SFDF/FDF submission to Zero Waste Scotland's call for evidence on a deposit returns system.

This submission is made by the Scottish Food and Drink Federation (SFDF), a devolved division of FDF, the trade association for food and drink manufacturing.

A successful food and drink manufacturing industry is a vital component of a healthy Scottish economy. Food and drink is the largest manufacturing sector in Scotland; our industry has annual sales in the region of £10.4 billion, exports worth £5 billion and employs 46,000 people. In the UK our industry accounts for 400,000 employees, contributes almost 16% of total manufacturing turnover and is worth £21.5 billion to the UK economy.

SFDF supports the Scottish Government's vision of a resource efficient Scotland. To this end in 2012 SFDF with Interface and Zero Waste Scotland set up an Industry Advisory Group (IAG) on resource efficiency which won the Interface Multi Collaboration award in 2014. The IAG acts as a forum to identify and prioritize the most pressing sustainability issues in food and drink. The group then works collaboratively on solutions to these creating examples of best practice and disseminating case studies to the entire industry to ensure the maximum possible impact.

SFDF also advertised Zero Waste Scotland's Resource Efficiency pledge and supported members using this to contribute to the FDF Five-fold environmental ambition.

SFDF supported by FDF has been actively engaged in the work of Packaging Recycling Group Scotland (PRGS), a grouping of food and drink companies along with trade bodies spanning the drinks packaging supply chain in Scotland, to offer the Scottish Government a lower cost alternative. This is based on industry working in partnership with Government, local authorities and others to build on existing infrastructure for household and on-the-go collection as well as a commitment to support current anti littering strategy and campaigns. This would allow the knowledge of partners to be harnessed to help change consumer behaviour on recycling and litter. We therefore fully support the PRGS's response to the evidence call and which is reproduced as Annex 1 to this submission.

SFDF/FDF fully supports the PRGS proposal as a much more practicable approach for increasing recycling and reducing littering in Scotland than a national deposit return system. This includes contributing to reaching the Government's target of 70% recovery and recycling by 2025 including recycling 80% of drink containers. Moreover the PRGS proposal could start immediately and without the cost and disruption of setting up an alternative system.

We have serious concerns about the lack of evidence to support the position that the advantages of a deposit vending scheme, in terms of increased recycling or reduced littering, outweigh the costs of such a scheme on business, local authorities and consumers. There is no cost-benefit report alongside the Eunomia Report, nor did the consultants speak with retailers, local authorities or waste management companies to assess the impacts.

SFDF/FDF main concerns are as follows:

- **Cost impact on producers through 'producer fees':** The Eunomia report leaves the vast amount of the cost to producers through 'producer fees' into the Deposit Return Scheme (DRS). This is not only unfair, but significantly changes the dynamic of shared producer responsibility, by leaving producers to carry the vast bulk of the costs.

- **New labelling requirements**: This would either be Scottish specific with a bar code or a UK label that would only be active for goods sold in Scotland. This leads to operational issues regarding the need for extra stock keeping units (SKUs) which will add cost and complexity including from the need for more warehousing space. Expensive counterfeit ink would also be needed. It is likely labels would be bigger thus costing more and using more materials and hence having an environmental impact. Changeover costs would also be significant.

- **Potential for cross border fraud:** Experience in other countries has shown that fraud can be a serious problem as detailed in the Annex.

- **Marginal impact on littering:** Beverage packaging contributes just 4.3% of litter Scotland (Composition of litter survey Keep Scotland Beautiful 2014); therefore this is a very expensive and complex scheme for such minimal returns.

- **Impact on local authority kerbside collection schemes:** Local authority household collection schemes have achieved good rates of recycling. It would seem sensible from an environmental and economic standpoint to build on these rather than set up a parallel system which would potentially deprive local authorities of the most valued materials. Also with kerbside schemes consumers benefit from the ease and practicality of simply having to put containers in boxes outside their houses. With a deposit vending scheme consumers will be inconvenienced by the need to queue up and redeem their beverage containers. This could be a significant issue for the elderly with no transport or little storage space.

- **Cost impact on consumers**: To set up the scheme and protect it from fraud could see the cost of a container rise by up to 50%. A peer reviewed ERM study in 2013 found that having a deposit vending scheme in Scotland would cost consumers an extra £155million extra per year which equates to £65 per household through lost deposits and the cost associated with the personal free time spent redeeming deposits.

In summary, SFDF/FDF fully supports the proposal developed by the Packaging Recycling Group Scotland offers a much more practicable approach for increasing recycling and reducing littering in Scotland. This work could start immediately and without the cost and disruption of setting up an alternative system and utilize PRGS partners' expertise and knowledge.

Annex 1

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 litter and increase recycling.

Its members work throughout the supply chain from the wholesale and retail sectors large and small to packaging producers. We are therefore ideally placed to understand the impact of a Deposit Return System, DRS, on the supply of food and drink in Scotland.

PRGS believes a DRS will undermine existing efforts and is not right for Scotland. Instead it 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.

For more information and to read its proposals visit www.prgs.org.uk

Zero Wastes Scotland's call for evidence asks for:

- Additional evidence relevant to consideration of suitability of a Deposit Return System, DRS, in Scotland (eg impact on litter, recycling of litter, wider sustainability impacts, performance and cost compared with experience elsewhere)
- Evidence on how a DRS could be designed and managed
- Evidence of impact on business, consumers (costs and acceptability).

In parallel ZWS published *A Scottish Deposit Refund System* which claims to assess whether a DRS would work in Scotland.

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

- 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.**

A DRS would add cost, unnecessary administration 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.

- The report has not considered the problems faced by companies that have tried RVMs. See Appendix A 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.

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 their deposits system carried out a 3-month study of truckloads of containers coming into 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

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.

The Food and Drink Manufacturing Industry

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SFDF is a devolved division of the Food and Drink Federation (FDF), the voice of the UK food and drink manufacturing industry.

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The following Associations are members of the Food and Drink Federation:

ABIM	Association of Bakery Ingredient Manufacturers
ACFM	Association of Cereal Food Manufacturers
BCA	British Coffee Association
BOBMA	British Oats and Barley Millers Association
BSIA	British Starch Industry Association
BSNA	British Specialist Nutrition Association
CIMA	Cereal Ingredient Manufacturers' Association
EMMA	European Malt Product Manufacturers' Association
FA	Food Association
FOB	Federation of Bakers
GPA	General Products Association
MSA	Margarine and Spreads Association
SMA	Salt Association
SN	Sugar Nutrition UK
SNACMA	Snack, Nut and Crisp Manufacturers' Association
SPA	Soya Protein Association
SSA	Seasoning and Spice Association
UKAMBY	UK Association of Manufacturers of Bakers' Yeast
UKTIA	United Kingdom Tea & Infusions Association Ltd

Within FDF there are the following sector organisations:

Biscuit, Cake, Chocolate and Confectionery Group (BCCC)
Frozen Food Group
Ice Cream Committee
Meat Group
Organic Group
Seafood Committee