



Mr James Cother  
A/Manager – Policy & Legislation  
Environment Protection Authority  
Level 1, 211 Victoria Square  
Adelaide SA 5000

By email: james.cother@sa.gov.au

8 November 2024

Dear James,

*Environment Protection (Beverage Container Deposit Scheme) Amendment Bill 2024*

The Australian spirits industry welcomes the opportunity to provide feedback to the South Australian Government on the draft *Beverage Container Deposit Scheme* legislation.

This submission is lodged on behalf of members of Spirits & Cocktails Australia, the Australian Distillers Association and Distillers South Australia. Together, we represent spirits producers involved in the manufacture, marketing, and sale of spirits in South Australia, contributing \$15.5 billion in added value to the Australian economy, and supporting over 100,000 jobs throughout our supply chain.

#### **RECOMMENDATIONS:**

Key transition arrangements would include:

- 12-month implementation period to phase in CDS barcodes, with an exemption for any existing stock, either in production, in storage or on display.
- 4-year grace period for the display of a refund mark on spirit bottles produced after the commencement of the new scheme, until 1 January 2029. During that time the industry would work with government on the design.
- A specific consideration for small business, with distillers who produce less than 100,000 bottles per year, only required to report and pay annually.
- Packaging that carries the eligible bottles does not need to be barcoded.
- Businesses already registered with COEX as a Beverage Manufacturer (BM) no changes are required to your existing registration / Container Recovery Agreement (CRA), you just need to start registering the new applicable products under existing CRA.
- Permanent exemption for small run production, ie. SKUs under ten thousand containers.
- No requirement for stock-in-trade to display the refund mark after the commencement of the new scheme as it will be compliant because of the transition period provided. This means that pure spirits in glass containers can be sold into South Australia as compliant product without the need to over-sticker or change labels.

We share a commitment to promoting a safe and vibrant spirits sector, which reflects Australia’s mature drinking culture and creates opportunities for economic development, through the sustainable development of a distinctly Australian manufacturing industry. But this can only be achieved with the right policy settings.

### ***Sustainability Objectives***

The Australian spirits industry already participates in state-based Container Deposit Schemes, through the recycling of spirits-based pre-mixed alcohol beverages sold in eligible bottles and cans.

While such schemes have encouraged greater consumer awareness and participation in recycling, the circular economy benefit of these schemes is limited by the containers in scope for recycling.

We believe there is opportunity to rethink the Container Deposit Scheme to maximise the capture of available material that can be recycled, like jars and juice bottles, to achieve greater circular economy benefits and reduce volume of new material used in manufacturing.

Harmonising the requirements and implementation of these products in scope for recycling across state borders will provide consistency for consumers participating in these schemes, while easing the administrative burden and cost for spirits producers interfacing with multiple scheme operators.

Greater alignment with other legislative or regulatory changes for alcohol beverage labelling, including proposals from Food Standards Australia and New Zealand, is also needed to reduce the costs and administrative burden on spirits manufacturers in complying with these changes.

### ***Rubbish & Recycling***

In seeking to amend the existing legislation it is important to acknowledge the origin and purpose of the SA Container Deposit Scheme.

According to the EPA Discussion Paper:

*“The CDS was introduced in South Australia in 1977 to address significant volumes of beverage containers in the litter stream, and broadly coincided with the introduction of non-refillable beverage containers such as cans and then later plastic soft drink bottles.”*

Spirits bottles, unlike many other beverages are not consumed “on the go” and therefore are less likely to be discarded outside of the home or licenced premise, which have highly efficient waste collection and recycling services.

The original purpose and focus were on litter, and we think it is important to recognise that According to the latest Keep South Australia Beautiful (KESAB) Litter Strategy Monitoring Wave 83 – May 2022 Report:

1. The Litter volume for glass was 2%, down from 3% in Wave 82 (2021).
2. Wine & spirits, all sizes were down. Wine & spirits, all sizes (0.003m<sup>3</sup>, down from 0.004m<sup>3</sup> in Wave 82)

We also note that according to the South Australian Wine Industry Association, empty glass wine bottles manufactured in South Australia have an average recycled content of around 65%, with some specific type and colour bottles having a nearly 85% recycling rate.

### ***Recycled Bottles***

The Australian spirits industry believes that for Australia to become a regional hub for production and bottling, there must be access to a consistent supply of clean cullet to meet recycled content requirements and reduce carbon emissions from production. This would also create the demand required for the system to be circular.

Some local manufacturers are producing spirits bottles made using over 50% recycled materials, and there are now thinner, and therefore more lightweight bottles that reduce the carbon footprint, especially from transport.

