

## **Submission: Environment Audit Committee Inquiry into Coffee Cups and Plastic Bottle Disposable Packaging**

1. ACS (the Association of Convenience Stores) and the Scottish Grocers Federation (SGF) welcomes the opportunity to respond to the House of Commons Environment Audit Committee's inquiry into coffee cup and plastic bottle disposable packaging. ACS is a trade association, which represents over 50,000 stores across the UK, including the Co-Op, Spar UK, Nisa Retail, Costcutter, and thousands of independent retailers. More information about ACS can be found in Annex A.
2. While the inquiry will look at a wide range of solutions to increase the recycling rate of coffee cups and plastic bottles, our submission will focus on how the implementation of a deposit return scheme (DRS) would impact convenience stores. Deposit return schemes aim to increasing recycling rates by incentivising the return of packaging by consumer through paying a small deposit when they purchase a product in a certain container (such as glass and plastic bottles). The money is then refunded when the container is returned to be recycled at a shop or recycling centre.
3. We believe that a DRS in the United Kingdom would place financial and operational burdens on retailers and would undermine established household kerbside collections. To inform our submission, we commissioned research comprising of six focus groups across the UK to look at the views of both retailers and consumers on DRS. There was a strong consensus from retailers that a DRS should not be introduced as it would place additional burdens and pressures on retailers. They raised concerns about the lack of space in-store to process returns, increases in staff costs, in-store delays, and also issues regarding hygiene.
4. Consumers were sympathetic to the principles of DRS, they believed that there were other solutions that would be more effective to increase the level of recycling. They had concerns that a deposit return scheme would place additional costs on consumers, make recycling more complex, and may impact on individuals who cannot return their empty containers, for example, car-less households. A summary of the research focus group findings and consumer polling is available at annex C.
5. In addition to the focus groups, ACS commissioned consumer polling of 2000 UK adults<sup>1</sup> to understand their recycling habits and views on DRS. The polling found that 70% of consumers preferred to have kerbside household recycling collections rather than a DRS for bottles and cans<sup>2</sup>. Consumers also responded that they were likely to recycle more if more packaging was recyclable (37%), packaging was more clearly labelled as recyclable (35%) and recycling household collections took a greater range of recycled goods (29%).

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<sup>1</sup> Populus Online Omnibus Survey March 2017

<sup>2</sup> Populus DRS Consumer Polling 2017

6. In 2015, ACS and the Scottish Grocers' Federation (SGF) jointly responded to Zero Waste Scotland's (ZWS) call for views on the feasibility of implementing a DRS in Scotland. Our submission can be found [here](#)<sup>3</sup>. In our response, we raised concerns about the impact on retailers and that the feasibility study failed to consult with any retail organisation or representative bodies in Scotland about DRS. If Defra or the devolved nations consider implementing DRS, retailers and their representative organisations must be consulted and a full impact assessment must be completed which includes convenience retail.
7. In addition, we agree with the statement in the Eunomia report, commissioned by the Scottish Government and Zero Waste Scotland that "the costs of handling the containers at retail outlets are borne by the retailers themselves"<sup>4</sup>. As such, we believe the Committee should take into consideration that the interests of producers and suppliers will be different to the interests of retailers, and as such not representative of the whole supply chain.
8. We have answered the relevant questions below. For more information about our submission, please contact Julie Byers, ACS Public Affairs Executive, by emailing [REDACTED] or calling [REDACTED]

**What are the challenges of recycling these products? What obstacles have prevented greater progress in increasing recycling rates?**

