PRGS The Packaging Recycling Group Scotland
Partnership action to boost recycling, and reduce waste and littering

Deposit Return System call for evidence
Response from Packaging Recycling Group Scotland

The Packaging Recycling Group Scotland, PRGS, is a group of 33 leading food and drink companies and industry bodies that shares the Scottish Government's ambitions to tackle littering and increase recycling. See Appendix A for list of members.

In April 2014 we presented a proposal to the Scottish Government offering to work in partnership with them and other stakeholders to build on anti-litter initiatives, particularly the Clean Up Scotland campaign and strengthen the current kerbside recycling system. See www.prgs.org.uk

PRGS members work throughout the supply chain from the wholesale and retail sectors large and small to packaging producers. By harnessing their marketing and communication skills, not just with their customers and suppliers but also their staff and working with local authorities and others, we believe we can change attitudes and behaviour in a positive, progressive way.

We also understand the negative impact that a Deposit Return System, DRS, would have on the supply of food and drink in Scotland and in undermining existing efforts to prevent litter and increase recycling.

Instead PRGS offers a progressive, unprecedented alternative to tackle litter using our considerable consumer understanding and creative communications expertise and to achieve a drinks container recycling rate of 80% by 2025, exceeding government targets.

We have listed our additional evidence on a Scottish Deposit Refund system under headings covering the impacts a DRS would have on the various stakeholders and on litter and recycling.

We have also included a first section to highlight the serious limitations of the report *Scottish Deposits Refund System* commissioned by ZWS from Eunomia. Not only does it lack **a cost-benefit analysis, but, of even more significance, it did not consult any retailers, local authorities or waste management companies.** There is little evidence for many of its assumptions.

Information in the DRS report has not been verified and should not be used to inform policy

- The report did not include a cost-benefit analysis, nor did it consult any retailers, local authorities or waste management companies.
- It did consult Reverse Vending Machine, RVM, manufacturer TOMRA which lobbies worldwide for DRS. RVMs are expensive, sophisticated machines. Installing them to accept a minor stream of used packaging will be costly and inconvenient for consumers and will tie retailers and manufacturers to a system that will generate long-lasting profits for RVM manufacturers.
- The report includes information about DRS in selected countries but did not assess countries that have carried out impact assessments of DRS and rejected them – Czech Republic, France, Ireland, Poland, Spain, Switzerland.

- It failed to consider A.G. Barr's returnable bottle scheme that still operates today. Current return rate is 54% with a 30p refundable deposit. In contrast and with no supporting evidence, the report predicts return rates of 85-95% with a 10p-20p deposit.

- The conclusions of the report are therefore of limited value.

A DRS would increase costs, be inconvenient for consumers and would penalise low income families

- Consultancy Environmental Resources Management Limited (ERM)[1] examined the potential implications of introducing deposit return systems for beverage containers and concluded it would **cost Scottish consumers an extra £155m per year, or £65.30 per household.**

- The proposed scope is wider than anywhere in Europe. It includes drinks cans, bottles, and cartons made of glass, metal, plastic. It includes alcoholic drinks, possibly milk and even food products.

- It is not the scheme from our childhoods when people took empties to the shop to be collected and refilled. Rather than encouraging reuse, it is an alternative recycling collection method, which requires people to walk past the recycling bins at their front door and return all drinks containers to shops.

- Consumers will have the inconvenience of having to store empty containers at home separately from other containers, take them back to stores and queue to return them. Consumers are also likely to be confused by which containers carry a deposit and should be returned to store and what should be recycled by the local authority.

- It takes no account of the extra inconvenience for older people, those without access to transport or low income families.

- The cost of a can or bottle could increase by up to 40% to cover system costs - an average can of soft drink would go up from 65p to almost £1 (with only 20p of that increase refunded).

- Unlike the carrier bag charges, which are avoidable if people take their own bags, a deposit on drinks containers is not.

- The report does not take account of a number of other costs that will be passed on to consumers, including higher production and handling costs, provisions to deter fraud, the use of counterfeit-proof ink for labelling and many others.

