further expanded to include milk, milk alternatives, cordials and large format juice containers, it would further increase recycling of beverage containers.

In 2023, the South Australian Environmental Protection Agency (EPA) commissioned a behavioural study (co-funded by all state and territory EPAs), known as the 'HEPA Report'. In that report, it clearly shows broad community support from consumers to increase the scheme to include more container types.¹¹ The research concluded that the inclusion of additional container types could have an added benefit of increasing scheme participation to capture the 28% of respondents who never returned and the 21% of irregular user respondents who said they do not use many of the eligible containers (thereby reducing confusion and increasing the overall container eligibility may lead to those users becoming more regular users of the scheme). A higher volume of containers in the scheme also adds to viability for the small operators and promotes further expansion of return network because there are more containers (and therefore fees for collection) available.

Network performance in comparison with other states

Table 2: Return rates and number of return points by state as at 30 June 2024

		Return Rates			Return Points		
	Commencement	Return Point Network	Kerbside (MRF)	Total	Return Points	Population ⁵	Return Points per Population
QLD	1/11/2018	57.0%	10.4%	67.4%	354	5,586,000	1:15,780
NSW	1/12/2017	55.7%	12.3%	68.0%	624	8,484,000	1:13,596
WA	1/10/2020	56.2%	9.2%	65.4%	274	2,965,000	1:10,821
SA	1/01/1977	74.7%	N/A	74.7%	130	1,878,000	1:14,446
ACT	30/06/2018	48.3%	17.1%	65.4%	21	474,000	1:22,571
NT	3/01/2012	83.0%	N/A	83.0%	30	255,000	1:8,500
VIC	1/11/2023	N/A	N/A	N/A	564	6,981,000	1:12,377
TAS	Commencing 1/05/2025	N/A	N/A	N/A	49	575,000	1:11,734

While there has been strong and continuing growth in return point numbers recently, Queensland still has a lower rate of return points available per capita than other states. Despite this, Queensland's return point network has the highest return rate at 57% (excluding those schemes older than 10 years in SA and NT).

The Queensland scheme is one of the most accessible in terms of coverage, with:

- One of the highest performing networks of all CRS in Australia (despite lower number of return points per capita).
- 383 return points against a minimum legislative requirement of 307.

¹¹ https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf



- Strong return performance in regional and remote Queensland due to excellent regional and remote coverage, including services in 16 of 18 First Nations Local Government Areas, including Cherbourg Aboriginal Shire Council and solutions on remote islands.
- Innovative solutions to add convenience such as home collection services, which are now available in 1111 of Queensland's 1117 suburbs.

Cherbourg Aboriginal Shire Council has operated a container refund point since 2019, as well as acting as a regional processor of materials. This resulted in 11 local jobs for the Cherbourg community¹², one of Queensland's most disadvantaged local government areas (according to the 2016 Australian Census¹³). It has been a great success story, with Cherbourg expanding operations in to surrounding areas, including operation of an additional container refund point at Kingaroy. Andrew Beckett, Operations Manager, has been a featured "Changemaker" on the COEX website¹⁴, and Andrew and Cherbourg Aboriginal Shire Council have won multiple awards recognising the success and outcomes delivered for the community¹⁵.

COEX's own analysis also suggests that regionally, return rates are high, but underperform in South-East Queensland, in more densely populated areas where it is difficult to establish return points due to challenges with availability of suitable locations and challenges around establishing smaller format sites, particularly in relation to planning application and approvals.

This is reflected in a comparison of the breakdown of the NSW and VIC schemes to QLD, which shows a significant difference in proportions of Reverse Vending Machines and depots:

Table 3: Comparison of return networks NSW, VIC, QLD as at 30 June 2024

State	Depot	Reverse Vending Machine (RVM)	Bag Drop	Over the Counter	Mobile	Total
NSW ⁶	55 ⁷	362	-	207	-	624
VIC ⁸	57	220	-	287	-	564
QLD ⁹	152	27	108	-	67	354

COEX has had and continues to have ambitious plans to grow the network in South-East Queensland, principally through installation of Reverse Vending Machines and other small format sites, however these have been stifled by issues with landlord and planning approvals.

