Inquiry - Improving Queensland's Container Refund Scheme

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About CAVU Distilling Pty Ltd

CAVU Distilling Pty Ltd (CAVU) was established in 2019 to produce hand-crafted, premium award-winning spirits brands, pot-distilled with love, art and science in the hinterland rainforest of Australia's beautiful, sub-tropical Sunshine Coast. CAVU Distilling produces a range of rums, gins, vodkas and liqueurs under two primary brands:.

Sunshine & Sons Premium Spirits and Nil Desperandum Rum

After growing sales and distribution in Australia CAVU Distilling's spirits and liqueurs are now available nationwide through major liquor retailers, distributed by one of Australia's major spirits distributors.

Submission

1. <u>The current state and operation of Queensland's container refund scheme and its effectiveness in achieving the scheme's objectives under Section 99H of the *Waste Reduction and Recycling Act 2011* (WRRA).</u>

Section 99H of the WRRA is as follows:

- *(a) increase the recovery and recycling of empty beverage containers; and*
- *(b) reduce the number of empty beverage containers that are littered or disposed of to landfill; and*
- *(c) ensure the manufacturers of beverage products meet their product stewardship responsibility in relation to their beverage products; and*
- *(d) provide opportunities for social enterprise, and benefits for community organisations, by—*
  - *(i) making funds available through the payment of refund amounts for empty beverage containers; and*
  - *(ii) creating opportunities for employment in activities related to collecting, sorting and processing containers for recycling; and*
- *(e) complement existing collection and recycling activities for recyclable waste.*

In light of these objectives, the current scheme represents a significant waste of resources and fails to achieve its intended goals, particularly in terms of transparency and accountability.

For example, Queensland spirits manufacturers are forced to pay into the scheme for every bottle sold in Queensland, even though not all bottles stay within the state. Many are purchased by tourists and taken around the country or overseas, yet the scheme collects fees for bottles that it has no chance of recovering or recycling. This is an unjust and unfair financial burden on Queensland manufacturers, who are paying into a system that offers them no return on investment.

Moreover, there is no infrastructure to track or verify the actual recovery of spirits bottles, despite manufacturers submitting their product barcodes to the CRS. As a result, the scheme appears to be collecting funds under false pretences, lacking accountability and failing to make real progress toward its stated objectives under s99H of the WRRA. This can only be described as borderline fraudulent behaviour on the part of the Container Exchange (COEX), which collects money from manufacturers while failing to recover or recycle the vast majority of containers for which they are paid. With an estimated 95% of spirits bottles paid for but never recovered, it is clear the objectives of the scheme are simply not being met. CAVU submits that it is failing to deliver the stated objectives of the scheme and its promise of environmental responsibility.

It is QDA's understanding that COEX has tens of millions of dollars in unaccounted-for funds. CAVU pays 13 cents to COEX per bottle sold and consumers receive a 10-cent refund. The container refund centres (which do the lion's share of the work), are paid 6.5 cents per container by COEX. CAVU would like to understand where the gap in payments between the manufacturers and refund centres are going and is the scheme coordinator profiting from Queensland's manufacturing businesses and communities?

This financial discrepancy is concerning and illustrates the unjust and opaque nature of the scheme.

It is submitted that the current state of Queensland's container refund scheme is, at best, grossly ineffective and, possibly borderline fraudulent.

2. <u>The efficiency and effectiveness of COEX's administration of the scheme, including:</u>

<u>a. progress towards the 85% Recovery Rate.</u>

It is submitted that the current structure of the container refund scheme is well short of achieving its recovery target of 85% because the systems currently in place are woefully inadequate to meet this goal. The current recovery rate is approximately 63%, far from the minimum target required. COEX's administration has shown no tangible progress toward improving this figure, and they lack the necessary infrastructure, technology, and accountability mechanisms to meet this target.

