

Cook Islands

**Advanced Recovery and Disposal Fee Policy
2022**

Supplementary information – operational detail

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Purpose

Infrastructure Cook Islands (ICI) and the Economic Planning Division of Ministry of Finance and Economic Management (MFEM) have designed a process for the proposed ARDF Scheme. The process design has been influenced by other schemes in operation while considering the remoteness of the Cook Islands, socio-economic status, and equitability.

The remoteness of the Cook Islands from recyclers and international ports means that the cost of export to recycling destinations increases compared to countries closer to recyclers. Infrastructure Cook Islands does not have the budget to engage in contracts with logistical services and compared to other countries. The management fee component of the ARDF accounts for the cost of logistics.

The Cook Islands model is designed to ensure accessibility for communities to engage in the ARDF. Establishing refund depots on every island and in multiple locations on Rarotonga provides more opportunity for all members of the community to participate in the scheme.

- The purpose of this document is to describe the operational details of the proposed Advance Recovery and Disposal Fee (ARDF) Scheme. This will cover proposed roles and responsibilities and implementation arrangements.

Roles and responsibilities

The following table summarises the roles of the key agencies responsible for the various components of the proposed ARDF.

Table 1: Roles and responsibilities

Agency	Roles in ARDF
Infrastructure Cook Islands (ICI)	<p>Managing Agency</p> <p>ICI shall be the initial Managing Agency for the ARDF Scheme. The draft Bill includes flexibility for the Managing Agency role to be independently contracted in the future if justified.</p> <p>As the Managing Agency, ICI's tasks include:</p> <ul style="list-style-type: none">- Principal for contracts commissioned under the ARDF Scheme (see below).- Communications and awareness for the scheme- Monitoring the scheme- Auditing and inspections- Investigating compliance issues- Approving contract payments- Reporting- Receiving specified shipped items to the Rarotonga Waste Facility for consolidation with Rarotonga stock- Investing unredeemed deposits into the approved uses outlined in regulation.

Agency	Roles in ARDF
	<p data-bbox="722 226 987 262">- Communications</p> <p data-bbox="673 296 948 331">Waste Management</p> <p data-bbox="673 331 1360 527">ICI is responsible for the administration of the Rarotonga Waste Facility, principle for the Roadside Rubbish and Recycling Collection, and focal point for waste management in the Cook Islands. ICI also acts as an exporter of certain types of waste from time to time.</p> <p data-bbox="673 562 927 598">Contract Principal</p> <p data-bbox="673 598 1341 695">As Managing Agency, ICI will be contract Principal for three types of contract, plus will act as a Trustee on a Trust Deed:</p> <ul data-bbox="673 699 1360 940" style="list-style-type: none"> <li data-bbox="673 699 1360 800">• Contract type 1 between Principal and approved depot operators (such as supermarkets and stores). <li data-bbox="673 804 1360 867">• Contract type 2 between Principal and logistics contractor / waste exporter <li data-bbox="673 871 1360 940">• Contract type 3, scheme documentation between 'Managing Agency' (ICI) and MFEM. <p data-bbox="673 972 1333 1102">Trust Deed to allow for a Trust to govern the ARDF Fund: liquidity and settlement rules, investment rules, audit and reporting requirements, details of Trustees, establishment phases.</p>
Ministry of Finance and Economic Management (MFEM) Cook Islands Customs	<p data-bbox="673 1102 1344 1171">Responsible for collecting tariffs at the Cook Islands border.</p> <p data-bbox="673 1203 764 1239">Tasks:</p> <ul data-bbox="722 1243 1360 1539" style="list-style-type: none"> <li data-bbox="722 1243 1360 1373">- Customs shall apply the ARDF to specified items and charge importers of specified items the nominated sum (goods are not released until the fee is paid) <li data-bbox="722 1377 1360 1440">- Deposit accumulated fees into the Waste Deposit Fund via FMIS. <li data-bbox="722 1444 1360 1539">- Generate measurements of waste in-flows and out-flows using ASYCUDA system and report these to ICI.

Agency	Roles in ARDF
Ministry of Finance and Economic Management (MFEM) Treasury, Crown Accounts and Budget Divisions	<p>MFEM Treasury and Budget manages the Cook Islands treasury and the budget process.</p> <p>Tasks:</p> <ul style="list-style-type: none"> - Provision for seed funding for the ARDF Fund in the appropriations if required - Capturing the ARDF Trust in appropriations reporting - Releasing funds to ICI for investment into scheme operations where approved under legislation/regulation - Ensure compliance to CIGFPPM
Ministry of Finance and Economic Management (MFEM) Development Coordination Division	Manages the relationships and reporting required by international donors in relation to the Scheme where and if appropriate.
Private sector importers	Importers shall pay the ARDF to Customs and may pass this cost on to retailers, who in turn pass it on to consumers in the form of an increased purchase price.
Island Governments	<p>Responsible for waste management in the Pa Enea on their respective islands.</p> <p>If they are a refund depot operator, see row below.</p>
Refund Depot Operator(s)	<p>Contracted for service to accept returned items and issue refunds to consumers.</p> <p>Tasks will be outlined in contracts, but may include for example:</p> <ul style="list-style-type: none"> - Accepting, treating, and storing items. Treatment may be through compacting, or marking an item as received and paid out on - Paying out refunds on returned items - Informing logistics contractor of items ready for collection
Logistics Contractor	<p>Contracted to provide services to ship returned and collected items received at the Rarotonga Waste Facility and from Refund Depots to facilities offshore.</p> <p>Tasks will be outlined in contracts, but may include for example:</p> <ul style="list-style-type: none"> - Transporting items from Pa Enea to Rarotonga Waste Facility - Collecting returned items from Refund Depots - Processing, packing and arranging shipping of returned items to responsible receivers