This has not been a problem for several other states, where planning regimes and regulations have been amended, or even exemptions provided where sites meet certain criteria. For example, in Victoria, prior to the establishment of their CRS in November 2023, the Victorian Government introduced Amendment VC227 to the Victoria Planning Provisions¹⁶, which "exempts the use and development of land for an automated collection point and streamlines the permit process for a transfer station if specified requirements are met". This allowed them to stand up 220 RVMs in just over 12 months. Meanwhile, in F23-24 COEX only managed to increase RVMs by a net of 2, despite targeting a substantially higher number to be implemented (an additional 4 have been added in the current financial year). It is important to note that requirements can include hygiene factors such as noise restrictions, operating hours and other items that may concern local residents where RVMs are being installed.

Lion has experienced these issues firsthand, at our former brewery venue, Tiny Mountain, in Townsville. Lion explored hosting an RVM or other form of return point on site, which would allow customers of our

¹² <https://www.abc.net.au/news/2019-04-23/cherbourg-recycling-centre-creates-jobs-and-second-chance/10975748>

¹³ <https://wastemanagementreview.com.au/meet-the-change-makers-container-exchange/>

¹⁴ <https://www.containersforchange.com.au/qld/meet-change-makers>







¹⁵ <https://wastemanagementreview.com.au/meet-the-change-makers-container-exchange/>

¹⁶ <https://planning-schemes.app.planning.vic.gov.au/All%20schemes/amendments/VC227?schemeCode=alpi>

brewery and the general public to return eligible containers in what was a convenient location in central Townsville. Despite a number of meetings with COEX and other advisors, it quickly became apparent that it would not be feasible to implement due to the time, effort and cost of lodging applications for planning approvals and low likelihood of achieving those approvals in a timely manner. Our understanding is that this is one of many missed opportunities across the entire state.

Network Performance in comparison with other states

Figure 1: Collections by Material Type (Source: COEX Annual Report 2023-24)

Container type	FY24 volume	Recovery rate	YoY variance	Can be recycled into
 ALUMINIUM Aluminium beverage cans	1 billion	69.1%	▲ 2.3%	<ul style="list-style-type: none"> Recycled beverage cans Electronics Car parts Building products Kitchen foil Takeaway packaging
 GLASS Glass beverage bottles including juice, beer and soft drink	5378 million	88.0%	▲ 76%	Furnace-ready glass cullet for use in: <ul style="list-style-type: none"> Recycled beverage bottles Other glass bottles Road base Pipe base underlay Home insulation
 PET Plastic beverage bottles	510 million	57.1%	▲ 3.6%	<ul style="list-style-type: none"> Recycled PET beverage bottles (clear bottles only) Coloured PET bottles
 HDPE Flavoured milk bottles (<1 litre), pure fruit juice (<1 litre), up to 90% pure juice (<3 litres)	43.2 million	78.7%	▲ 14.7%	<ul style="list-style-type: none"> Other bottles (e.g. soap containers) Furniture Kitchen bins Construction material Manufacturing equipment
 LIQUID PAPERBOARD Juice boxes, flavoured milk, coconut water (<1 litre)	39.6 million	25.7%	▲ 2.5%	<ul style="list-style-type: none"> Craft paper Plastic resin Building products
 STEEL Steel beverage cans	1.3 million	34.1%	▲ 4.4%	<ul style="list-style-type: none"> Steel cans Utensils Construction materials

Return rates vary significantly by material type. Containers for Change return rates for glass are above the 85% legislated target, whilst others lag far behind.

Differential return rates across material types point towards the major drivers being where/how the products are being consumed, and to awareness, and based on our extensive knowledge of other schemes we offer the following observations as to the relative performance across material types:

- The refund amount (10c) is clearly a sufficient “incentive” as glass return rates are above 85%.
- A rational person would not hold on to glass but dispose of other materials when they have the same value.
- It is more likely that the poorer return rates are driven by where and how these beverage containers are consumed: i.e. aluminium, PET and HDPE containers are consumed far more in situations outside



of the home – while people are out in public, in cafes, bars, restaurants, and places of work. These areas are the sectors that have been more challenging for the scheme to service.

- It is also likely that the awareness levels in relation to some material types drives lower rates of redemption (in particular steel, Liquid Paperboard, Low-Density Polyethylene), particularly given the confusing nature of what is or isn't included for some of these material types (e.g. 100% juice "poppers" are in, but larger tetra pack 100% juice containers are out).
- Liquid Paperboard that is disposed of in kerbside recycling bins are not able to be claimed in the Containers for Change scheme as they cannot typically be separated from other paper. So even though they may be recycled, the scheme treats them as being landfilled.

