



A.G. Barr p.l.c.

Deposit-return scheme - response to call for evidence

The following information has been compiled by A.G. Barr p.l.c. in response to Zero Waste Scotland's "call for evidence" regarding the feasibility of a Scottish deposit-return scheme (DRS).

A.G. Barr is a founding member of the Packaging Recycling Group Scotland (PRGS) and as such fully supports the response which has been submitted collectively on behalf of all PRGS members.

To supplement the PRGS response, we would make the following key points, elaborated on below :

1) The PRGS is ready to act NOW with a more effective and credible alternative to a DRS

2) A DRS for drinks containers could well be seen as a form of "tax" on Scottish consumers in respect of both their time and finances. The cost of favourite products they consume every day will increase and will hit those with already tight household budgets the hardest, creating greater inequality

3) A DRS has the potential to reverse or undermine the tangible progress made by Scottish local authorities in household recycling

4) A DRS would undoubtedly be subject to fraud, from small scale scavenging to large scale cross-border trafficking. We note the Scottish Government's approach to secure a UK wide scheme in recognition of this risk but also the UK Government's opposition

5) We believe the Eunomia DRS feasibility study has significant shortcomings as a piece of research and is not a credible basis for a decision to introduce a DRS in Scotland

6) For a 30p deposit, A.G. Barr is currently recording return rates of 54% for its returnable glass bottle scheme. This seriously calls into question the credibility of the 85%-95% range (for 10p to 20p deposits) suggested as feasible by Eunomia

7) A DRS has the potential to seriously undermine A.G. Barr's business in Scotland

8) In already challenging times, a DRS would make life even tougher for Scottish business and industry. This would be seen as a strongly anti-business and anti-consumer measure with dubious positive impact and clearly definable negative impact

9) A DRS would be administratively complicated and onerous for all involved – while the theory sounds simple the reality would be extremely complex and costly

10) A DRS would be a step backwards for Scotland and a step backwards for recycling. We would have no choice but to oppose this move.

1) The PRGS is ready to act NOW with a more effective and credible alternative to a DRS

The Eunomia report on the feasibility of implementing a DRS in Scotland states :

“...it would seem appropriate to allow no less than two years from the date at which the decision to proceed has been made, and when the scheme’s design has been finalised. Time to finalise scheme design would also be needed prior to this point.”

There would appear to be few concrete facts backing up the assumptions made in the report, but what is clear is that such a scheme is not implementable in its current state and could take several **years** to deliver.

The PRGS is offering an alternative to a DRS which can be implemented quickly, with visible progress within a matter of **months**.

The PRGS represents an unprecedented coalition of the willing. We believe much could be achieved if we work collaboratively and harness our collective expertise and enthusiasm.

Specifically, the PRGS proposal can unlock the consumer marketing expertise of the PRGS membership to support and stimulate positive behaviour change.

A.G. Barr has years of experience delivering campaigns that engage sometimes hard to reach Scottish consumer groups. We are ready to invest in imaginative solutions and practical initiatives to reduce litter and increase recycling, starting NOW.

2) A DRS for drinks containers could well be seen as a form of “tax” on Scottish consumers in respect of both their time and finances. The cost of favourite products they consume every day will increase and will hit those with already tight household budgets the hardest, creating greater inequality.

The reaction of Scottish consumers, when they truly understand the implications of a DRS for them personally, should not be underestimated.

A DRS could well be viewed as a “tax” by Scottish consumers. **In simple terms they will have to pay more for products that they purchase regularly, before the deposit is redeemed. In many cases affordability will be a real issue, for Scottish consumers who do not have sufficient funds to increase their weekly shopping bill.**

In addition to soft drinks, many staple weekly family purchases, such as milk, squash, fruit juice, beer and wine will carry a deposit, and when totalled up for the week could increase a weekly shopping bill by a significant amount.

In November 2012, Coca Cola Enterprises commissioned leading environmental consultancy ERM to analyse the financial and environmental impact of changes to recycling systems in Scotland, with a focus on the potential implications of introducing a DRS for beverage containers.

The report estimated that the cost to the consumer would be in the region of £150m extra per year.



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Following purchase and consumption, each container would then need to be returned to a retailer to redeem the deposit. This would add an unwelcome time and convenience burden. For some vulnerable groups, such as the elderly or those with mobility issues, this inconvenience will be felt even more sharply.

Put simply Scottish consumers will have the inconvenience of bypassing their increasingly well functioning kerbside recycling to load up with empty containers and transport them to a retailer. A DRS will penalise those who already recycle by obliging them to undertake a more burdensome task.

3) A DRS has the potential to reverse or undermine the tangible progress made by Scottish local authorities in household recycling

Local Authorities across Scotland have made significant progress in household recycling.