9. ACS commissioned research which looks at consumer attitudes of recycling and DRS. In the consumer focus groups, it was cited that while recycling is highly regarded, and the majority of consumers in the groups actively use their at-home recycling facilities, not all recycle regularly. Where at-home recycling is not straightforward the focus groups suggest people will not bother to recycle: *"We have different colours [of recycling bins] but I don't really know what they are for. I don't have a clue; my rubbish just goes in the bin and that's it."* Younger Female, Scotland<sup>5</sup>
10. Consumers particularly noted that they are left frustrated by the volume of material that is not recyclable at all, that there was confusion and lack awareness of what can be recycled and the frequency of kerbside collections in their local area, as well as concerns about the insufficient size of their recycling bins or boxes; *"We're not allowed glass, we're not allowed shredded paper in recycling, they don't like drinks cartons – orange juice cartons. So the glass I just put in the household."* Older Female, England<sup>6</sup>.
11. Consumers indicate that they like their household recycling services and would like to see it extended and improved. Populus consumer polling found that consumers would recycle more if more packaging was recyclable (37%), packaging was more clearly labelled as recyclable (35%), and collections from their home took a greater range of recycled goods (29%)<sup>7</sup>.

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<sup>3</sup> [ACS & SGF Submission to the Zero Waste Scotland call for evidence on the DRS Feasibility Study 2015](#)

<sup>4</sup> Eunomia: A Scottish Deposit Refund System (Appendix to the Final Report for Zero Waste Scotland)

<sup>5</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>6</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>7</sup> Populus DRS Consumer Polling

**Are consumers aware of the complexities of recycling these products? How could we increase awareness amongst the public and what impact would this have?**

12. The findings of the consumer focus groups suggest that there is little consideration given by consumers to the problems associated with the non-recyclable nature of paper coffee cups. When asked, consumers focused their frustration with the manufacturers of the cups and could not understand why they couldn't produce recyclable coffee cups.
13. Specifically, in relation to coffee cups, consumers were sceptical about incentive schemes to use their own cups. Purchasing coffee was seen as an impulse purchase and many people would not have their own reusable cup with them. Consumers were also averse to carrying dirty coffees with them to recycling points.

**What actions are being undertaken by industry to reduce waste generated by coffee cups and plastic bottles? How effective have these initiatives been? How could the Government better support these initiatives?**

14. The convenience sector has taken steps to encourage recycling in their communities, with 18% of retailers offering recycling services at their stores<sup>8</sup>. Under the existing Producer Responsibility Obligations for Packaging Waste, multiple and symbol group convenience retailers (which make up 56% of the sector) and their wholesalers are required to reduce how much packaging waste goes to landfill by setting packaging recycling targets. The targets have recently been revised so that 80% glass packaging and 57% of plastic packaging should be recycled by 2020. Retailers and wholesalers recycle by collecting packaging waste to then recycle from stores that operated under their group.
15. However, for many independent retailers, they will have contracts with local authorities to recycle their waste or have to pay a private contractor to recycle their waste<sup>9</sup>.

*Paper Cup Recovery and Recycling Group*

16. We are supportive of the work of the Paper Cup Recovery and Recycling Group, which was set up in 2014 to bring together businesses, recyclers, suppliers and the public to increase the recovery and recycling of paper cups. The group focuses on: conducting research and identifying ways to improve the sustainability of the paper cup supply chain; identifying solutions which sees paper cups collected alongside other paper and card products through existing recycling collections; developing consistent message and educating involved parties on material value and recyclability; and engaging with stakeholders to understand and addressing risks associated with the environmental impacts of paper cups. More of the work of the Paper Cup Recovery and Recycling Group to increase the recovery and recycling of paper cups can be found on their website<sup>10</sup>.

**How effective, to date, have Government and local government led initiatives (such as #1MoreShot) been at reducing waste and increasing the recycling of coffee cups and plastic bottles? What progress has been made to develop a viable, recyclable**

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<sup>8</sup> ACS Local Shop Report 2016

<sup>9</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>10</sup>[http://www.pccrg.uk/uploads/3/1/9/1/31915573/pccrg\\_response\\_to\\_eac\\_inquiry\\_on\\_coffee\\_cups\\_and\\_plastic\\_bottles\\_gr.pdf](http://www.pccrg.uk/uploads/3/1/9/1/31915573/pccrg_response_to_eac_inquiry_on_coffee_cups_and_plastic_bottles_gr.pdf)

## **alternative to the polyethylene coated paper cup? What are the pros and cons of the use of such cups?**

17. We are not in a position to evaluate the Government and local government led initiatives to increase the recycling of coffee cups and plastic bottles, or state the progress to develop viable, recyclable alternatives to the polyethylene coated paper cup. We would welcome the opportunity to engage with central and local government to understand their existing activity and promote it in the convenience sector.