- **The report puts a high value on people's willingness to pay for reduced littering but no value on the costs, wasted time and inconvenience that people would face.**

[1] An Evaluation of the Financial and Environmental Impact of changes to Recycling Systems in Scotland: including a Deposit Return Scheme" by ERM commissioned by Coca-Cola Enterprises, Feb 2013 - The report, it's modelling and assumptions were peer reviewed by an independent environmental expert.

A DRS would add costs and complexity for Scottish and other businesses

- The report says TOMRA charges £30,000 per RVM and £2,000 for installation. It isn't clear if these costs are based on the report's assumption that top-of-the-range RVMs would be used which compact containers and can also read bar-codes on cartons, which is technically challenging because of their shape.

- Even using the report's assumptions, this would mean an investment of £86.4 million for the 2,700 machines the report says would be needed.

- Valpak estimates that a DRS could affect 15,000 product lines, not the 2,000 estimated in the report.

- The report has not considered the problems faced by companies that have tried RVMs. See Appendix B for a major UK retailer's experience.

- Space in bars and shops that have never had to store empty containers will be a problem. Supermarkets will also have to be careful how they store milk and juice containers to safeguard health and safety requirements.

- The deposits scheme in Germany changed shopping habits. People shifted from small convenience stores to larger retailers because small stores did not have space to install reverse vending machines and therefore customers had to queue at checkouts to return containers. This also meant that people travelled by car, instead of walking. A DRS risks turning people away from shopping in high streets.

A DRS risks undermining Local Authorities' kerbside recycling systems

- The impact of deposits will affect both street cleaning services and recycling systems and will likely increase costs of both.

- The cost of emptying litter bins and street sweeping will hardly decrease because other litter – newspapers, travel tickets, coffee cups, chewing gum, cigarette packets and ends etc. – will still need to be dealt with. It is likely that costs could increase because deposits may encourage people to empty litter bins to scavenge for containers. They are unlikely to replace other items of litter after emptying.

- Drinks containers have a relatively high scrap value compared with other recyclables. Local authorities would therefore lose this value but would still incur similar collection costs (primarily labour and transport) collecting a smaller amount of lower value materials.

- Valpak has estimated that the lost revenue to local authorities would be £8.7 million a year, if the DRS achieved an 80% return rate.

A DRS would target only a small amount of litter and have no impact on littering behaviour

- Eunomia says beverage containers are 40% of litter based on volume. Studies that measure number of littered items put it at between 3%-20%.

- The report suggests that there could be a reduction in litter of around 17% but there is little hard evidence from anywhere that deposit schemes reduce littering.

  Sweden has had deposits on drinks containers for 30 years and despite increasing the on-the-spot fines for littering drinks containers to £63 in 2011, it is still a problem. In any case, Sweden is not comparable with Scotland. Only 30% of Swedish households have kerbside recycling compared with national coverage in Scotland.

- The report's estimate of cost savings from litter reduction is speculative.

- No Scottish authority records the amount of litter collected. The report has ignored the most recent survey of the number of littered items in Scotland, carried out by Keep Scotland Beautiful Composition of Litter in Scotland 2104. Instead it has used an estimate of the amount of littered drinks containers by weight from a previous study by Eunomia.

- Weight of litter is of little importance - 30 grams of plastic could be 1 bottle or 20 yogurt pots. The cost of cleaning them up is very different. The report applied a further calculation to the weight data to come to the conclusion that 86% of litter could be recycled, worth £0.6 million.

- The report puts a value on the disamenity cost of litter at between £513m to £770m, based on four studies of people's claimed willingness-to-pay for less litter, three of which are not named. The fourth is a 2011 study by Wardman, University of Leeds Institute for Transport Studies for Defra. It showed people four photos of different levels of littering but, as the study points out, the results are an average value.

A DRS would require more SKUs, would lead to fraud and therefore increase costs to consumers and businesses

- Some system of labelling containers that would carry the deposit would be required. Two labelling options are suggested:

  - a Scotland-specific label and barcode. The report suggests costs of £1.2 million for increased warehousing but this is only a small part of the extra costs that brands would incur.

    The report makes no mention of the effect that a significant increase in Stock Keeping Units would have on the packaging line efficiency of producers' manufacturing plant. It would also create stockholding and distribution problems for retailers, would increase costs of goods and likely reduce choice.