Bringing the circular economy to life

With more recycling occurring through the Containers for Change program, there is more available for the beverage industry to use in its packaging. Of the 88% of glass containers collected, 75% is remanufactured into new bottles. At Lion, we are proud to have 71.8% of our packaging now containing recycled content. Approximately 99.6% of our packaging is recyclable. This is a great sustainability achievement, supporting circular economy goals and targets.

Improving Containers for Change: Addressing the challenges and leveraging the opportunities

While the Queensland scheme has shown an increasing rate of growth in return rates in recent times, Australian schemes in general have observed a slowing in the growth rates of returns. We acknowledge the scheme has faced challenges in meeting its legislated recovery target in Queensland with the current recovery rate of 67.4% falling short of the legislated target of 85%. As a proud custodian of the scheme in Queensland, we are keen to ensure any changes to increase participation in the scheme is considered in a targeted and measured way.

In recent times, research on drivers of return behaviour has been conducted by most schemes, as well as the Heads of EPA ("HEPA") national CRS group to understand ways in which return rates can be enhanced.

Our vast involvement across these schemes as well as our own research and analysis consistently shows that the key drivers of return, in order of importance are:

1. **Convenience and accessibility** – it must be easy for consumers to return, or it makes it harder to justify their time and effort. The HEPA EPA CRS Behaviour Change National Research found that some of the most significant reasons for not always returning containers among Queenslanders were "there is no facility near me / on my usual route" (24%) and "it involves too much effort" (21%) along with people stating that they dispose of containers in the home (21%)¹⁷.
2. **Awareness** – people need to know where, what and how to return.
3. **Cultural attitudes / desire to recycle** – generally people are willing to do the right thing if factors 1 and 2 are present, albeit cultural attitudes are different across different jurisdictions and countries
4. **Trust in recycling** – participation and desire to recycle is quickly eroded if people do not believe in the end outcomes. Recent examples of RedCycle have had an impact on infrequent and never used users.
5. **Incentives** – There are multiple types of incentives that might drive behaviour to participate in a CRS. The 10-cent refund is one, but many of the leading schemes worldwide incorporate a range of incentive levers that include areas of government policies, such as measures that discourage placing eligible recyclable containers in landfill or policies that encourage participation in the scheme and greater segregation from government organisations and businesses.

¹⁷ https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf, page 164



Convenience and accessibility

As described above, COEX has faced significant challenges in growing the network as desired in more densely populated urban areas, particularly in South-East Queensland, where complex planning approvals processes and restrictions have stifled COEX's ability to expand the network and provide additional convenience.

COEX's strong depot presence provides an excellent base on which to expand the network, as not only do they offer high levels of capacity, but they also underpin a level of engagement and outreach with local businesses, community groups and other organisations as depot operators search out volume by partnering with their community, which machines cannot.

Adding a core layer of convenient, small format sites into urban areas (such as RVM kiosks, small format RVMS and Shop-front RVM centres) would provide Queensland with the most diverse and accessible network in the country. This could be easily achievable by adopting planning regime measures as seen in states such as Victoria. This is supported by the HEPA EPA CRS Behaviour Change National Research March 2023, which found in a national survey that for those users that had "never returned" or those that were "irregular users", the top suggestions for what would encourage their participation in future were:¹⁸

- "A return point at/around my local shopping centre" (36% and 31% respectively).
- "CRS bins out in public places" (31% and 30% respectively).
- "An easy-to-use return point near me (for example, an RVM)" (27% and 30% respectively).

These reasons were also the top responses for Queenslanders overall, along with return points at service stations¹⁹. Increasing the minimum number of sites under the legislation will not in itself drive the desired outcomes, as it does not remove the current barriers and challenges to expansion of the network in the key areas of opportunity which is urban South-East Queensland.

Awareness including scope of containers

Scheme awareness

While consumers have strong general awareness of the schemes and scheme branding, awareness is lower in terms of what can be returned and how and where to return and is a key barrier to participation. There has been some criticism of COEX's efforts and level of spend to raise awareness of the scheme through marketing, sponsorship and campaigns both overall and in relation to low-returned products (eg liquid paper board poppers).

