

# NEWSLETTER

Exchange for Change (ACT) Pty Ltd

## November 2018 Pricing Assumptions

Issued: 30 October 2018



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## ACT Container Deposit Scheme Newsletter

Welcome to the October newsletter from Exchange for Change ACT.

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 has been processed, we will give you additional data to help you reconcile your invoices. This should occur by 9 November.

### **FORECAST CALCULATIONS FOR SUPPLIERS**

#### **Supply Volume Forecast Calculation**

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

To calculate the forecast volumes for November, we have used actual volumes reported in the portal for July, August and September 2018. We have also applied a seasonality factor of 1.30x to account for the transition into spring and the seasonal increase in beverage containers as we move into warmer weather patterns.

#### **Summary of Key Assumptions for Pricing**

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

- Network Operator collections in November of 2.75 million, to reflect more supply and an anticipated increase in the consumption of beverages in eligible containers as the weather warms
- Material Recovery Facility (MRF) collection volumes totalling 4.5 million containers recovered from kerbside collections (yellow-lidded bins)
- Estimated gross supply volume of 12.8 million containers.

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

<b>Schedule Costs – As at September 2018 (all figures exclude GST)</b>	<b>3rd Invoice</b>	<b>4th Invoice</b>	<b>5th Invoice</b>
<b>Dates</b>			
Scheme Month	Sep-18	Oct-18	Nov-18
Invoice Date	Sep-18	Oct-18	Nov-18
	Forecast	Forecast	Forecast
<b>Assumptions</b>			
Recovery Rate per material type	72%	53%	57%
% of containers recovered via MRFs/kerbside	51%	75%	62%
Containers recovered in month (m)	7.88	5.98	7.25
<b>Calculations</b>			
Total forecast scheme costs for month advertised (\$m)	1.14	0.82	1.03
Forecast Monthly True Up (\$m)	-0.50	-0.53	-0.44
Forecast Quarterly True Up (\$m)			-0.47*
Forecast Net Amount to be Invoiced (\$m)	0.65	0.28	0.13
<b>Scheme Costs per Supplied Container (cents)</b>			
Aluminium	10.45	7.23	8.09
Glass	10.45	7.23	8.09
HDPE	10.45	7.23	8.09
PET	10.45	7.23	8.09
Liquid Paper Board	10.45	7.23	8.09
Steel	10.45	7.23	8.09
Other Plastics	10.45	7.23	8.09
Other materials	10.45	7.23	8.09

\*The Quarterly True Up amount is still being assessed. The figure included in the table is provided for guidance only.

## **MONTHLY TRUE UP FOR SEPTEMBER 2018**

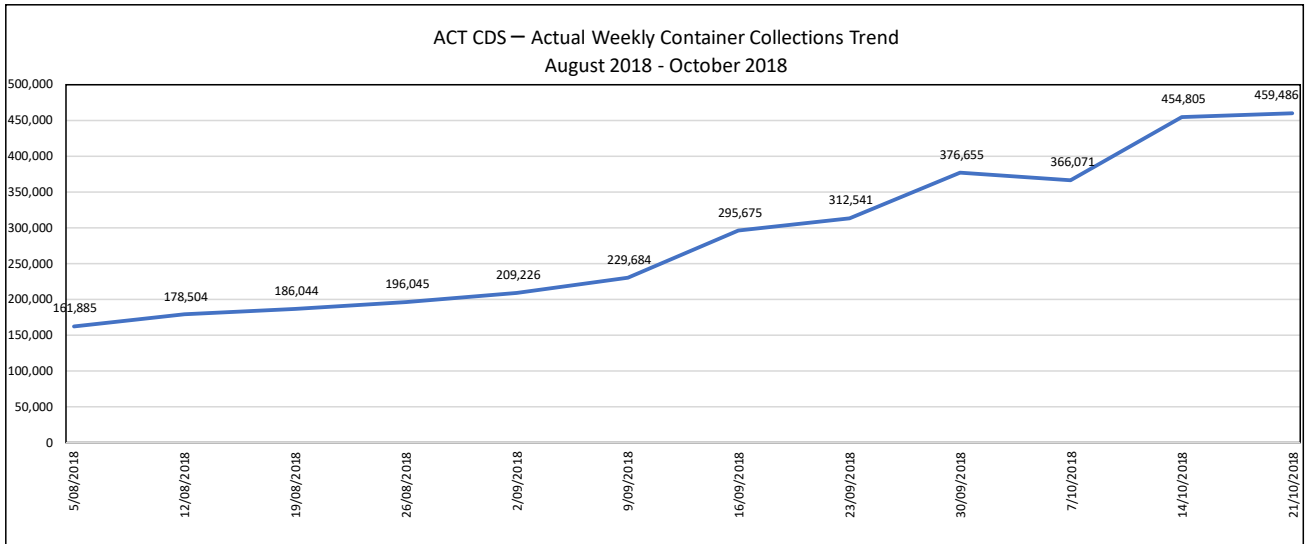
The 1 November invoice will include a true up to cover the Network Operator collections from September.

When the pricing was set prior to the start of the scheme, Exchange for Change forecast the Network Operator's collection volumes in September would be 3.8 million containers. The actual Network Operator collection volumes were 1.3 million. As a result of this difference, the true up across the whole beverage industry for September is forecast to be approximately \$0.4 million. Please also see the disclaimers overleaf.

## **UPDATES**

### **Network Collection Volumes**

For the first quarter of the scheme, the Network Operator has established nine collection points across the ACT to provide convenient access points for the public to participate in the ACT CDS. Since the commencement of the scheme, more than 4.0 million containers have been collected via the Return points, with volumes increasing week on week.



We anticipate that the upward trend in return volumes will continue as ACT residents adopt the scheme and consume more beverages in eligible containers as we move into summer.

### **MRF Collection Volumes**

The Hume MRF has currently completed its first quarter of reporting. We are currently in the process of validating the tonnages claimed and finalising the claim value for quarter 1. Preliminary results indicate that the true up will likely be in the range of \$450k to \$500k, but this amount remains subject to final confirmation. Further detail will be provided once the true up has been completed.

### **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 values provided in this newsletter are a guide only. The actual assumptions that support the true-up values on your invoice will be provided separately after the invoice has been run.

Exchange for Change is not in a position to accurately predict what the cost per container will be in the medium to long term. 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.