<u>b. availability of refund points.</u>

At the time of writing this submission, there is simply not enough container refund centres in Queensland for communities to conveniently return their containers especially considering the geographical locations of many spirit distilleries across regional areas of Queensland. This lack of infrastructure further limits the scheme's effectiveness and makes it far more difficult for consumers to participate. Without widespread access, the program is failing to engage the public and achieve meaningful recycling outcomes.

c. transparency and utilisation of recycled materials.

There is a distinct and clear lack of transparency regarding post-collection of containers scheme wide. The scheme's administration lacks visibility over the final processing of recycled materials, and there is little evidence that the materials are being used in a way that benefits Queensland or contributes to a circular economy. It is important to understand what has been achieved in accordance with Section 99H (d) (ii).

d. Impact of artisan spirit bottles.

CAVU submits that artisan spirit bottles are not contributing to the litter / landfill problem that this scheme was designed to address. These bottles, due to their cost, design, and intended use, are rarely discarded as litter. Consumers often repurpose these bottles for other uses, such as water bottles or vases or repurpose them in other ways. The way spirits are consumed differs greatly from wine, beer, and soft drinks particularly in how long it takes to finish a bottle. As a result, spirit containers are not a significant source of litter.

Pursuant to s99H(c) of the WRRA, the spirit's industry is already reducing waste through product stewardship because distilleries are leading the charge in responsible bottle design and disposal. The current scheme unfairly penalises distillers who are already practicing environmentally responsible methods, and COEX's failure to adapt to this reality is a significant oversight.

3. The scheme's scope and objectives: re they fit for purpose?

The current container refund scheme is failing to meet its own stated objectives. Instead of being a mechanism for environmental progress, it is a burdensome tax on Queensland businesses with little to no impact on recycling or improvement in waste reduction. At the time of writing this submission it is understood that glass bottles are crushed and exported to China on diesel-powered ships. This is not a sustainable or environmentally responsible solution. In addition, there is no capacity within Queensland to recycle spirit bottles into new bottles, which further underscores the scheme's inadequacies. At best, the scheme is a misguided recycling initiative that falls short of its core promises of sustainability and waste reduction.

4. Governance, structures, and expenditure of COEX

COEX is in breach of the container recovery agreement which explicitly states that the organisation must ensure "ongoing, effective and appropriate arrangements" for the collection, sorting, and recycling of containers. The fact that large volumes of containers (particularly those from the spirits industry) are neither collected nor recycled, calls into question its effectives in achieving its own stated objectives, and furthermore the legality and integrity of its entire operation.

COEX's financial transparency is highly questionable. Despite operating as a non-profit, it has amassed tens of millions in unspent funds with no clear accountability. Instead of reinvesting in improving the scheme or advancing innovative recycling technologies, COEX squanders resources on excessive administrative costs and unnecessary advertising while failing to achieve meaningful environmental outcomes. Its governance is fundamentally flawed, and its failure to uphold agreements with manufacturers raises serious legal and ethical concerns.

5. Any other relevant matters

CAVU is fully supportive of recycling initiatives and takes its product stewardship responsibility seriously. However, it cannot support a scheme that is essentially another tax on this industry, with little to no return in terms of environmental benefit. There are significant opportunities to make this scheme a genuine success. One example is investment in new, environmentally friendly technologies that would reduce reliance on imported glass bottles. Is the committee aware that over 10 million glass spirit bottles are imported into Australia every year? CAVU and other Queensland Distilleries has been working with Griffith University to explore sustainable alternatives to glass, including 3D-printed composite bottles made from sugarcane waste and it is innovation like this that could significantly reduce reliance on imported glass and in turn significantly lower carbon emissions from shipping.

Instead of sustaining a flawed system, COEX should invest its unspent funds into pioneering solutions that could position Queensland as a global leader in sustainability within the global spirits industry.

I welcome being called as a witness.

Your sincerely

[redacted]

Matthew Hobson
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