This criticism is unfounded as these programs are designed to tackle the exact challenges that COEX is required to address. We note that the Committee's Terms of Reference includes consideration of sponsorships. Sponsorships of major sports from grassroots to senior level helps to embed a presence at all levels and in particular increases awareness and education for children. Targeting poppers and raising awareness of the fact they are in the scheme and currently poorly returned is the right approach, in conjunction with all the other initiatives that COEX undertakes. COEX's 2023-24 marketing and communications spend was \$10.7 million²⁰, which on a per container supplied basis is 0.3 cents per container and was only 2.2% of revenue collected from beverage manufacturers.

Lion is supportive of COEX increasing marketing and awareness spending given awareness is a key driver of participation and the costs of increasing awareness in this way, are far lower than alternative measures.

COEX's efforts in awareness includes significant work on what is and isn't in the scheme. This message would be far less confusing for consumers if red tape and confusion was removed by simply including all single use beverage containers under a certain size (and assuming the material is recyclable). It is after

¹⁸ https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf, page 177

¹⁹ https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf, page 178

²⁰ COEX Annual Report 2023-24



all, a beverage container scheme. This would reduce confusion and allow COEX to reduce and simplify communications around the basics of the scheme and focus more on other areas of awareness and engagement.

Awareness – circular outcomes

Motivations under awareness also cover trust in recycling. There is a significant lack of awareness of the circular outcomes delivered by CRS, with 74% of Queenslanders either not familiar at all or somewhat unfamiliar with the fact that CRS glass collected is likely to be turned back into new glass bottles.²¹ In turn, 47% of “Never Returned” and 70% of “Irregular Users” surveyed in the HEPA EPA CRS Behaviour Change National Research March 2023 stated that knowing this fact would motivate them to start returning through the CRS²². This figure is far higher than the response to whether an increase in the refund amount would motivate these users to participate (only 25% of “Never Returned” and 42% of irregular users²³). It is also notable that this question did not inform respondents that any increase in the refund amount would likely also lead to a corresponding increase in the prices of drinks.

A barrier to COEX being able to prove and articulate circularity exists in the current restrictions around who COEX can sell materials collected to. Currently, due to requirements in the Waste Reduction and Recycling Act 2011 around proximity principle for recovered materials, COEX has been restricted to selling to Australian domiciled buyers. However for some materials there is no or very little onshore reprocessing capacity for the material in question. In particular Aluminium (which is a well recycled global commodity), and the other being Liquid Paperboard (which is a problematic material to recycle, with limited global options and capacity).

This results in COEX selling to brokers, who then on sell to whoever they want (which on a commercial basis is likely to simply be the highest bidder). It is also challenging for COEX to maintain visibility and rights to audit downstream buyers (i.e. the actual recyclers).

This presents two problems:

1. Inability to audit and verify outcomes for materials where it is a cost to recycle (for example, with Liquid Paperboard).
2. Inability to ensure circular outcomes or even have visibility on where and what the material is reprocessed into (aluminium).

Both of these issues lead to potential lack of trust in the recycling outcomes of the scheme and potentially less circular outcomes. Lion believes this could easily be solved by amending the legislation to allow for COEX to sell directly to offshore recyclers for those particular materials.

An example of what could be achieved is observed in Lion's scheme operations in South Australia. Marine Stores (the South Australia supercollector owned by Lion and Coopers) is currently trialling direct sale and supply of scheme recovered aluminium to Novelis in South Korea. Novelis use those containers (along with other containers from Australian schemes that Novelis might buy from brokers or Australian traders) to produce high recycled content aluminium sheet, which they supply to both of the Australian manufacturers of cans (Visy and Orora). Thus regional circularity can be achieved and demonstrated. Lion is also bringing this circularity to life for consumers through initiatives such as the Re-In-Can-Ation initiative with partners Novelis, Visy and Rio Tinto as detailed above.

The HEPA Report suggests that the consistent users in their scheme have a strong environmental motivation in participating and that they have a good knowledge base on how the scheme works, while irregular users have a moderate drive to participate but were not sure on how the scheme was different to

²¹ https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf, page 187

²² https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf, page 188

²³ https://www.epa.sa.gov.au/files/15968_container-deposit-scheme-behaviour-change-national-research-march-2023.pdf, page 175



kerbside recycling. Those who have never returned were more likely to live in apartment buildings with a lack of storage space to collect containers and a lack of knowledge of what the scheme can achieve.²⁴

- In terms of areas worthy of targeted measures, we note that out of home consumption (workplaces and hospitality) is the next frontier to be addressed in terms of remaining consumption sections with low recovery rates.
- Multi-unit dwellings also pose an opportunity for an increased footprint and increased return rates ²⁵.

