

# NEWSLETTER

Exchange for Change (NSW) Pty Ltd

January 2018



Welcome to the January newsletter from Exchange for Change. In this newsletter we talk about the assumptions behind the March invoice as well as the December period true up, which will both be issued on the 1<sup>st</sup> February. We will also give you an update on the progress of the rollout of the scheme.

## **Collection Volumes**

Containers are collected through two channels;

- the CDS collection points which are managed by the Network Operator, Tomra Cleanaway, and
- the kerbside recycling program where the containers are recovered by the MRF operators.

In December, Tomra Cleanaway collected 18 million containers. Throughout the month we saw the collection volumes increase by an average of one million containers each week when compared to the previous week. This steady increase in collection volumes has continued into January.

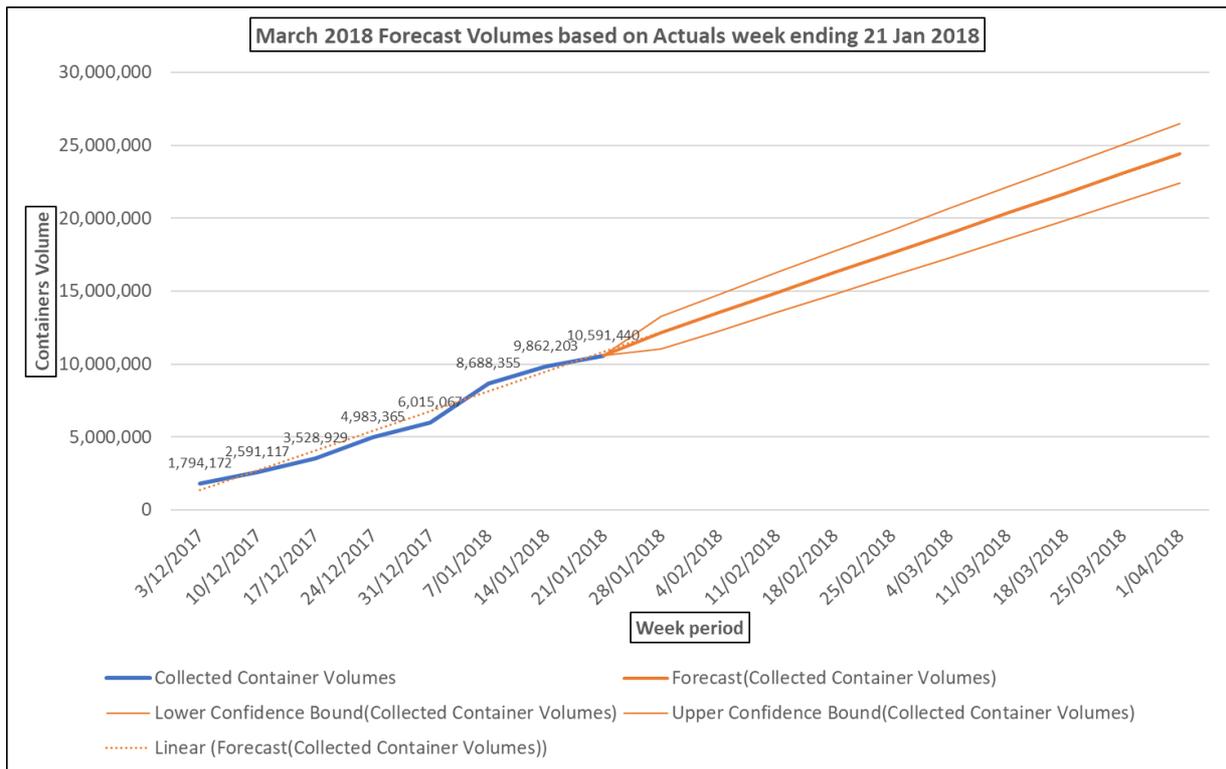
Tomra Cleanaway has steadily increased the number of collection points throughout the past two months. There are now 349 collection points with 91 reverse vending machines, 6 automated depots and the remainder being over the counter collection points. Reverse vending machines are proving extremely popular with consumers and are collecting the majority of containers. Tomra Cleanaway has plans to continue to roll out more reverse vending machines over the coming months.

The graph overleaf shows the weekly volume of containers collected by the Network Operator through to the 21<sup>st</sup> January. The data after that point is a forecast of future collections.