Agency	Roles in ARDF
	<ul style="list-style-type: none"> - Securing appropriate permits and documentation required for shipping purposes - International shipments of recovered items to recyclers and safe disposal facilities overseas.
National Environment Service	Permitting authority for waste management facilities and sites, and transboundary movement of hazardous waste.

Other organisations and Government entities have been kept informed of the development of the ARDF Scheme in their capacity as Solid Waste Committee members, some of which will not have an active role in its administration. They are:

- Cook Islands Trading Corporation
- Cook Islands General Transport
- Te Ipukarea Society
- Island Sustainability Alliance Cook Islands
- Te Marae Ora

Implementation arrangements

Implementation of the policy at the national level will be coordinated by the Waste Management Division of ICI and the ARDF Trustees.

ARDF structure

There are three components that make up the Cook Islands designed ARDF:

1. A refund deposit to refund consumers upon return
2. A handling fee to pay the refund depot operator for their service
3. A management fee to fund logistics (land and sea transport and processing), equipment purchasing and maintenance, support systems (Customs software, monitoring software).

The Cook Islands ARDF is to be applied differently depending on the item upon which it is being collected.

- Items that are recyclable or potentially recoverable will have the **refund, handling fee** and **management fee** components applied. The refund is designed to incentivise the separation and return of said item and reduces undesirable management responses such as littering, burning, dumping, landfilling, or stockpiling. An example is a Plastic PET bottle.
- There are items that will not require a refund to incentivise return due to them being largely held back at service providers when they reach the end of their useful life but are still recyclable or able to be repurposed. These items would only have the **handling fee** and **management fee** placed on them. An example is tyres.
- Items that are not recyclable will have only the **management fee** applied. These items would be destined for residual waste disposal such as landfill. An example is a noodle packet (an item which is not included on the initial list of products that fall under the ARDF Scheme).

Table 2 provides examples of the way the components of the ARDF are proposed to be applied depending on their recyclability and requirement of an incentive to return.

Table 2: Examples of how the ARDF is proposed to be applied

Item	Refund	Handling Fee	Management Fee	Total ARDF
1.5L Plastic PET beverage bottle	20c	5c	15c	40c
Tyre (5kg)	0	\$1	\$5	\$6
A single packet of noodles	0	0	1c	1c

The proposed process and distribution of the ARDF Scheme

Process

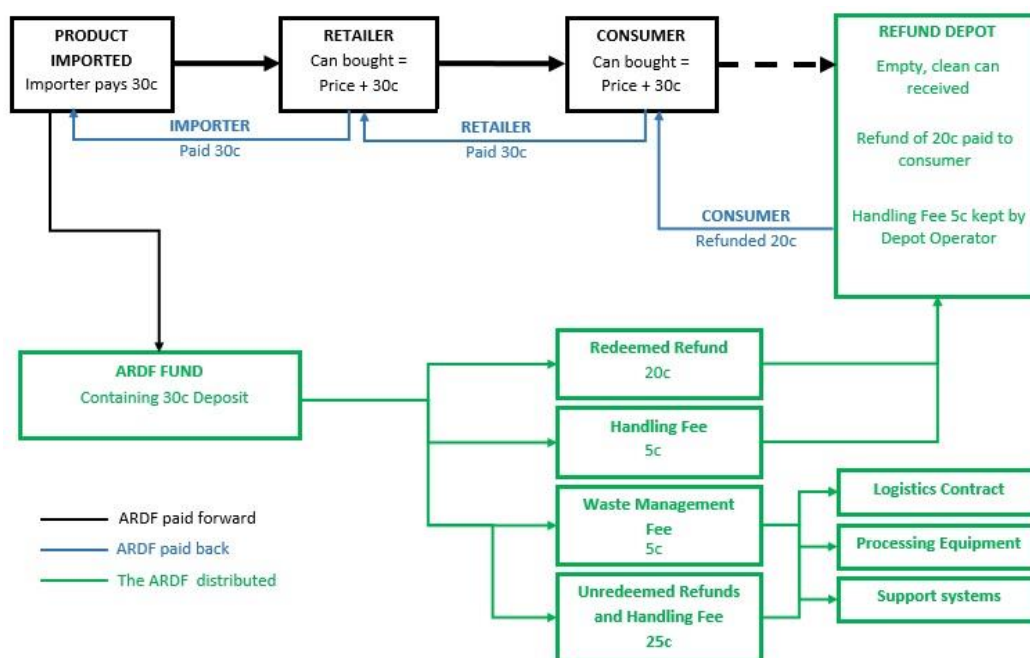
1. The ARDF is levied on a specified item when it arrives in-country, to be paid by the importer to Customs.
2. Customs regularly transfer the amounts collected as ARDFs into the ARDF Fund using FMIS.
3. The ARDF Fund will be used to hold funds collected and distribute funds for scheme operations, to reimburse Depot Operators for the refunds they issue, to issue handling fees and to issue payment for logistical services. The fund will also be used to hold unspent funds, which will from time-to-time be distributed for waste management purposes or other specified purposes.
4. The amount of the fee is passed onto the retailer as a cost associated with importing; the retailer then marks-up the price of the product accordingly, so that the cost is borne by the consumer in the form of an increased purchase price.
5. The used product/container is returned to a refund depot or collected on the roadside.
 - a. If the product has a refund component, then when it is returned to a refund depot the person returning it will receive a refund from the Depot Operator.
 - b. If placed on the roadside for collection, the refund will be forfeited.
6. Returned items are collected by a logistics contractor and consolidated at a central location and shipped offshore or repurposed on-island where solutions exist.