However, according to the CSIRO, most glass recyclers in Australia do not yet have the technology for efficient sorting and cleaning. It is important that governments support improved sorting to ensure that the alcohol beverage manufacturers can secure the required volumes and specifications of recycled glass to make further improvements in our efforts to promote the circular economy and to reduce the volume of waste diverted to landfill.

Our members have reported there are significant challenges with the effective and efficient sorting of different glasses, resulting in shortages of the availability of recycled glass to meet broader sustainability goals. This limits the capacity for spirits producers to increase the amount of recycled material in the bottling and packaging of their products.

The Australian spirits industry is encouraged that Australia has nearly achieved the 2025 National Packaging Target of 50% of average recycled content across glass.

### ***SA Amendment Bill***

The Australian spirits industry recognises the role of Container Deposit schemes in reducing waste and promoting circularity, with producers seeking access to greater volumes of recycled glass to further develop more sustainable packaging and bottling.

However, we are concerned at the lack of recognition for the financial impact of these changes on the industry and consumers.

In particular we note the lack of transitional arrangements and specific consideration for the many smaller local producers.

In contrast, the Queensland Government recognised in its discussion paper on expanding the scope of eligible containers in Queensland that there was a need for *“Transitioning to the proposed changes”* and specifically that:

*“Any proposed expansion of the scheme will require a period of adjustment for consumers, retailers, beverage manufacturers, container refund point operators and other participants in the scheme.”*

The Queensland discussion paper also acknowledged that *“Queensland’s wine and spirit industries contribute benefits to the economy, including tourism and employment opportunities and have grown significantly over recent years.”*

In recognition of the significant contribution by the spirits industry to South Australia, we request that the changes to the CDS provide sufficient consideration to the financial impacts on local and other Australian spirits producers selling into South Australia.

### ***Industry Transition***

In response to the imposts and impacts on the industry, Australian spirits producers would like to see similar *“consideration of potential impacts, particularly on small businesses”* as adopted by the Queensland Government.

On the inflationary impact, we note that the EPA Discussion Paper references the Independent Competition and Regulatory Commission ACT’s report on container deposit scheme price impacts that found the retail price of alcoholic beverages increased by an average of 11 cents per container.

We therefore ask for the inclusion of key transition arrangements that would include:

- 12-month implementation period to phase in CDS barcodes, with an exemption for any existing stock, either in production, in storage or on display.
- 4-year grace period for the display of a refund mark on spirit bottles produced after the commencement of the new scheme, until 1 January 2029. During that time the industry would work with government on the design.
- A specific consideration for small business, with distillers who produce less than 100,000 bottles per year, only required to report and pay annually.
- Packaging that carries the eligible bottles does not need to be barcoded.
- Businesses already registered with COEX as a Beverage Manufacturer (BM) no changes are required to your existing registration / Container Recovery Agreement (CRA), you just need to start registering the new applicable products under existing CRA.
- Permanent exemption for small run production, ie. SKUs under ten thousand containers.

We also request there is no requirement for stock-in-trade to display the refund mark after the commencement of the new scheme as it will be compliant because of the transition period provided. This means that pure spirits in glass containers can be sold into South Australia as compliant product without the need to ‘over-sticker’ or change labels.

### ***Conclusion***

The Australian spirits industry supports enhancing pioneering sustainability practices within the spirits industry by harmonising state- based Container Deposit Schemes to ensure common national requirements.

As outlined above, there are a number of valid historical, financial and technical reasons supporting the inclusion of transition arrangements for spirits bottles in container deposit schemes, with perhaps the most significant being that most other beverage and consumer goods do not have to contend with the impact of twice-yearly CPI spirits excise impacts.

Unlike many other products using glass containers, the spirits industry already pays a significant tax above and beyond the income taxes, sales tax and others shared across retail and beverages. For example, with a

\$79 bottle of award winning South Australian gin, nearly half, or 48 per cent, of the total revenue from that retail price is paid in excise, with that number not including other taxes and charges. The remainder has to cover raw materials, dry goods, labour, overheads and a margin for the wholesaler as well.

As part of the development and implementation of a best practice container deposit scheme in South Australia, including the transition arrangements, Spirits and Cocktails Australia, the Australian distillers and Distillers SA strenuously request that there be specific spirits industry representation in the administration of the scheme.

We look forward to working with the South Australian Government on the continued development of a more sustainable and vibrant local spirits industry, and we are available for consultation and implementation support on the revised container deposit scheme, especially the transition arrangements.

Regards,



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