

# NEWSLETTER

Exchange for Change (NSW) Pty Ltd



## December 2018 Pricing Assumptions

Issued: 30 October 2018

## NSW Container Deposit Scheme Newsletter

Welcome to the October newsletter from Exchange for Change NSW.

We provide an update on the scheme and discuss the assumptions behind the pricing for the November advance contribution contained in the first part of your invoice, which will be issued on 1 November.

The 1 November invoice will also contain the true up for September 2018. Once the true up is processed, we will give you additional data to help you reconcile your invoices. This should occur by 9 November.

### Pricing snapshot

December scheme costs per supplied container (cents)

|                    |       |
|--------------------|-------|
| Aluminium          | 9.61  |
| Glass              | 10.06 |
| HDPE               | 9.81  |
| PET                | 9.81  |
| Liquid paper board | 10.36 |
| Steel              | 10.06 |
| Other plastics     | 9.81  |
| Other materials    | 9.81  |

### FORECAST CALCULATIONS FOR SUPPLIERS

#### Forecast Volumes – Supplier Volume Forecast Calculation

The invoice issued on 1 November will consist of an advance contribution for December 2018, which is based on the forecast container volumes calculated for December.

To calculate the December forecast, we have used actual volumes reported in the portal for the months of July, August and September 2018. We have also applied a seasonality factor of 1.40x to allow for the upturn in supply in summer compared to the volumes reported through winter and the commencement of spring.

#### Forecast Pricing – Summary Key Assumptions

The key assumptions behind the December 2018 advanced contribution rates in the 1 November invoice are as follows:

- Network Operator forecast collections in December are expected to be 150 million, to reflect the upturn in supply volumes and an anticipated increase in consumption of beverages in eligible containers as the weather becomes warmer.
- MRF forecast collection volumes recovered from kerbside collections (yellow-lidded bins) and glass crushing operations are expected to total 74 million containers in each month of Q4.
- Gross supply volume is estimated at 378 million, generated with a 1.40x seasonality adjustment.
- 7.5% of the containers supplied into NSW are exported out of the state, giving an overall redemption rate of 64% net of exports.

These assumptions and the resulting cost per container (excluding GST) are shown in the table below.

| Schedule Costs - As at August 2018 (all figures exclude GST) | 11th Invoice | 12th Invoice | 13th Invoice |
|--|--------------|--------------|--------------|
| <b>Dates</b>   |              |              |              |
| Scheme Month   | Oct-18       | Nov-18       | Dec-18       |
| Invoice Date   | Sep-18       | Oct-18       | Nov-18       |
|  | Forecast     | Forecast     | Forecast     |
| <b>Assumptions</b>   |              |              |              |
| Recovery Rate per material type                              | 66%          | 68%          | 64%          |
| % of containers recovered via MRFs/kerbside                  | 38%          | 36%          | 33%          |
| Containers recovered in month (m)                            | 194          | 204          | 224          |
| <b>Calculations</b>  |              |              |              |
| Total forecast scheme costs for month advertised (\$m)       | 31.51        | 33.41        | 37.19        |
| Forecast Monthly True Up (\$m)                               | -0.02        | 0.34         | 0.82         |
| Quarterly True Up (\$m)                                      | -6.49        |              |              |
| Export Payments (\$m)  |              |              | -0.02        |
| Forecast Net Amount to be Invoiced (\$m)                     | 25.00        | 33.75        | 38.01        |
| <b>Scheme Costs per Supplied Container (cents)</b>           |              |              |              |
| Aluminium  | 9.70         | 10.09        | 9.61         |
| Glass  | 10.13        | 10.55        | 10.06        |
| HDPE   | 9.89         | 10.29        | 9.81         |
| PET  | 9.89         | 10.29        | 9.81         |
| Liquid Paper Board   | 10.42        | 10.85        | 10.36        |
| Steel  | 10.13        | 10.55        | 10.06        |
| Other Plastics   | 9.89         | 10.29        | 9.81         |
| Other materials  | 9.89         | 10.29        | 9.81         |

## MONTHLY TRUE UP FOR AUGUST 2018

The 1 November invoice will include a true up to cover the Network Operator collections from September.

When the pricing was set, Exchange for Change forecast the Network Operator would collect 100.0 million containers in September. This was slightly less than the Network Operator's actual collection volume of 106 million for the month. The value of the true up across the whole beverage industry for September is forecast to be an additional payment to the Scheme Coordinator of approximately \$0.8 million to meet the additional costs associated with the additional recoveries through the Network Operator channel.

