



**BREWERS
GUILD
OF NEW ZEALAND**

**Submission to the
Ministry for the Environment**

**on
Te panoni i te hangarua**

**Transforming Recycling Consultation
Container Return Scheme**

May 2022

About the Brewers Guild of New Zealand

BGNZ represents around 70 breweries of all shapes and sizes throughout New Zealand from the largest of breweries in New Zealand, to small microbreweries. Our members represent not only the full scale of the New Zealand's brewing industry they also represent businesses across all manner of geographical locations – from central Auckland to the middle of the Mackenzie country.

To give some scale to our industry and our membership base*:

- The Brewing industry contributed \$2.8B to the NZ Economy in 2021
- The brewing industry supports 6,632 jobs (directly and indirectly)
- Brewers add over \$637M to Gross Domestic Product
- Brewing provided the Govt with \$906M in taxes (estimated and across GST and Excise)

*(*Information sourced from 2021 Brewing In New Zealand Report, produced by NZIER commissioned by the Brewers Association of New Zealand)*

The Brewers Guild of New Zealand was created to support and give a collective voice to the vibrant, diverse, and socially responsible Kiwi brewing industry.

*This submission has been prepared on behalf of the Brewers Guild of New Zealand, by Melanie Kees, Executive Director of the Brewers Guild. Contact details are: 0275 460 888 or email melanie@brewersguild.org.nz.
The Brewers Guild of New Zealand, PO Box 1023, Christchurch 8140, New Zealand.*

1. Do you agree with the proposed definition of a beverage?

Yes

2. Do you agree with the proposed definition of an eligible beverage container?

Yes

3. Do you support the proposed refund amount of 20 cents?

No

Further Comment:

No, the Brewers Guild of New Zealand does not support the proposed refund amount of 20 cents. The Brewers Guild submits that the proposed deposit is reduced from 20-cents to 10-cents.

The Guild also recommends that the deposit should be GST inclusive.

There are multiple reasons for this, including a need to minimise the financial burden on both our consumers and businesses, as well as a need to align our deposit with that in Australia.

The New Zealand brewing industry has a strong reciprocal relationship with Australia, and it would make sense to have our deposit rate in line with theirs.

The issue of arbitrage also needs to be considered, this is one of the reasons that Australia has adopted a consistent 10-cent deposit rate across its states.

The consultation paper notes the introduction of a Container Return Scheme (CRS) would result in additional costs for consumers across a wide range of beverages.

Families across New Zealand are facing increasing challenges from high costs of living - it was recently reported (News hub, March 2022) that Kiwis are spending on average an extra \$4000 - \$5000 in the past 12 month on basics, and in the South Island food parcels were being provided at more than twice the average weekly rate.

The costs of a CRS scheme need to be balanced against the environmental outcomes and should not add to the financial burden on families and business.

Modelling commissioned by the Ministry for the Environment indicates the proposed deposit rate will lead to a 6.5% decline in beverage sales. An example from the Guild membership: 'A 6.5% decline in beverage sales would equate to \$700k to our business which would lead to the potential loss of jobs for 3 – 5 staff members'. Noting that the 6.5% decrease in sales is based on the Queensland scheme and a 10-cent deposit fee so it is likely a 20-cent deposit will have a much larger impact on our sales and business. Not only will this lead to potential job losses and business closures, but it will also lead to a reduction in excise tax.

A New Zealand Institute of Economic Research review of the CRS Cost Benefit Analysis (NZIER

& Henson, 2022) found: *The net scheme cost for a scheme with a 20-cent deposit is expected to be 20 to 28 percent higher than a scheme with a 10-cent deposit, but the return rate will only be about 8 percent higher.*”

We also need to consider the social impact on some members of society. There are already disadvantage New Zealanders, for whom returning their containers to a collection point is not an option. Reasons could be disability, age, or lack of transport. These individuals will be disadvantaged as they will be unable to claim back their deposit.