Distribution

1. The Depot Operator shall pay the refund portion to the consumer who returns the item
2. ICI or the Managing Agency shall reimburse the Depot Operator for the refunds they issue, which can include issuing funds in advance such that the Depot Operator is not penalised by issuing refunds to consumers.
3. ICI or the Managing Agency shall pay the handling fee to the Depot Operator for their service.
4. The management fee and unredeemed refunds shall be used to pay for processing equipment, the logistics contract service and ARDF support systems.
5. Unspent or unredeemed ARDF funds could be used for other waste-related initiatives such as legacy waste clean-up exercises and waste management projects where afforded and approved under regulation, subject to expenditure limits and claw-back rules.

Each component of the ARDF will be specified in regulations. Figure 1 displays the process and distribution of ARDF funds using an example of a beverage can with an ARDF of 30c.

Figure 1 – The ARDF Scheme process and distribution



Contracts

Refund depot operators and logistics contractors will be commissioned to operate parts of the Scheme. They are proposed to be contracted by ICI via service contracts through the Cook Islands Government procurement process. Monitoring, reporting and operating obligations will be required from contractors under contract with ICI to receive pay outs from the ARDF Fund. Invoices shall be submitted to ICI for payment along existing Cook Islands Government process.

Refund Depot Operators

Depot operators shall be commissioned to set up or include refund depots in their existing operations to receive ARDF specified items and pay out refunds on those items. Each island will require at least one refund depot. The refund depots will need to be easily accessible by the public and there will be differing levels of what each depot operator will choose to receive. Small depot operators may decide to only accept beverage containers while larger depot operators may also receive e-waste and vehicles. This could be based on what a retailer sells. For example a village shop will only accept back bottles and cans. A homeware store can accept back the whiteware they sell.

Equipment supplied with each agreement will depend on what the depot operator will accept. The long-term vision is for the ARDF funds to pay for equipment maintenance and replacement.

Equipment needs include:

- Storage facility
- Compacting equipment
- Tools
- Recording template
- Recording and monitoring software and hardware

- Reporting template accompanied by an invoice to be submitted to the contract principle (ICI) for pay out.

Considerations for refund depot operations

- Some existing waste managers may already have equipment that allows them to receive items. Others may not have equipment that meets the requirements for storage.
- The specified items shall have requirements for return. These are to be clean and dry.
- There may be a need to limit the number of beverage containers returned at a single time at small refund depots such as village shops. This is to avoid overwhelming their normal retail operation.
- Large quantities for returns will be directed to the Rarotonga Waste Facility.
- Refund payments can be made out in cash, reverse transactions on computerised cash registers and via phone applications once developed. One such application is in development.
- The Waste Facility in Rarotonga and Aitutaki and Island Administrations may also be refund depots and pay out refunds. Just as private sector refund depot operators receive equipment to manage returned items, so may Government entities.
- Recycling and waste depots items have been set up in some of the Pa Enea as a function of the Island Administration. These may be the location for the refund depot.
- Reverse Vending Machines (RVM's) are another option for issuing refunds to consumers who return their items. Consumers present an empty beverage container(s) to the machine, which accepts it and pays out a 'reward'. The pay back is often coupons for spending at participating stores and/or payment to a charity of choice.

Logistics Contractors

The logistics contractor(s) shall be commissioned to transport returned recyclables and products to Rarotonga and on to offshore facilities. The responsibilities shall include:

- Establishing a relationship with buyers and receivers of recyclables and hazardous items
- Ensure recyclables are baled appropriately to be accepted by recyclers overseas
- Collect and record items from refund depots and Government waste facilities
- Arrange shipping containers. A set number shall be kept at the Rarotonga Waste Facility for packing of items generated on Rarotonga
- Pack, record, transport, and ship processed items within the Cook Islands and to overseas markets and destruction facilities. This includes land transport of items from the Pa Enea and from Avatiu wharf to the Rarotonga Waste Facility
- Arrange fumigation of shipping
- Arrange insurance of shipping
- Prepare shipping documentation, including permits such as that required under the Basel Convention for Transboundary movement of waste
- For each shipment arranged, the logistic contractor shall submit an invoice(s) for payment of services completed to ICI.