Scottish Government's Zero Waste Plan is targeting 70% for recycling of all waste by 2025.

It was therefore particularly encouraging to hear from Valpak's PRN study that beverage container recycling rates are already at :

PET	52%
Aluminium cans	62%
Steel cans	68%
Glass	70%

It is clear that Local Authority household recycling is working. The improvements validate the widely held belief that improved recycling, and indeed reduced littering, are best achieved through behavioural change, over time.

A DRS would undermine this progress, could seriously affect local authority revenues and has the potential to make kerbside recycling unsustainable.

4) A DRS would undoubtedly be subject to fraud, from small scale scavenging to large scale cross-border trafficking. We note the Scottish Government's approach to secure a UK wide scheme in recognition of this risk but also the UK Government's opposition.

In the Eunomia report "A Clean Sweep" (2015) it is stated that "*if the deposit is sufficiently large, consumers will be more likely to keep hold of their bottles of cans if they have a value; if they do decide to litter, someone else may pick up the container to redeem the deposit*".

The higher the deposit required, the higher the value placed on the container and the higher the likelihood of abuse.

The scope for fraud in a Scottish DRS is huge.

On a small scale we could see people scavenging in bins for containers, as is the US experience. On a medium scale there is the potential for local authority amenity centre looting. And on a larger scale there



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is the very real possibility of cross border trafficking of deposit bearing containers. It costs around £400 to move a lorry load of cans from England to Scotland. A single lorry could carry 160,000 crushed cans or £32,000 worth of deposits.

The labelling options suggested would not prevent fraud and would have the potential to segment the market and hamper trade.

5) We believe the Eunomia DRS feasibility study has significant shortcomings as a piece of research and is not a credible basis for a decision to introduce a DRS in Scotland

It would be unwise to use the Eunomia report as the basis of a decision to introduce a deposit-return scheme in Scotland, due to serious shortcomings in its methodology and recommendations. These include :

- **Limited consultation** – by failing to consult with an adequate pool of stakeholders, the report misses crucial insights into how the drinks market actually works e.g. pricing, competition, consumer dynamics
- **Failure to consider A.G. Barr’s returnable glass bottle scheme** – A.G. Barr was not approached to discuss its returnable glass bottle scheme currently in operation in Scotland. With current return rates of 54%, compared to Eunomia’s DRS projected return rates of 85-95%, this is a glaring omission.

Imbalanced view of deposit schemes operated in other countries - the report fails to consider those countries where deposit-return scheme have been considered but rejected – Czech Republic, France, Ireland, Spain and Switzerland.

6) For a 30p deposit, A.G. Barr is currently recording return rates of 54% for its returnable glass bottle scheme. This seriously calls into question the credibility of the 85%-95% range (for 10p to 20p deposits) suggested as feasible by Eunomia

A.G. Barr’s returnable glass bottle scheme has been in operation for c.140 years. To all intents and purposes it is a deposit return scheme, albeit the bottles, once returned, are washed and re-used.

Despite increasing the deposit from 20p to 30p in 2008, the scheme has seen return rates declining.

A.G. Barr – Return rates for returnable glass bottle scheme

1953	1993	2003	2010	2011	2012	2013	2014	2015 (YTD)
99%	90%	75%	65%	65%	57%	56%	55%	54%

The scheme has seen return rates fall considerably as kerbside recycling has improved, as seen from 2012 when household glass recycling was introduced.

Eunomia chose not to consult with us on our scheme despite it being a current example of a Scottish DRS.



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A return rate from a mandatory system could be significantly less than 54%. It would certainly not in our view be in the 85%-95% range, as evidenced as feasible by Eunomia, for a 10p to 20p deposit.

7) A DRS has the potential to seriously undermine A.G. Barr's business in Scotland

A.G. Barr employs over 1,000 people, the majority of whom are in Scotland. We make a significant contribution to the Scottish economy, acting responsibly in all that we do.

Our environmental performance is of great importance to us and we have made real progress in increasing our commitment to sustainability :

- We have reduced our energy consumption per tonne of product by 23% since 2007.
- We expect to achieve our aim of putting zero waste to landfill this year. At present 99% of our waste streams are recycled.
- Our light-weighting programme has seen the weight of our 500ml PET bottles halved since we launched this pack size in 1996.
- We work in partnership with Zero Waste Scotland and ALUPRO to fund the Every Can Counts scheme in Scotland, which aims to drive up can recycling rates outwith the home.
- We are a signatory to Keep Scotland Beautiful's "Clean Up Scotland" campaign, engaging in clean up activity in our local community.