4. How would you like to receive your refunds for containers? Please answer all that are relevant and select your preference.

The Brewers Guild support a range of payment methods that will ensure consumers have a broad range of accessible options to receive their refunds, across all New Zealand. We do not believe that it should be mandatory for retailers to provide cash refunds due to safety reasons. Retailers should be able to choose if they want to provide cash refunds.

The Guild supports option E: Access to all options

5. Do you support the inclusion of variable scheme fees to incentivise more recyclable packaging and, in the future, reusable packaging?

No.

Further Comment:

We do not know enough about the fee pricing mechanism that the govt may be suggesting therefore we are unable to support until we have further information about fees and other ‘plus environmental costs’.

6. Do you agree with the proposed broad scope of beverage container material types to be included in the NZ CRS?

Yes

Further Comment:

As representative of a wide range of producers we agree that there needs to be an even playing field, to ensure that some producers are not disadvantaged more than others. We are, however, also aware that there are alternative options and schemes that could run in parallel with a CRS. This would be a scheme specific to glass and based on an EPR model. The Guild is not opposed to the EPR model, however as this submission is representative of our membership and the various container material types, they use we agree at this point of the consultation process. We want to support a scheme that can maximise NZ’s recycling rates and improve sustainability outcomes, and we are open to further discussion as to the best way to do this that maximises the sustainability of

such a programme, **BUT it is imperative that quality is considered alongside the quantity of material recovered.**

It is important however that we point out that there are potential flaws in the data used to justify a container deposit scheme as proposed in the consultation document. These include:

1. The positive economics of the CRS scheme as proposed in the consultation document is largely because of how litter is accounted for as stated in the consultation documentation's cost benefit analysis (CBA). NZ Institute of Economic Research (NZIER) has reviewed this CBA and found the analysis is based on insufficient data, and potentially overstates the percentage of litter across all categories by up to 59%.
2. Additionally, recent Australian studies by The Centre for International Economics indicate that information in the consultation documentation is 10 years out of date and significantly overstate consumers 'willingness to pay' for such schemes.
3. NZIER also suggest consumer costs have been understated and beverage prices per container overstated, leading to scheme costs as a percentage of beverage prices being understated.
4. A CRS scheme is about increasing recovery of materials not increasing recycling rates. To maximise recycling rates the scheme needs to ensure the highest possible quality of colour sorted glass is available for recycling. Maximising existing kerbside infrastructure to ensure glass is colour sorted will increase recycling capacity significantly, ensuring low-grade materials are not sent to landfill or sent offshore. We support a scheme design with infrastructure that optimises the recyclability of waste materials recovered and promotes investment in reprocessing infrastructure. Detail on how an increase in collected materials will be recycled is unclear, and as part of the process we look forward to further clarity around how capacity will be increased.

7. If you do not agree with the proposed broad scope (refer to Question 6), please select all container material types that you think should be included in the scheme.

(If answered no to Q6)

8. Do you support a process where alternative beverage container packaging types could be considered on case-by-case basis for inclusion within the NZ CRS?

Yes

9. Do you agree with the proposal to exempt fresh milk in all packaging types from the CRS?

No

Further Comment:

We believe the exclusion of fresh milk creates an uneven playing field and is advantageous to the Dairy industry, especially considering that fresh milk is excluded but plant-based and alternative milks are included in the scheme. The consumption of alternative milk is often not a choice and therefore it will disadvantage those who are consumers of plant-based or alt milks. It will also disadvantage those who do not consume fresh milk for environmental reasons.

We also question the reasoning that milk is more often consumed at home, alcohol is often consumed at home, or in the case of beer at a bar from keg (the ultimate reusable scheme) so perhaps the same logic should be applied to the alcohol industry.

If the ultimate goal of the CRS is to improve recovery and recycling of beverage containers, then excluding milk goes against this.

10. Do you support the Ministry investigating how to target the commercial recovery of fresh milk beverage containers through other means?