Provided that receivers are established, recyclables will not be stockpiled for extended periods. When the appropriate volume is generated to fit transport amenities or when the shipping schedule allows (for Pa Enea), they shall be moved.

ICI is currently researching the market to prepare for the event that the private sector does not want to carry out the logistics role.

Contract Principal and Waste Receiver

ICI is identified to be the principal of the refund depot and logistic contracts as a function of its existing waste management role. ICI will require additional resourcing to manage these contracts in the form of a dedicated staff member, employed under the Waste Management Division, to monitor each contract and audit each payment request from refund depots and the logistics operator. The tasks for ARDF will be absorbed into the new structure.

The ICI Rarotonga Waste Facility shall receive shipments of specific items (initially only beverage containers) from the Pa Enuā. These items shall be compacted along with those delivered by the roadside collection service and those received as part of its refund depot operation.

ICI is actively working to enable the Rarotonga Waste Facility to receive all solid and hazardous waste, as planned in the Solid Waste Management Strategy. This is dependent on the ARDF Scheme being implemented. In time, the facility will be able to receive all items, other than just beverage containers. This is also a future proofing strategy should private sector operations cease.

Roadside collection contractors will be prohibited from being able to redeem the refunds on roadside collected items. Roadside collection contractors are already paid to collect separated recyclables. If a decision to allow redeeming of refunds was made, a change to the collection contracts would be needed simultaneously to account for this, such as removing or adjusting payment for collection of recyclables. ICI acknowledges that allowing the roadside collector to receive refunds could mean they would separate out recyclables from mixed waste, however there are four considerations for such an arrangement. These are:

- Recyclables in mixed waste are usually contaminated with food and would lose value on a shipment
- Sorting through mixed waste is unpleasant and can be a health and safety risk
- Sorting through mixed waste extends operation time
- Recyclables placed on the roadside could decrease as a result of householders redeeming refunds. Indeed, with 100% returns to refund depots, there will be no recycling collection required for the roadside collection services.

Alternatively, waste picking is recognised as a desirable feature. Waste pickers are becoming an important part of waste management in some developing states and are being equipped with personal protective equipment to ensure their health and safety is protected. ICI sees this as a general operational matter and therefore it will not be discussed further in this policy.

The Advance Recovery and Disposal Fee Scheme Trust

MFEM is recommending an ARDF Trust (used interchangeably with ‘the fund’) be established for the scheme. The role of the fund is to receive ARDF from Customs and release funding to ICI to make payments (to Refund Depots, logistics and equipment maintenance etc).

The mandatory requirements for trust funds are set out under section 46(1) of the MFEM Act and are referenced in the CIGFPPM. Any Government Department or Crown Agency that

requires a 'trust fund' account must apply for approval from the Financial Secretary with the concurrence of Cabinet. The application should include a policy paper detailing:

- Purpose of the Trust
- Source of Funding and Agreement
- Trustees and Administrator of the fund
- Policy to drawdown on the Fund

Once approved by the Financial Secretary, a separate bank account will be opened according to the agreement above.

Managing the Trust

The Trust's Policy document will govern the operation of the fund and the ARDF Trust. The Trust would be responsible for managing the funding pool, ensuring that the Fund was invested or used according to the requirements in the Trust Policy. The principles of transparency, accountability, contestability must be adhered to when spending trust funds at all times. As such the CIGFPPM must be adhered to in the management and accounting of trust funds.

A Trust can legally accrue its own payables and receivables. It does not need to be subject to appropriation rules. Existing examples of Trust Funds in the Cook Islands that were established utilising Government processes include the Cook Islands Land Trust and the Emergency Trust Fund.

Further information about Trust Fund Accounts can be found in the Cook Islands Government Financial Policy and Procedures Manual (CIGFPPM).¹

Liquidity Rules for the Trust

The Trust Policy document would establish liquidity guidelines. It is recommended that the Trust hold no less than 1.8 times the amount it expects to need to pay out in a month.

The seed funding for the Trust (whether implemented by establishment grant or by a delay in paying deposits) would need to account for the need to provision the scheme a minimum of 1.8 times the amount to be paid out.

Investment Rules for the Trust

The Trust Policy document would enable the Trust to hold restricted funds in 'trust' for the ARDF Scheme. Restricted Funds are those funds received from the scheme's deposits. The Trust Deed would permit the Trust to establish a Bank Account, Cash funds, Term Deposit or Investments in order to hold Restricted Funds. The rules for the Trust would need to align with Part X of the CIGFPPM and Government's investment policies. The Trust would have a Fund Policy attached to it.