Maintain the refund amount of 10 cents

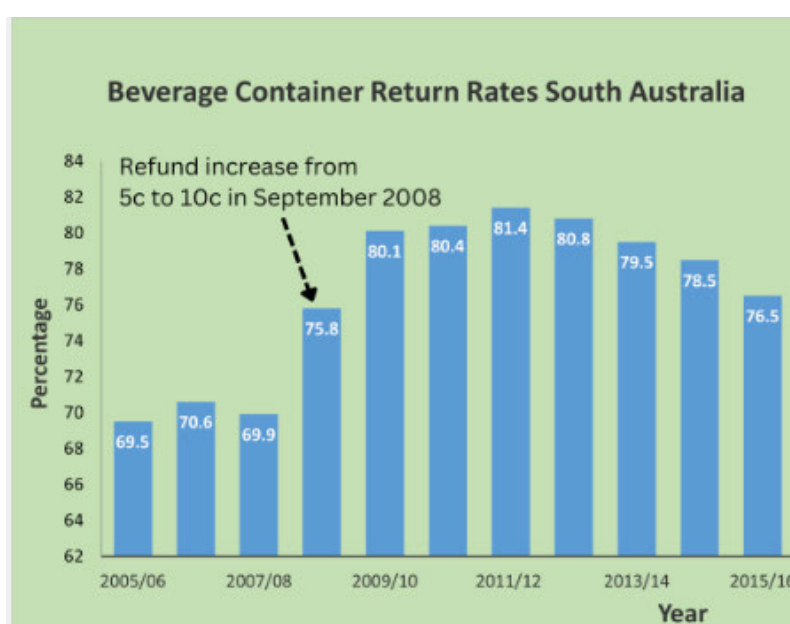
We reject in the strongest possible terms calls made by other stakeholders to simply lift the refund amount from 10 cents to 20 cents “or more”. Many of those calling for an increase are those that stand to benefit directly from such an increase.

While it would appear on face value to be an “easy solution” and “a silver bullet”, at its core it fails to respond to the multiple gap areas where measures targeted at the actual drivers/behaviours of return are more appropriate and at worst, will increase costs for beverage manufacturers and will tax all Queensland beverage consumers more for the Scheme’s existence. All consumers who drink our products would pay this additional tax through higher prices – which would exceed the refund amount that only some would benefit from. And it would also be yet another tax on beverage manufacturers at a time when our businesses can least afford additional cost.

It is a short-term measure that won’t have the desired impact on return rates in the medium-long term

When South Australia increased the refund amount from 5c to 10c, it resulted in a temporary sugar-hit (some of which could be said to be people hoarding between the announcement of the decision and it coming into effect) which fell away within a few years, showing that it is a temporary panacea that does not address true underlying issues that stifle return.

Figure 2: CRS return rates in South Australia²⁶



²⁴ https://www.epa.sa.gov.au/files/15791_hepa_cds_research_key_findings_nov2023.pdf

²⁶ https://www.epa.sa.gov.au/environmental_info/waste_recycling/container_deposit



The refund amount is not what is preventing non-participants from engaging and returning

The HEPA EPA CRS Behaviour Change National Research report found that in a national survey of people that of those that had “Never returned”, only 14% quoted the refund amount being too low as the barrier to their non-participation, ranking below 7 other reasons which speak to other drivers, including:

- “I dispose of my containers in my home/kerbside bins” – 36% (cultural attitudes, awareness)
- “It involves too much effort” – 30% (cultural attitudes, awareness)
- “I don’t use that many eligible containers” – 28% (cultural attitudes, awareness)
- “There is no facility near me / on my usual route” – 24% (accessibility, awareness)
- “I do not have space available in my house for collecting the containers” – 22% (cultural attitudes, accessibility and convenience, awareness)
- “I don’t know where my closest return point is” – 20% (awareness)
- “There are limited types of containers being accepted in the scheme” – 14% (scope, awareness, cultural attitudes)

Without addressing other drivers of return first, any increase in refund amount will not have the desired effect

It is clear that accessibility could be improved. However, without improving accessibility and people’s ability to return, an increase in the refund amount will only amplify this issue and cause frustration for consumers. Further, without increased awareness of both aspects of the scheme (what, how and where to return) and the outcomes (i.e. the circular outcomes achieved), consumers will only see cost increases in isolation and it won’t change their behaviours, as identified in the HEPA EPA study.