No

11. Do you support the Ministry investigating the option of declaring fresh milk beverage containers made out of plastic (e.g., plastic milk bottles and liquid paperboard containers) a priority product and thereby including them within another product-stewardship scheme?

No

Further Comment:

As per our stated position for Q9 we believe that fresh milk containers should be included in the CRS to ensure an even playing field, that shows no preference to products or producers.

12. We are proposing that beverage containers that are intended for refilling and have an established return/refillable scheme would be exempt from the NZ CRS at this stage. Do you agree?

Yes

Further Comment:

The brewing industry has been using a refillable system for years – specifically our use of kegs (and in some cases the swap-a-crate system). Many of the Guild members already offer a refillable option via their tap rooms, reducing waste and the need for recycling. We believe that refillable should not only be excluded from the CRS but there should be some incentivised system that encourages more producers to offer refilling as an option.

We would also suggest that barriers to refilling need to be investigated and removed to allow

more options to and reduce the number of containers in the marketplace.

13. Should there be a requirement for the proposed NZ CRS to support the New Zealand refillable market (e.g., a refillable target)?

No

It does not seem appropriate for the CRS to set targets for areas outside of its direct scope.

14. Do you have any suggestions on how the Government could promote and incentivise the uptake of refillable beverage containers and other refillable containers more broadly?

Yes

Further Comment:

Subsidise those who offer a refilling service

Incentivise those to engage and utilise a refilling service

Educate and encourage consumers as to the far reaching benefits of a fillable service

15. Are there any other beverage packaging types or products that should be considered for exemption?

No

16. Do you agree that the size of eligible beverage containers would be 3 litres and smaller?

Yes

17. Do you think that consumers should be encouraged to put lids back on their containers (if possible) before they return them for recycling under the scheme?

No

Further Comment:

Unless the lid is made of the same material as the container, this would not work, and we suspect would incur extra sorting. This would require greater education of consumers to ensure reduced contamination of collected materials.

18. Do you agree that the scheme should provide alternative means to capture and recycle beverage container lids that cannot be put back on the container? If so, how should they be collected?

Yes

Further Comment:

The Brewers Guild is supportive of well design sustainability initiatives and as the CRS is being design with the goal of improving recovery and recycling rates, collecting as much material as possible would make sense. We have no suggestion as to how they should be collected.

19. Do you agree that a NZ CRS should use a 'mixed-return model' with a high degree of mandated retail participation to ensure consumers have easy access to container return/refund points, as well as the opportunity for voluntary participation in the network by interested parties?

No

Further Comment:

The Guild agrees that there need to be a diverse network of return options, however we are not supportive of a high degree of mandatory retail participation until there is further investigation on how the collection network will work, and we believe there needs to be some co-ordination with existing collection networks.

The proposed mandatory return to retail will result in higher networking handling fees that will impact consumers and businesses and likely impact the viability of other collection facilities.

As an industry representative who has members in more remote locations in New Zealand, we are conscious their smaller retail outlets would not have the infrastructure or space to accommodate secure storage of containers, and this could pose a security risk.

Taking into consideration the greater numbers of people who on-line grocery shop, and increasing costs of fuel, mandating retail outlets to be a main collection point could in turn reduce the number of alternative options therefore limiting the collection points for those who have limitations on transport and other factors, i.e. age, disability etc. According to research carried out by Horizon for The Packaging Forum in April 2022, 41% of people are not prepared to travel 15 minutes or more for a refund, while 25% are not willing to travel at all.

We do see the opportunity for community groups and charities and benefit from this activity, however again, we need to raise the issue of security for collection and storage of containers, which could invite increased levels of theft and damage.

20. Where would you find it easiest to return eligible beverage containers? Please select all that are relevant and rank these from most preferred.

Other

Further Comment:

We have selected other as per our response to Q19 as we believe there needs to be a diverse

network of return options.

21. Retailers that sell beverages are proposed to be regulated as part of the network (mandatory return-to-retail requirements). Should a minimum store size threshold apply? And, if yes, what size of retailer (shop floor) should be subject to mandatory return-to-retail requirements?