Funds distributed from the Trust could be designated according to what phase of development the ARDF Scheme is in:

- Category 1** Funds for the Managing Agency to pay for goods, consulting services, non-consulting services, training and operating costs for:

¹ CIGFPPM Effective 01 May 2019.pdf

- Establishment and operationalisation of the Scheme
- Monitoring and evaluation of the Scheme processing
- Development of Scheme policies

Category 2 First instalment phase
Category 3 Second instalment phase

Funds received as Category 1 would be required to be held by the Trust within a designated bank account. Funds received as category 2 or 3 and those from investments may be held in term deposits or as investments at the discretion of the Trust.

The Trust Deed would set out rules establishing a maximum dollar value of Restricted Funds, or a ratio designed to set a maximum. The rules may differ between instalment phases.

Financial Management Information System (FMIS)

FMIS, the Cook Island Government's financial management system, will contain records for the following transactions that 'touch' CIG accounts:

1. Seed funding, if paid
2. (Financial Performance) Transfers from the Trust account to ICI
3. (Financial Performance) Transfers from ICI to:
 - a. Depot operators, for refunds
 - b. Logistics contractors, for collections
 - c. Processors, for processing fees
4. (Balance sheet) Liability and contingent liability

There will be a staff member at ICI/the Managing Agency who will be given the required FMIS permissions and responsibility for ensuring compliance with CIGFPPM. The FMIS team have assured us that ICI will be one of the first agencies to have full FMIS functionality.

The frequency with which FMIS is updated depends on the ICI staff member's ability to put it through the system. FMIS can be done instantaneously but it is equally possible to build-up a receivable and payable, settled at the end of a month.

FMIS is designed to allow commentary against recorded transaction. Commentary can be used to record the volumes of each product for which refunds have been issued. Alternatively, invoices and remittance confirmations (in pdf) can be saved against the transaction. This will allow for ICI and its auditors to reconcile waste flows with financial flows.

It is the responsibility of ICI to ensure that all financial processes for this scheme are in line with the Cook Islands Government Financial Policy and Procedures Manual (CIGFPPM).

Establishment Contract Structure

The draft Bill gives flexibility for the day-to-day operation of the scheme to be either a government agency or a private agent. This document assumes that ICI is in charge of operating the scheme (the 'Managing Agency'), and is the Principal for contracts.

Cook Islands Government Procurement Rules will apply to contract procurement.

There will be three types of contract needed prior to the establishment of the scheme, plus a Trust Deed.

Pro forma contract for depot operators	Between approved depot operators (e.g. CITC, Wigmores and other shops) and the 'Managing Agency' (ICI). This contract governs the conditions that the depot must continue to operate under, expectations in relation to reporting, dispute resolution, waste audits etc
Pro forma contract for logistics and waste exports	Between logistics contractor / waste exporter (e.g. General Transport, Taio Shipping) and the 'Managing Agency' (ICI)
MoU between Managing Agency and MFEM	An MoU between 'Managing Agency' (for now, this will be ICI but it could pass to a different operator in the future) and MFEM. This contract would establish that seed funding will be paid, the amount, and the details of the Trust that it would be paid to, and the requirements for repayment to MFEM in the event of the Scheme winding-up.
Trust Deed for the Fund	Allow for a Trust to govern the Fund: liquidity and settlement rules, investment rules, audit and reporting requirements, details of Trustees, establishment phases.

Settlements

A settlement system will be needed so that ICI (or the 'Managing Agency') can send a signal to the Trust that a 'top-up' or 'draw-down' from the Trust account is needed. An automatic process will be investigated to allow this to happen so that from ICI won't have situations in which payments cannot be made. This will likely be linked to the liquidity ratio suggested above.

Similarly, an automatic process for what happens when the operating balance held by the Managing Agency is 'too high' can be designed.

BTIB have a Revolving Fund that they use which is similar – but it establishes BTIB as a lender not a borrower – some of the clauses may be applicable.

Seed Funding

Funding is needed and a reasonable allowance for refunds at the beginning of the scheme. Over time, these upfront costs could be recovered by the managing agency from the ARDF scheme itself as more items are returned through the scheme. The seed funding for the refunds could be through:

1. Delaying the payment of refunds until a specific amount has been generated e.g. 3 months
2. Government setting aside a sum to pay out refunds

If there are no sources of seed funding from other sources, an appropriation (Budget Bill) will be needed to provide for the seed funding.

Monitoring, Reporting and Compliance Issues

The Trust Deed will establish audit and transparency requirements on the Trust. ICI's audit and transparency requirements will be set by the Public Expenditure Review Committee and Audit Act 95; Ministry of Finance and Economic Management Act 95-96 and subsequent amendments. CIGFPPM will apply to all agencies.

Reporting on the performance of the ARDF Scheme as a whole will be the responsibility of ICI/The Managing Agency. Reporting functions should be separated from funds operation.

Products to be included in the ARDF Scheme

The Cook Islands ARDF is envisioned to eventually apply to a wider variety of products and packaging over time. This is because the processing and final disposal of packaging destined for landfill has a cost. Additionally, the future of residual waste disposal may rely on technology and/or offshore shipping, both of which will incur costs just as landfilling currently does.

