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Thursday, 29 September 2022

Ms Connie Wu
Assistant Director, Mergers Exemptions and Digital
Australian Competition & Consumer Commission
23 Marcus Clarke Street
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Dear Ms Wu

**APPLICATION FOR AUTHORISATION FOR PROPOSED CONDUCT:
RECYCLE MY MATTRESS PRODUCT STEWARDSHIP SCHEME**

I refer to the Draft Determination published by the ACCC on 25 August 2022, and the further submission by the City of Stonnington dated 15 September 2022.

The ABSC thanks the City of Stonnington for its overall support of the scheme as one which seeks to facilitate a circular economy model of the market, innovate recycling services and prioritises communication and education of consumers.

In relation to the submissions made in relation to the role of local government, funding model and rebate scope, the ABSC responds as follows:

1. Local Government's Role

- 1.1 The ABSC acknowledges the request by the City of Stonnington for further clarity about the role that the ABSC expects local Council's to take in the scheme, and also the role that local councils, including the City of Stonnington, currently play in recycling end of life mattresses.
- 1.2 As set out in attachment D to the Application for Authorisation, local governments played a key role in the consultation process with 60 local councils participating.

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- 1.3 As set out in the application and scheme design, the ABSC intends that the role of Councils be as follows:
- (a) Currently, local councils are the largest collectors of mattresses for recycling.¹ It is expected that local government will continue to provide collection services as a participant in the Scheme.²
 - (b) An important aspect of the Scheme design is accreditation for collectors, and it is expected that local government will become participants in the scheme in their capacity as a collector, and if relevant a recycler. Accreditation ensures that local governments are recognised as authorised collectors, and also eligible for any rebate payable in relation to those mattresses delivered to accredited recyclers³ (noting that accreditation for collectors and any associated rebates will not be available in year 1 of the Scheme delivery).⁴
 - (c) It has also been proposed that local Councils that are not Scheme Participants become associate members of the ABSC, to ensure that local government is appropriately represented on the ABSC⁵ (as Accredited Collectors or Recyclers cannot also be Associate Members).

2. Funding Model

- 2.1 As set out in the Draft Determination, the funding model of the proposed Scheme is as follows:
- (a) The Product Stewardship Fee (also referred to as the levy):
 - (i) will be paid by participating mattress manufacturers and importers, passed on to participating wholesalers/retailers and ultimately to consumers as a visible fee on the sale of a new mattress. This levy does not cover the costs of recycling EOL mattresses, but will contribute to research and development, consumer education and Scheme administration.⁶
 - (ii) will be a fixed fee charged on each mattress sold by a participant.⁷
 - (iii) will be initially set at \$10 per mattress. This is lower than the levy (at \$17.50 per mattress) initially estimated by the ABSC's consultant, RPS, to be necessary for the Scheme to meet the modelled expenditure requirements (including payment of rebates to collectors and recyclers to partially cover the costs of collection and recycling).⁸

¹ Application for authorisation, Attachment A, Table 5.

² Application for authorisation at 5.2(a), 5.4, 7.1(e), Attachment D p56; Draft Determination at 1.5.

³ Application for authorisation at 11.3(e) and Attachment A, p21.

⁴ Application for authorisation Attachment A, footnote 10.

⁵ Application for authorisation, Attachment A, p5.

⁶ Draft determination at 1.4.

⁷ Draft determination at 1.13.

⁸ Draft determination at 1.14.

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- (iv) will not cover the costs of collecting and recycling EOL mattresses.⁹
 - (v) may be passed on to consumers or absorbed by retailers and wholesalers selling to consumers.¹⁰
- (b) The scheme will comprise an accreditation regime for collectors, recyclers/ refurbishers, with a potential rebate payable to those service providers in later years.¹¹
- (i) The ABSC may also introduce a rebate for accredited collectors and recyclers in later years to provide incentives for regional collection and higher resource recovery rate and offset some/all of the costs of collection and recycling incurred by accredited service providers.¹²
 - (ii) The ABSC Board will make an annual assessment each year and may decide to hold over any excess revenue generated from the levy to the next year or apply it to reduce the levy and/or the membership fees. The funding in the first 5 years of the Scheme is intended to be allocated as follows (after payment of any rebates to collectors and recyclers):
 - 45% on research and development and market development activities
 - 33% on marketing and consumer education
 - 22% on fund administration.¹³
- 2.2 The ABSC trusts this clarifies the model in the final proposed Scheme in relation to which authorisation is sought.
- 2.3 The ABSC notes that as set out in its application and the Draft Determination, the rebate has not yet been set, as this will be dependant on the number of participants in the Scheme and the progress of the Scheme implementation. The ABSC acknowledges that the Product Stewardship Fee and any rebate are not set to offset the costs of recycling a mattress, but are intended to contribute towards the overall goal of the scheme to have a solution to the problems that the current disposal of EOL mattresses in Australia (as has been stated throughout the application and consultation process).

3. Rebates

- 3.1 The ABSC refers to paragraph 3.1(c) of its application letter which states:

The types and condition of mattresses and bedding products to be managed under the Scheme may change as technology and recovery options advance in this area, however, the initial focus is on the largest component of EOL mattresses, being consumer mattress products which are no longer required upon the purchase of a new mattress.

⁹ Draft determination at 1.14, footnote.

¹⁰ Draft determination at 1.15-1.17.

¹¹ Draft determination at 1.4.

¹² Draft determination at 1.18.

¹³ Draft determination at 1.12.

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3.2 The ABSC notes the submission that bed bases must also be incorporated into the Scheme and rebates determined according to the recyclability of bed bases. Noting the rationale of the initial scope of the Scheme extracted above, the ABSC invites the City of Stonnington to become a Participant of the Scheme or an Associate Member, as appropriate, and be involved in review of the Scheme after the initial period of implementation and authorisation, at which time expansion of the Scheme can be considered.

If you require any further information, please do not hesitate to contact me.

Sincerely

EMILY SHOEMARK