No

Further Comment:

As per our responses to Q19 and Q20. We do not agree with mandatory return-to-retail requirements for multiple reasons including, risk management, health & safety, and increased risk of crime.

22. Do you think the shop-floor-size requirements for retailers required to take back beverage containers (mandatory return-to-retail) should differ between rural and urban locations? If yes, what lower size threshold should be applied to rural retailers for them to be required to take back containers?

No

Further Comment:

As per answers to Q19, 20 & 21.

23. Do you agree that there should be other exemptions for retailer participation? (For example, if there is another return site nearby or for health and safety or food safety reasons).

Yes

Further Comment:

As per our previous answers there should never be a risk to any business.

24. Do you agree with the proposed 'deposit financial model' for a NZ CRS?

No

Further Comment:

A Container Return Scheme (CRS) is preferred over a Container Deposit Scheme (CDS) with industry invoiced in arrears.

Although, the CDS model proposed supports the offset of unclaimed deposits to reduce the overall cost, the CDS model as opposed to the CRS requires producers to pay the costs of the deposit and scheme-related fee on every bottle produced as it leaves the brewery. The increased upfront production costs will cause significant cash flow pressures for most of our member breweries. A CRS model that includes a loan to the Managing Agency to fund the initial float of the scheme operations would allow us to pay the scheme and deposit fee costs in arrears following the supply of containers

into the market – this would greatly enable us to manage our cash flow and allow our businesses to continue to operate in a sustainable way. The consultation document refers to a Container Deposit Scheme, with elements that are a Container Return Scheme. We submit that this needs clarification.

25. Do you agree that a NZ CRS would be a not-for-profit, industry-led scheme?

Yes

Further Comment:

The Brewers Guild supports the Ministry’s intention for a regulated product stewardship programme that is industry-led and not-for-profit. We are committed to playing our part to achieve the best possible sustainability outcomes for New Zealand.

26. Do you agree with the recovery targets for a NZ CRS of 85 per cent by year 3, and 90 per cent by year 5?

No

Further Comment:

The Guild has concerns about the term recovery as opposed to recycled. If our member breweries are being financially impacted by a scheme that we are in fact supportive of we want to see the positive environmental impact of recycling and not just recovery.

We feel these targets are ambitious and have concerns over the impact to industry should those targets not be met.

27. If the scheme does not meet its recovery targets, do you agree that the scheme design (including the deposit level) should be reviewed and possibly increased?

No

Further Comment:

As per our concerns above, the deposit level is just one part of a large system. Consumer education, habit creation and generational change as well as barriers, accessibility, logistics and implementation should all be part of a review.

Please refer to our response to Q3: A New Zealand Institute of Economic Research review of the CRS Cost Benefit Analysis (NZIER & Henson, 2022) found: *The net scheme cost for a scheme with a 20-cent deposit is expected to be 20 to 28 percent higher than a scheme with a 10-cent deposit, but the return rate will only be about 8 percent higher.*”

28. Do you support the implementation of a container return scheme for New Zealand?

Yes

Further Comment:

We would support implementation of a CRS scheme if some of the key scheme design criteria were amended. We support a scheme that improves recovery AND recycling rates but does so in a way that balances the cost to our members businesses and customers.

The Guild believes there are multiple elements critical to the success of any well-run return scheme. These are:

1. *Deposit is reduced from 20-cents to 10-cents to minimise financial burden to consumers and business.*

The consultation paper notes the introduction of a Container Return Scheme (CRS) would result in additional costs for consumers across a wide range of beverages. The costs of a CRS scheme need to be balanced against the environmental outcomes and should not add to the financial burden on families and business. Modelling commissioned by the Ministry for the Environment indicates the proposed deposit rate will lead to a 6.5% decline in beverage sales. Noting that the 6.5% decrease in sales is based on the Queensland scheme and a 10-cent deposit fee so it is likely a 20-cent deposit will have a much larger impact on sales decline.