The introduction of the ARDF Scheme proposes to begin with specific products that are imported. The products shall be specified under regulations under the Bill. The sums are outlined under Table 3. The following products are identified for the ARDF to be applied to in the first instance:

- Vehicles and heavy machinery
- Electrical goods
- Whiteware (for example washing machines and dishwashers)
- Beverage containers
- Tyres

These items have been identified in the Feasibility Study for inclusion as they comprise either a large part of the waste stream, a large part of the existing waste stockpiles, or a recycling mechanism already exists. It is proposed to phase in the ARDF over time, starting with these items and gradually expanding to include other products when and where approved. The ARDF applied to vehicles, whiteware, electrical goods and tyres will be based on weight categories while the beverage containers will be per item.

The Feasibility Study also recommended applying the ARDF to disposable nappies, however, without any other management option (other than landfilling) readily available and due to it being a potential public health hazard, it was decided to delay including them. ICI has a potential market solution for used disposable nappies to consider for the future.

Calculated amounts for the ARDF are outlined in Table 3 below. Subject to Cabinet approval, these amounts will be included in regulation of the Bill. These figures are subject to change.

Table 3: Proposed value of the ARDF per specified ARDF items (subject to modelling assumptions)

Items	Measure	Refund	Handling Fee	Management fee	ARDF
Vehicles and machinery	Up to 100kg	\$0.00	\$0.00	\$50.00	\$50.00
	101+kg	\$0.00	\$0.00	\$100.00	\$100.00

	Up to 3,000kg	\$0.00	\$0.00	\$450.00	\$450.00
	Between 3,001kg and 20,000kg	\$0.00	\$0.00	\$1,050.00	\$1,050.00
	Above 20,000kg	\$0.00	\$0.00	\$2,000.00	\$2,000.00
Laptops	All	\$20.00	\$2.00	\$10.00	\$32.00
Monitors	All	\$20.00	\$2.00	\$10.00	\$32.00
Computers	All	\$20.00	\$2.00	\$10.00	\$32.00
Medium TV	Up to 10kg	\$20.00	\$2.00	\$20.00	\$42.00
Large TV	10kg+	\$20.00	\$2.00	\$40.00	\$62.00
Printers	Up to 20kg	\$20.00	\$2.00	\$10.00	\$32.00
Printers	Over 20kg	\$20.00	\$2.00	\$80.00	\$102.00
Microwaves	All	\$20.00	\$2.00	\$10.00	\$32.00
Ovens	All	\$20.00	\$2.00	\$60.00	\$82.00
Dishwashers	All	\$20.00	\$2.00	\$60.00	\$82.00
Washing machines	All	\$20.00	\$2.00	\$60.00	\$82.00
Dryers	All	\$20.00	\$2.00	\$60.00	\$82.00
Fridges	Up to 75kg	\$20.00	\$2.00	\$50.00	\$72.00
Fridges	Over 75kg	\$20.00	\$2.00	\$150.00	\$172.00
Commercial chillers	All	\$0.00	\$2.00	\$200.00	\$202.00
Deep freezers	Up to 40kg	\$20.00	\$2.00	\$50.00	\$72.00
Deep freezers	76kg to 85kg	\$20.00	\$2.00	\$150.00	\$172.00
Air-conditioners	All	\$20.00	\$2.00	\$50.00	\$72.00
Containers (plastic)	Per item	\$0.20	\$0.05	\$0.15	\$0.40
Containers (Aluminium)	Per item	\$0.20	\$0.05	\$0.05	\$0.30
Tyres	Between 3kg - 10kg	\$0.00	\$1.00	\$5.00	\$6.00
	11 to 50kg	\$0.00	\$1.00	\$10.00	\$11.00
	51 to 100kg+	\$0.00	\$2.00	\$20.00	\$22.00

Quantities and Costs

MFEM Economic and Planning Division have prepared modelling for the ARDF Scheme to estimate products that pass through the scheme and the associated funds generation from the ARDF applied. The modelling is included in the Policy.

Vehicles, electrical and whiteware appliances are expected to be fully recovered while beverage bottles and tyres have been estimated to have a 75% return rate. Tyres in the lightest category (for bicycles) are expected to have a 50% recovery rate.

Beverage bottles have an expected recovery time of 3 months while vehicles and appliances will likely be 10 to 20 years, and large vehicle tyres up to 3 years.

For the purposes of modelling, assumptions have been made about the number of items that could pass through the scheme each year. These assumptions are based on data provided by statistics and an importer. The early years may see higher numbers than later years due to

stockpiles on islands. For vehicles, this could be between 40 and 50 per year. For heavy machinery, a figure of 15 has been used. For appliances, again, earlier years may have higher quantities due to stockpiles but appliances range from below 10 to over 300 over the range of appliances and electrical gadgets. Due to the short life cycle of beverages, these will have the highest turnover rate. Over 2 million plastic PET and aluminium cans are expected to pass through the scheme.

Based on the modelling, approximately \$1.1M is expected to be received into the fund while the operation of the scheme including equipment maintenance and replacement, will vary between \$600,000 and \$800,000 per year for the first eight years, then rising to between \$800,000 and \$900,000 after eight years, as costs increase.