## **What is the likely impact of leaving the EU on UK efforts to reduce coffee cup and plastic bottle waste?**

18. There are at least 13 deposit return schemes currently in operation for plastic bottles across Europe which we have identified in Annex B. While a number of the schemes are mandatory, some schemes are voluntary, for example, in Finland, where retailers alongside industry voluntarily implemented a DRS for one-way containers.
19. Some European DRS's highlight high return rates of eligible bottles to shops, reverse vending machines, or recycling centres, however, this does not necessarily portray a true reflection of the scheme's operation or impact. For example, in Denmark, where there has been a deposit return scheme on one-way containers since 2002, retailers experienced operational disruptions through IT problems and the reverse vending system which have caused disruption customers and store owners<sup>11</sup>. While in Germany, they have identified that there were considerable costs to setting up a deposit-return-scheme. Initial investment costs for a DRS in Germany cost 726m euros, with annual costs to operate and maintain the DRS estimated at 739m euros<sup>12</sup>.
20. It is also important to note that the majority of European countries which have a deposit return scheme in place for one-way plastic bottles previously had similar DRS for refillable plastic or glass bottles. This means that consumers were already accustomed to returning refillable bottles before, therefore in many of the countries with DRS, the decision to introduce a DRS on one-way containers was more an evolution of the scheme rather than a revolutionary policy to increase recycling. This makes it difficult to make direct comparisons between the success of EU deposit return schemes and a new scheme in the UK.

## **What initiatives could be utilised to reduce coffee cup and plastic bottle waste or to lessen the impact of this waste? In particular what are the opportunities and risks associated with:**

- **Incentives to encourage the use of re-usable alternatives for these products.**
- **Charge, taxes, deposits or levies on the use of these products.**

21. As stated above, we will use this opportunity to highlight the impact that a deposit return scheme could have on retailers, particularly small retailers, if it were to be introduced in England or more widely in the United Kingdom.

## Deposit Return Schemes

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<sup>11</sup> European Economic Area - Joint Parliament Committee Draft Report on European Refunding Scheme for Drinks Containers

<sup>12</sup> Defra: Review of Packaging Deposits System for the UK 2008

22. According to the Zero Waste Scotland commissioned feasibility study<sup>13</sup> conducted in 2015, any DRS in Scotland would require significant involvement from the convenience sector. The feasibility study estimates that of the total number of containers returned, 15% (equivalent to 349 million containers) would be returned to convenience stores<sup>14</sup>. Similarly, Populus consumer polling from March 2017 suggests that if a DRS was introduced 35% of consumers would return their empty containers to convenience stores to claim their deposit<sup>15</sup>. This would mean, on average, 65,552 containers would be returned to each convenience store every year, which works out that a single retailer would be processing an estimated 1,261 containers each week and potentially 180 each day<sup>16</sup>. This is a considerable amount of returns for the convenience sector to process, especially when you consider the size of the stores (below 280 square metres) and space available behind the till.

### *Size of Stores*

23. Space is always at a premium in convenience stores. Convenience stores by their very nature are small format businesses, they are generally defined as being under 280 square metres. Of the 50,095 convenience stores across Great Britain, 42% are under 1,999 sq. ft, and 43% are under 999 sq. ft<sup>17</sup>. Independent retailers are even smaller with 43% under 1999 sq. ft and 50% under 999sq.ft<sup>18</sup>. From the retailer focus groups there was considerable concern about where and how they would collect and store bottles and packaging; *“We are fighting for every space inch of space. If someone comes in with a black bag of plastic bottles, where are you going to keep this stuff?” Retailer, Scotland*<sup>19</sup>.

### *Reverse Vending Machines*

24. Fitting a Reverse Vending Solution (RVS) or manually processing containers in bags, would be extremely difficult and costly for many convenience retailers. The ZWS feasibility report estimates that a space of five metres<sup>2</sup> would be required for RVS in stores. Giving up this much space in-store will result in significant costs for retailers and loss of important sale space for other products and services.