The number of containers collected by the kerbside recycling program will not be finalised until after the end of the quarter. While the final numbers will not be available till May, our early estimates are that this channel will collect approximately 130 million containers per month.

## **March forecast**

The variables involved in determining the March invoice are the total number of containers redeemed by both the Network Operator and the MRFs as well as the percentage split between these two channels. For the Network operator we have used the weekly volumes collected so far and then extrapolated this forward to the March period. This is demonstrated in the graph of weekly collection volumes overleaf.



This forecasting has shown the most likely outcome is a collection volume of 86.5 million containers for March. To achieve this collection volumes the Network Operator needs to continue to roll out reverse vending machines at the current rate. This has been discussed with Tomra Cleanaway and they have advised this is consistent with their forecast.

We are forecasting that the increasing number of containers collected by Tomra Cleanaway will have minimal impact on the MRF volumes. This is because we believe these containers will be diverted from landfill. Due to this we are forecasting the MRF volumes to remain at 130 million containers.

Based on the historical data provided by the beverage industry the total number of containers First Supplied in March is forecast to be 321 million containers.

These assumptions and the resulting cost per container are shown in the table below.

<b>Schedule Costs - 22 January 2018</b>	<b>4th Invoice</b>
Dates	
Scheme Month	Mar-18
Invoice Date	Feb-18
	Forecast
Assumptions	
Recovery Rate per material type	67%
% of containers recovered via MRFs/kerbside	60%
Containers recovered in month (m)	216
Calculations	
Total scheme costs for month advertised (\$m)	28.48
Scheme Costs per Supplied Container (cents)	
Aluminium	<b>8.71</b>
Glass	<b>9.00</b>
HDPE	<b>8.84</b>
PET	<b>8.84</b>
Liquid Paper Board	<b>9.18</b>
Steel	<b>9.00</b>
Other Plastics	<b>8.84</b>
Other materials	<b>8.84</b>

### **True Up for December period**

The 1<sup>st</sup> February invoice will also include a true up for the December period. This true up only covers the Network Operator portion of the invoice with the MRF portion trued up in May.

If you need to refamiliarise yourself with how the scheme payment methodology works we would recommend you go to the [returnandearn.com.au](http://returnandearn.com.au) website, go into the supplier section and click on the \$ icon. In this area you will find a section on the Supplier Contributions Methodology Summary.

For December, Exchange for Change forecast the collection volumes for the Network Operator would be 194 million containers, however for reasons explained earlier containers collected by this channel were less than this forecast.

As was made clear ahead of the scheme starting in December last year, the financial projections and costs to industry were based on 100 percent of containers being returned.

We decided to use this 100 percent figure based on a number of considerations including:

- The projections around the number of collection points that would be in place for consumers to return their containers;
- The real possibility that many consumers might have stockpiled containers in the lead up to the start date; and
- The need to get enough liquidity into the scheme so it could pay for itself and that consumers can get their refunds.

Now that we have received the December actuals, the value of the true up across the whole beverage industry for December is \$26.7 million, which will be returned to First Suppliers. The true up for each individual beverage supplier will be based on each supplier's actual market share calculated by actual containers First Supplied in December which will be determined by container type, e.g. Glass, Aluminium, PET, etc.

Future true ups should reduce in value in the coming months as forecasts become more accurate based on better collection data.

### **Scheme outlook**

As set out earlier, we believe the collection volumes will continue to increase further as collection points continue to be rolled out and the scheme is increasingly adopted by the NSW public.

In parallel, we expect the volumes collected through the kerbside program will decline due to consumers redirecting containers from kerbside recycling to the Network Operator collection points in order to redeem the 10-cent refund.

Based on this, we anticipate the total redemption rate by the middle of 2018 to have increased further with a greater proportion coming through the Network Operator channel.

Please note that 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 Exchange for Change website, [exchangeforchange.com.au](http://exchangeforchange.com.au), has a section for suppliers. In this section you will see a \$ icon which gives information about pricing. This section of the website has tables that allow you to use the information above to predict future pricing for each container type.

### **1st February Invoice**

The invoice issued on the 1<sup>st</sup> February will provide your costs for the March period, and your true up from the December period. These two amounts will then be combined and you will be required to pay the net amount within 7 business days from the date of the invoice.

Please note the information that Exchange for Change has provided in this newsletter is our best assessment of the market conditions however these estimates can change based on a range of external factors that are beyond the control of Exchange for Change.