Expected Administration Costs

The estimated costs for software maintenance, investigations of any dishonesty, bank fees and Trust Fund costs is \$4,000 per year. Two roles on the waste management staff structure includes administrative duties for the ARDF and are already funded through the personnel budget but to be prepared for the need for additional staff to manage the scheme, a figure of \$105,000 has been added. This brings administration costs to a total of \$109,000. Awareness costs are to come from the fund as well and are estimated at no more than \$25,000 every five years.

Review

Operations

A review of the scheme will be conducted by Waste Management three months after the scheme starts to assess how successful the scheme has been in terms of cost recovery and recovery of items. The Standard Operating Procedure for the scheme will require a 6 monthly review during the first two years and thereafter an annual review.

A target that changes over time will be set to compare to past years audits and compare to imports to judge the success of the scheme over time.

Financial Audit

Financial Auditing will be on an annual basis as per the Cook Islands Government financial process. Annual financial auditing will also be commissioned to an external auditor.

Fee setting

Over time, a review of the ARDF sums are to be reviewed to ensure that that the cost of recycling/disposal is reflected in the ARDF. The fee could be impacted by rising inflation or the increasing value of materials that can offset costs. This review will be conducted by MFEM and ICI as administrators of the scheme.

The Industry

Current Services

There are domestic and international shipping companies that are capable of providing land and sea transport services. One domestic land and shipping company conducts transport and processing of recyclables as part of their core business operations. There are other local private businesses that are capable of providing processing services in dismantling and/or baling materials.

Importers and Retailers

Importers of the introductory items will be affected initially and then retailers. This covers approximately 80 individual shops and companies. About 20 of these companies are importers of beverages, vehicles, tyres and appliances.

Communicating the Scheme

ICI has commenced development of a Communications Strategy which will identify key stakeholder sectors and designing effective and relevant communications to those sectors. The aim is to gain support and confidence in the ARDF Scheme.

Reporting of the schemes performance including financial status is to be publicly advertised. This helps with garnering support for and trust in the scheme and ensuring transparency of the scheme.

Public communications will take place across social media, newspapers and television while industry specific communications will be by direct emailing and meetings.

Complementary Waste Management Plans

While the ARDF Scheme aims to reduce bad behaviour and create necessary funds to manage and export end of life items, the Waste Management Division has other plans that work alongside ARDF to implement the 4R Waste Hierarchy – Refuse, Reduce, Reuse and Recycle and keep islands clean.

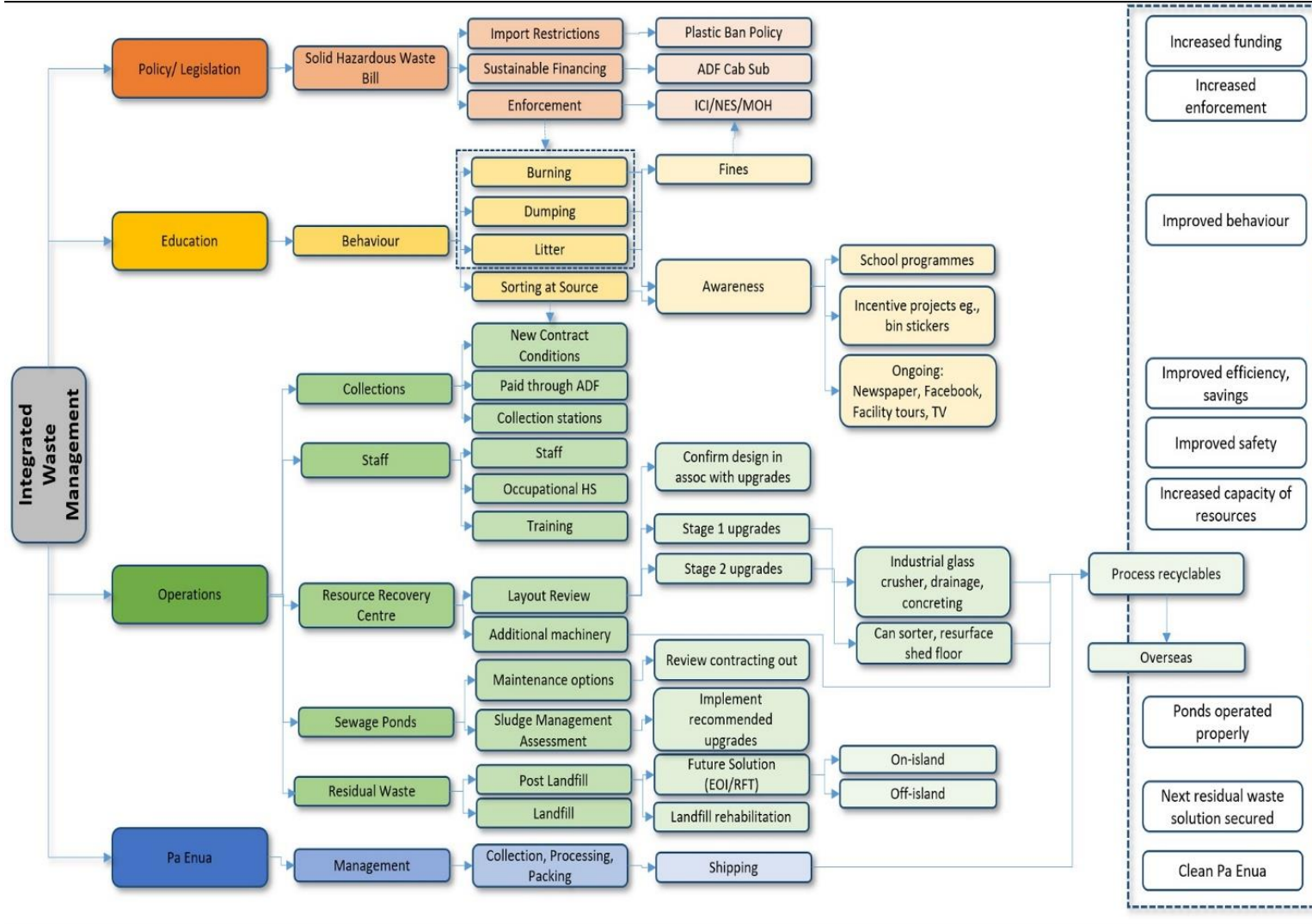
Recognising that minimisation is the first step, the ability to ban products and packaging that create unnecessary or difficult to dispose of packaging and products is written into the Solid and Hazardous Waste Bill.