25. Many convenience stores are unlikely to have access to outside space to place RVS – retailers in our focus identified that for those who place it outside it could be vulnerable to criminal damage<sup>20</sup> - meaning they have no choice but to sacrifice sales space in-store. While we do not have statistics on the costings of this space, the ZWS feasibility study suggests that the opportunity cost of retail floor space and operator margin in a supermarket is estimated at £12,444 per metres squared<sup>21</sup>. To accommodate a RVS, a supermarket would lose approximately £62,000<sup>22</sup>. We do not have estimated figures on how much a convenience store could potentially lose out if they had to

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<sup>13</sup> [Zero Waste Scotland: Deposit Return System Feasibility Study](#)

<sup>14</sup> Eunomia: A Scottish Deposit Refund System (Appendix to the Final Report for Zero Waste Scotland)

<sup>15</sup> Populus DRS Consumer Polling 2017

<sup>16</sup> Our calculations are only an approximation – they assume that each convenience store in Scotland would experience the same number of returns.

<sup>17</sup> ACS Local Shop Report 2016

<sup>18</sup> ACS Local Shop Report 2016

<sup>19</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>20</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>21</sup> Eunomia: A Scottish Deposit Refund System (Appendix to the Final Report for Zero Waste Scotland)

<sup>22</sup> Estimated size of RVS is 5 metres<sup>2</sup> – have multiplied the estimated metre square turnover by 5 to provide an estimate for the revenue lost to a RVS machine

accommodate a RVS. However, space is always at a premium in convenience stores, and as such, we expect it to be similar to the costings estimated for supermarkets.

26. Retailers in our focus groups were also concerned that the space where the RVS would be placed would not only take the place of profitable retail lines leading to reduction in business, but would also mean there would be fewer products available to those who rely on local shops. One retailer noted that: *“if they are the size of a regular vending machine, that’s takes the place of quite a few shelves of product that I could sell, that I won’t be able to sell that, and I won’t be able to provide for my customers.”*<sup>23</sup>
27. Reverse Vending Solutions also present an additional financial cost to retailers. According to the Zero Waste Scotland feasibility study appendix, it would cost retailers an estimated £30,000 to purchase a Reverse Vending Solution and an additional £2,000 for installation. This cost does not factor in the annual operating and maintenance costs, which the study assumes at 9% (equivalent to £2,700 per machine in this scenario)<sup>24</sup>. This is a considerable investment for a small convenience retailer. The ZWS study suggests that 40% of convenience stores would require one reverse vending machine. Assuming the 40% estimate would apply to the rest of the UK, a nationwide scheme could potentially cost convenience £641,216,000<sup>25</sup> to install RVS in their stores.
28. We believe retailers are unlikely to prioritise investment in a RVS unless they expect a high number of returns, for example, if they are located in an urban area with a high-density population<sup>26</sup>, as they are more likely to meet the threshold for requiring to have a RVS<sup>27</sup>. It is more likely that instead of investing in a large capital investment like DRS, many convenience retailers would accept returns through manual handling and storage.

### *In-Store Delays and Staff Costs*

29. For beverage containers to be accepted manually, retail staff would need to be able to recognise deposit labels, inspect the packaging to ensure it is still intact, and refund the value of the deposit. This would require a great deal of time from staff in store and delays at the till point. Although these would be processed by customer services in a large format store, they would be dealt with by general store staff in a convenience store.
30. Once collected by staff, the containers would have to be sorted, bulked and sent for reprocessing – again this would impose huge time pressures on small staff teams. While this is difficult to quantify, one retailer in the focus groups noted: *“If you come in the front door with a can, it’s got to go somewhere where its being recycled, so now a member of staff – at 12p a minute – as got to walk out the back and walk back again. That’s 5 minutes, or 60p we’re paying to get a 5, 10 or 20p refund on a can – it doesn’t make sense. And most of this stuff is already recycled in private anyway.”* Therefore, while retailers will not have to invest in a large amount of capital for a RVS, they will be