We have always played our part in supporting and investing in both the Scottish economy and the Scottish community and are more than willing to work in partnership with the Scottish Government to achieve its aims and objectives, be they waste related or otherwise.

However a DRS poses a real threat to our business across a number of fronts :

- **Disproportionately disadvantaged** – In a highly competitive industry A.G. Barr, and all other Scottish domiciled companies with disproportionately high market share in Scotland, could be made significantly less competitive by the introduction of a Scottish DRS. The negative effects of a DRS would be felt to a much greater degree by A.G. Barr than its competitors.
- **Reduced revenue** – a deposit of up to 20p per drinks container will reduce demand for our products in Scotland. Many consumers will simply not have the disposable income to allow them to purchase their normal weekly shopping AND pay a deposit on all beverages purchased. As a business with a firm footing in Scotland, this would seriously jeopardise our business model.
- **Laying the blame, and cost, of littering at the door of a responsible business** – the Eunomia report suggests that *"it seems reasonable to place the responsibility for funding the [DRS] scheme with the fillers"*. As "fillers", we do not litter. We recycle 99% of our manufacturing waste. The beverage industry, which creates jobs and adds value to the Scottish economy, would effectively be penalised for the acts of others.



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- **Discriminating against the beverage industry** – despite contributing to the Scottish economy and community, the beverage industry (soft drinks, alcohol and dairy) would be singled out through the introduction of a DRS. It would not address the countless other forms of litter discarded across Scotland.
- **Adding further significant cost and complexity through labelling and logistics** – Eunomia sets out 2 labelling options in their report :
 - We could adopt a Scottish DRS logo on all our products. This would mean redesigning the artwork for over 500 different labels and would have significant cost implications. This option would see us penalised for being a UK-wide business through higher producer fees.
 - We could adopt a Scottish DRS logo for products consumed in Scotland. This would double our 500+ SKU (product line) stockholding and mean significant cost and complexity in terms of storing and transporting our products. To give some context, warehouses are built with a set number of picking “slots”. If Scottish only DRS labels were required, our £17m Cumbernauld warehouse, which delivers to Scotland and northern England, would have only half the required picking slots

8) In already challenging times, a DRS would make life even tougher for Scottish business and industry. This would be seen as a strongly anti-business and anti-consumer measure with dubious positive impact and clearly definable negative impact

In addition to the specific threats a DRS would pose for A.G. Barr, other businesses and industries, including **domestic beer, alcohol and milk producers**, would be negatively impacted at a time when Scottish business is already facing many economic and operating challenges. **Put simply, a DRS would disadvantage Scottish based businesses** who focus much of their efforts on developing their local market.

Retailers in particular would be negatively impacted. Small retailers would no doubt struggle to find the space to store empty containers, having to give up precious stock or selling space. They would also find it financially unviable to invest in reverse vending machines and could lose trade to bigger retailers if consumers chose to return “in bulk” to larger stores with better facilities, therefore bypassing the smaller shops. This would seriously jeopardise small independent stores in Scotland, which are an essential part of the community in many areas, particularly rural and island communities.

A DRS is a high cost, complex and inefficient way of attempting to deal with recycling and littering. With broad societal demographics and a diverse geography, it is simply not a sensible option for Scottish consumers or businesses.

9) A DRS would be administratively complicated and onerous for all involved – while the theory sounds simple the reality would be extremely complex and costly

The theory of a DRS sounds simple. The reality of putting such a scheme into practice would be much more complex.



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The administration required to support a new DRS system and infrastructure required would be significant. Surely this time and effort would be better spent focusing on maximising participation in existing pro-recycling and anti-littering initiatives and optimising the assets and systems we have.

A DRS will be confusing for consumers. The progress made in educating consumers on what can be recycled through household recycling would be reversed.

Strangely there are comparisons being drawn between plastic bag duty in Scotland and a DRS. The two schemes are simply not comparable. Consumers can bring their own shopping bags if they wish – a DRS would be enforced. There would be no alternative.

Unlike the plastic bag scheme, a DRS would be extremely complex and costly to establish and operate on an ongoing basis

10) A DRS would be a step backwards for Scotland and a step backwards for recycling. We would have no choice but to oppose this move.

Some supporters of a DRS are likening it to a return to the “good old days” when children collected and returned glass bottles for their deposits.

Times have changed - 10p is not an incentive, 20p is not an incentive, 30p, from our experience, is not even an incentive.

Surely we should be concentrating on the behavioural changes required to stop people littering in the first place.

Many believe that Scotland is going through a transformation where Scottish pride is at the fore. Surely the time is ripe to build on this pride in our country and deliver a campaign that will make Scottish people think about how recycling more and littering less will make a better Scotland.