It is the most expensive option of all identified levers and will be an additional tax on drinkers

We note that Lion as a participant in the Scheme already pays on average a fee of 13.3 cents plus GST per container supplied into Queensland, which covers the cost of sorting, transporting and processing each container collected. If the refund amount were to increase, it significantly increases Lion’s liability to the Scheme and significantly adds to the unit cost of each beverage product. Lion would have no option but to seek to recover some of this cost from drinkers through higher prices.

It is an even more significant impost on glass products where return rate targets have already been reached

Imposing an additional 10 cents per container for glass is simply adding additional cost and inefficiency when there is not a significant additional gain to be made in terms of return rates, given they are already above 85%.

It won’t help with the actual missing containers

Evidence gathered in all schemes shows that the most significant areas where containers are currently not getting captured include businesses, workplaces, hotels, restaurants, cafes, government buildings and government run facilities (hospitals, schools, etc) and high-rise buildings (both commercial and residential). Research shows that participation in these areas is not driven by a “reward” but rather ease, accessibility (i.e. can they access a service that allows for segregation of scheme materials) and cost of disposal. These factors could be addressed through a range of measures. Government can play an active role in promoting and prioritising participation in the scheme through various policy levers, both large and small. Other measures that may encourage increased participation, particularly in the areas that are currently underperforming, which could be examined further to assess feasibility to implement in Queensland could include:

- Consideration of how to encourage CRS bins alongside implementation of Food Organics and Garden Organics for businesses.



- Requiring event permits/licences to have a CRS solution as part of waste management obligations.
- Government leading by example and implementing CRS programs across all Government buildings.
- Requiring CRS solutions as part of all waste management procurement contracts in Government.

Fraud and other cross-border issues

It is important to note that 10 cents is a nationally consistent rate across all state and territory schemes. If Queensland were to proceed with a higher return rate, it would encourage recycling fraud whereby materials consumed and returned in other states are returned in Queensland for a higher return amount. As supercollectors in the South Australian scheme, Lion has observed through our analysis that some of the recent falls in the redemption rates in South Australia coincide with the schemes commencing in NSW (2017) and Victoria (2023). One of the notable prosecutions of cross-border CRS related fraud occurred prior to the NSW scheme commencing, where a man attempted to bring 45,000 containers from New South Wales to South Australia to claim refunds²⁷. Differential refund amounts across states would also make it challenging for the beverage industry to meet compliance obligations and do business with their customers (as detailed above). This would require different labelling across states or more confusing labelling if different rates had to be displayed. The current 10 cents mark is already quite long.

Make it easier for manufacturers to comply with the scheme

Harmonisation of scheme administrative processes, whilst not contributing to the increase in return rates, is vital to improve the scheme and manufacturer satisfaction. Currently, manufacturers have 6-7 touchpoints or processes (contracting, registration of products, monthly volume submission, monthly invoicing and payment, annual audits and annual statutory declarations) in every state and territory in which they sell products. Retailers that are both manufacturers and exporters (i.e. move products to other states) have even more.

Lion deals with different pricing across different states, complicating processes with customers and requiring significant pricing models and processes in each jurisdiction. These complexities also drive significant requirements to analyse manufacturing and supply processes with our customers so as best to manage CRS compliance where products are supplied in different ways across different jurisdictions.

This is a significant and onerous burden on the industry that could be significantly reduced through technology and harmonisation of things like product registries. Harmonisation of these processes would also allow for a national process for import/export further removing complexity for industry and ensuring more accurate scheme reporting (currently some states do not have export regimes). We urge the Government to continue to support and progress national harmonisation of beverage manufacturer compliance processes.

Conclusion

Lion is committed to supporting the Containers for Change Scheme and contributing to its success. We believe that with targeted, practical and evidence-based improvements, the scheme can achieve its full potential and deliver even greater environmental and community benefits for Queenslanders.

We look forward to working collaboratively with the Committee, Government and other stakeholders to enhance the scheme's effectiveness. If you require any further information, please contact Lion's Corporate Affairs Director, Julian Luke, at [REDACTED].

²⁷ <https://www.abc.net.au/news/2018-07-13/epa-seizes-cans-and-bottles-in-willaston/9990908>