  - a UK-wide label which would only be active for goods sold in Scotland. Roughly 75-80% of brands are sold UK-wide so most will opt for this label but this would encourage people to buy drinks in England and claim deposits in Scotland. Financial losses from fraud would get passed on to consumers.

- In the US fraud is a serious problem even though deposit levels are only 5 cents or 10 cents (3p or 6p). The California state body that administers the deposits system carried out a 3-month study of truckloads of containers sent to California from non-deposits states. It found that $30 million (£19 million) was being claimed for illegal redemption in the state each year.

- There has also been a case where Hungarian containers with counterfeit labels were sold in Germany (the German deposit is 3-6 times higher than the US deposit rate). Distance from Budapest to Berlin is 545 miles, more than the distance from Calais to Edinburgh (519 miles).

- Any labelling system would require a counterfeit-proof ink. These are expensive and the cost would be passed on to Scottish consumers.

A DRS would not increase recycling rates

- **The report provides no evidence for its assumption that a 10p deposit would produce an 85% return rate and a 20p deposit a 95% return rate.**

- It suggests that a deposit return system would increase recycling rates. However, this would only be for those containers within the system.

- Even in Denmark, which has always had deposits on drinks containers and where consumers never lost the habit of returning containers to the store, the return rate is below 90%, though the law set a target of 95% in 2001 and the deadline for achieving it has been postponed more than once since then.

- Hawaii, the most recent US state to impose deposits (2005) was at 72% until 2011 and reached 77% in 2012.

- **The report has ignored AG Barr's experience with a deposit on glass refillable bottles. Their customers make a conscious decision to choose containers with a deposit so a high return rate would be expected.**

  In fact, despite much effort to keep the system working, including increasing the deposits from 20p to 30p in 2008, many of its customers forfeit the refund. In 2012, when the government included glass in kerbside collections the return rate dropped from 65% to 57% and has kept going down to 54% today.

- The trial machines in Heriot Watt University achieve 50% recovery, despite the machines being close to where the drinks are consumed and the sales outlets and the fact that the university campus is a largely closed and pedestrian community.

Appendix A

PRGS members

<u>Trade organisations</u>

The Alliance for Beverage Cartons and the Environment (ACE) UK
The Aluminium Packaging Recycling Organisation (Alupro)
Beverage Can Makers Europe
British Glass
British Hospitality Association
British Plastics Federation
British Soft Drinks Association
Confederation of Paper Industries
The Foodservice Packaging Association
Industry Council for research on Packaging and the Environment (INCPEN)
NACM Cider Makers Ltd
National Federation of Retail Newsagents
The Packaging Federation
Recycling of Used Plastics (Recoup)
The Recycling Association (represents the waste paper sector)
Scotch Whisky Association
Scottish Beer and Pub Association
Scottish Food and Drink Federation
Scottish Grocers' Federation
Scottish Licensed Trade Association
Scottish Retail Consortium
Scottish Wholesale Association
Wine and Spirit Trade Association

<u>Individual companies</u>

Ball Packaging
A G Barr
Britvic
Coca-Cola Enterprises
Lucozade Ribena Suntory
Nampak
Red Bull
Rexam
Tata Steel
Tetra Pak

Appendix B

A major UK retailer's experience of Reverse Vending Machines

- Reverse Vending Machines, RVMs, were installed in the car parks of 100 stores in the late-1990s in England and Scotland.
- Car parks were chosen because of lack of space in stores.
- The total cost of a machine plus its installation, ground work wiring, internet connections is far in excess of the estimate of £35,000 in the DRS study. Per store it could be as high as £100,000 today.
- Some smaller RVMs were installed in small stores at a cost of around £10,000 plus installation. These created problems because they occupied space that would otherwise have been used for selling and the return rates were low.
- The machines collected only a limited range of container types.
- Infestation by wasps, flies and even rats was a problem.
- In the early days of operation, loyalty points were offered as an incentive to return plastics bottles and metal cans. Some customers cut bottles into small pieces to claim a reward on each piece so the incentive had to be stopped.
- The machines were removed after 9 years having reached the end of their life and new spare parts would have had to be manufactured because there were none available.

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