Projects to change packaging for locally produced goods and provide alternatives for imported products are being sought. The Waste Management Division want to work with local producers and importers to find alternative solutions for packaging and products. Reusing or repurposing waste products into a usable material are being investigated for solutions.

The Waste Management Division is searching the market to identify a viable residual waste solution to replace the function of the Rarotonga landfill. Waste Management is keeping in mind the possibility that the ARDF may need to expand to all imported goods to afford a technology like an incinerator for residual waste. The ARDF Scheme, if successful will remove a portion of PET plastic bottles from the volume that currently enters the landfill. This reduces a high calorific value material from the waste stream for technology based solutions. Any technology reviewed should take into account the reduction of waste stream via the ARDF Scheme.

To further improve behavior and increase efficiency of roadside collection, a practical training programme has been designed and is planned to be complimented by the supply of appropriate bins. Homes, workplaces and classrooms are targeted for this education approach. An alternative collection method has been designed to improve efficiency of the existing roadside collection service. The proposal groups households to a single station with one group member taking care of the station. This is especially important for houses along a hillside road and for keeping roadsides tidy.

Appendix A: ICI High Level Work Plan, referred to in the Policy



Appendix B: Part 6 of the Solid and Hazardous Waste Bill

NB: Bill is with drafters for final editing

Part 6 Advance recovery and disposal fees

1 Advance recovery and disposal fee

- (1) A person who imports goods (an **importer**) must pay the Customs the amount prescribed in regulations set for each item or class of items specified in the regulations as an item or class of items for which an advance recovery and disposal fee is payable.
- (2) Subsection (1) does not apply in relation to an item or class of items that is exempted from the payment of advance recovery and disposal fees under the regulations.
- (3) The prescribed fee must be paid to the Customs before the date on which the goods are released by Customs, or on an earlier or later prescribed date.
- (4) Despite anything in the Control of Prices Act 1966, an importer of goods may add the amount of the fee on each item imported to the retail price of the goods but the amount of VAT payable is not affected by the fee.
- (5) The regulations may be amended to increase or decrease the advance recovery and disposal fee payable in respect of an item or class of items specified in the regulations items as an item or a class of items that are subject to an advance recovery and disposal fee.
- (6) The Ministry must take reasonable steps to notify affected importers of any increase in an advance recovery and disposal fee made under subsection (5) before it takes effect.
- (7) However, a failure to notify importers does not affect the validity of an increase in the fee.

2 Entitlements to refunds on items returned

A person in possession of an item described in the regulations on which an advance recovery and disposal fee has been paid is entitled to a refund in the amount set out in regulations (which may be less than the advance recovery or disposal fee), when the person gives the item—

- (a) to the Ministry at a collection depot at a place set out in regulations; or
- (b) to another person operating a collection depot at a place set out in regulations, with the authority of the Ministry;
- (c) to a depot operated under the authority of the Ministry, that uses a mechanised system of disposal.

3 Offences relating to advance recovery and disposal fees

A person commits an offence and is liable on conviction to a fine not exceeding \$50,000, who—

- (a) intentionally refuses, or without reasonable excuse, fails to pay an advance recovery and disposal fee which the person is liable to pay; or
- (b) intentionally, with intent to defraud, claims or takes the benefit of an exemption from an advance recovery and disposal fee without being entitled to that benefit.

4 Civil proceedings

An advance recovery and disposal fee that is unpaid after it has become due for payment is recovered by the Ministry from the person liable to pay the debt as a debt due to the Crown.

Appendix C: Feasibility Study