## UPDATES

### Exports

The export protocol for NSW went live on 20 August and exporters have started signing up to claim export rebates for containers leaving NSW that have previously attracted the CDS charge. The first reporting cycle for exporters closed on 15 October, with associated payments to flow in mid-November. Until we gather enough data from actual export claims, we are continuing to use 7.5% in our pricing models to ensure sufficient funding is available to pay rebates. Any surplus raised will be returned to suppliers through the true-up process.

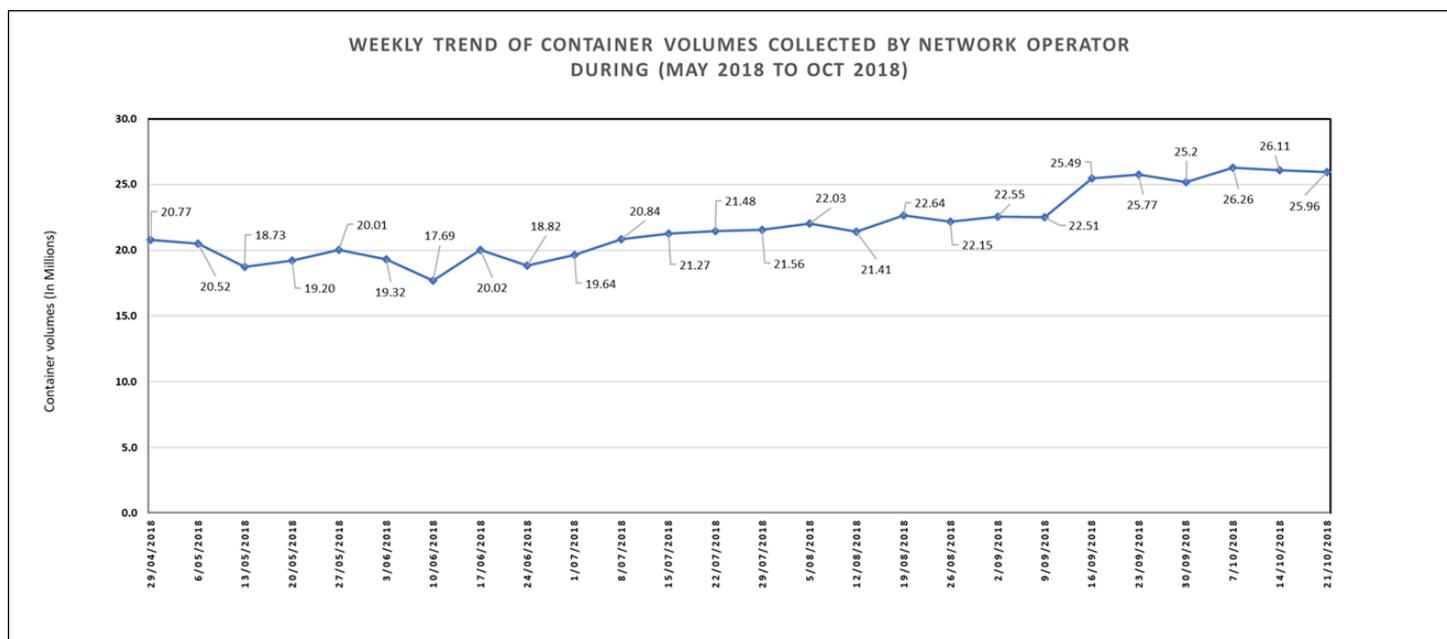
If you are an exporter or know of an exporter who is yet to register for the scheme, they can register to become an Exporter at <https://returnandearn.org.au/partners/drinks-suppliers/exporter-sign-up/>.

Please note it is important that all suppliers correctly declare their gross supply volumes into NSW and pay the CDS contribution on these volumes. Under no circumstances should suppliers be netting off for exports. If you have not been reporting your volumes correctly, please amend your supply data via the Exchange for Change Portal. If you require further assistance, please contact us via [exporters@exchangeforchange.com.au](mailto:exporters@exchangeforchange.com.au) or [portalsupport@exchangeforchange.com.au](mailto:portalsupport@exchangeforchange.com.au).

### Network Collection Volumes

The Network Operator has established 687 collection points across the state as of 29 October.

The graph below illustrates the actual volume of containers returned through the Network Operator channel (Reverse Vending Machines, Over the Counter and Automated Depots) since the beginning of May.



### DISCLAIMERS

Minor changes in volumes between those at the time of setting prices and running invoices can result in small variances in the forecast volume of containers associated with the advanced contribution. As such, the true-up value provided here is a guide only. The actual assumptions that support the true-up value on your invoice will be provided separately after the invoice has been run, as noted earlier in this newsletter.

Exchange for Change is not in a position to accurately predict what the cost per container will be in the medium to long term, and each scheme participant should make their own assumptions to this end.

The information provided in this newsletter reflects our assessment of market conditions. These estimates can change based on a range of external factors beyond the control of Exchange for Change.