2. *An effective scheme should be industry-led and not-for-profit.*

The Brewers Guild of New Zealand supports the Ministry's intention for a regulated product stewardship programme that is industry-led and not-for-profit. We are committed to playing our part to achieve the best possible sustainability outcomes for New Zealand.

3. *A Container Return Scheme (CRS) is preferred over a Container Deposit Scheme (CDS) with industry invoiced in arrears.*

Refer response to Q24

4. *Standardised kerbside recycling is implemented nationwide*

We agree and support the Ministry's desire to standardise council-run kerbside recycling collection schemes nationwide, this makes sense as the first step on the journey to towards improved recycling rates.

5. *A voluntary return-to-retail component. An open, diverse, and accessible return network with a variety of refund point types to cater to consumer needs.*

The proposed mandatory return to retail will result in higher network handling fees that will impact consumers and businesses and likely impact the viability of other collection facilities. A more diverse and accessible scheme would encourage innovation in collection pathways and facilities and provide an opportunity for charities and community groups to participate as collection facilities, thereby achieving a major scheme objective.

29. If you do not support or are undecided about a CRS, would you support implementation of a scheme if any of the key scheme design criteria were different? (e.g. the deposit amount, scope of containers, network design, governance model, scheme financial model, etc).

N/A

30. If you have any other comments, please write them here.

Comments are included throughout this document.

Part 2: Te whakapiki i te hangarua paeara ā-kāinga

Improvements to household kerbside recycling

31. Do you agree with the proposal that a standard set of materials should be collected for household recycling at kerbside?

Yes

32. Do you agree that councils collecting different material types (in addition to a standard set) might continue to cause public confusion and contamination of recycling?

Nil response

33. Do you think that national consistency can be achieved through voluntary measures, or is regulation required?

No. We believe regulation is required.

34. Please tick below all the items from the proposed list which you agree should be included in the standard set of materials that can be recycled in household kerbside collections.

Yes - Glass bottles and jars

Yes - Paper and cardboard

Yes - Pizza boxes

Yes - Steel and aluminium tins and cans

Yes - Plastic bottles 1 (PET) and 2 (HDPE)
(HDPE)

Yes - Plastic containers and trays 1 (PET) and 2
Yes - Plastic containers 5 (PP)

35. If you think any of the materials above should be excluded, please explain which ones and why.

Nil response

36. If you think any additional materials should be included, please explain which ones and why.

Nil response

37. Do you agree that the standard set of materials should be regularly reviewed and, provided certain conditions are met, new materials added?

Yes – if the goal is to improve rates of recovery and recycling.

38 - 39. These questions are not relevant to the Guild or our submission

40. Do you agree that, in addition to these kerbside policies, New Zealand should have a network of convenient and easy places where people can recycle items that cannot easily be recycled at kerbside? For example, some items are too large or too small to be collected in kerbside recycling.

Yes

41 – 51. These questions are not relevant to the Guild or our submission

52. Do you agree that it is important to understand how well kerbside collections are working?

Yes

53 – 63. These questions are not relevant to the Guild or our submission

64. Should all councils offer household kerbside recycling services?

Yes. The brewer Guild agrees with and supports the Ministry's desire to standardise council-run kerbside recycling collection schemes nationwide. This should be the first step on the journey to successful sustainability outcomes. Utilising revenue collected from the CRS to support infrastructure development nationwide also seems sensible.

65 - 67. Nil response

On behalf of our members, the Guild thanks you for the opportunity to engage in the Ministry of the Environment's Container return Scheme consultation process. The Brewers Guild is committed to playing our part in helping New Zealand and the brewing community achieve better recovery and recycling outcomes. We welcome the opportunity for further engagement and involvement in the scheme's future design.

Please feel free to get in touch should you wish to discuss further.



Nāku iti noa, nā

Melanie Kees
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Brewers Guild of New Zealand