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<sup>23</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>24</sup> Eunomia: A Scottish Deposit Refund System (Appendix to the Final Report for Zero Waste Scotland)

<sup>25</sup> Assuming 40% of convenience stores in the UK (50,095 according to the ACS Local Shop Report) multiplied by

<sup>26</sup> Large format convenience stores in urban areas serving high density populations will meet the threshold for having an RVS. The feasibility report suggest storage of up to 5-600 bottles per day

<sup>27</sup> Eunomia: A Scottish Deposit Refund System (Appendix to the Final Report for Zero Waste Scotland)

financially burdened by having to employ more staff or increase staff hours to process returns.

31. Moreover, the ZWS feasibility study suggests that the time it would take for a cashier to manually process and accept an average of 15 containers and store them is an estimated 45 seconds<sup>28</sup>. Transaction time is considerably important to the convenience store business model as 74% of shoppers agree that “I want to get in and out of the shop as quickly as possible”.<sup>29</sup> In the consumer focus groups, they imagine it would be likely that there would be queues of people at local shops to return empties would be a familiar sight; *“Imagine if everyone went down to the local Spar with all the stuff they bought from Tesco, they’re not going to be able to handle it are they?”*<sup>30</sup>
32. One retailer in the focus groups warned about the ramifications of a DRS on queue times. They said: *“You’ve got someone wanting £5 on a Paypoint, 20 king-size, a bottle of Buckfast, and, oh, ‘here’s a bag of empty milk bottles’. You have to sort them, scan them. You could not do it. It’s ludicrous. There’s three of four people standing in a queue, they’ll walk away. Speed of service is key thing and you would lose your customers.”*
33. The average consumer spends 4.8 minutes in a convenience store. With the majority of consumers visiting for 1.01 – 4 minutes (43%), and 9% of consumers visit a convenience store for less than a minute<sup>31</sup>. Therefore, any additional time at the till will have a considerable impact on retailers as well as the customer’s experience.

### Container Storage

34. The Zero Waste Scotland feasibility study suggests that retailers handling returns manually will have to use containment bags to store empty containers. This presents an additional cost to retailers. The study factors that one bag will store up to 200 beverage containers, which means that one convenience store will require up to 8 bags a week. Each bag costs 67p, which when scaled up, the cost of a supply of containment bags for the convenience sector works out to be an estimated £1,169,150 (equivalent to £220 per store)<sup>32</sup>.
35. The feasibility report suggests that if a RVS is not installed in-store, then bottles should be stored in a bag by the cashier. This is an impractical solution because space behind the till area is very limited and needs to be clear of clutter so that staff can serve customers swiftly. Retailers in the focus group were concerned that they do not have the space in relation to storing and processing bottles in store. Retailers said: *“I don’t have room in any of my stores. It’s filled with stock or cardboard to go back. There isn’t the room”*<sup>33</sup>.
36. In addition, retaining bags of returned containers behind the till could represent a health and safety risk for staff both in terms of trip and hygiene hazards. The Workplace (Health, Safety and Welfare) Regulations 1992, Regulation 9 Cleanliness and Waste Materials stipulates that “so far as is reasonably practicable, waste materials should not

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<sup>28</sup> Eunomia: A Scottish Deposit Refund System (Appendix to the Final Report for Zero Waste Scotland)

<sup>29</sup> Him! CTP Data 2016

<sup>30</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>31</sup> Him! CTP Data 2016

<sup>32</sup> Based on the total container returns per store, averaged out to sector

<sup>33</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

be allowed to accumulate in a workplace except in suitable receptacles". According to the Zero Waste Scotland feasibility study, the average retailer will most likely store 4 containment bags at one time, which equates to 2 metres<sup>2</sup> being given up to store the bags. Retailers may also have to deal with damaged containers and broken glass, which presents additional hazards when processing returns.

37. Retailers in the focus groups also raised concerns that a DRS would not work alongside current health and safety regulations. The idea that the same physical space at point of sale would be used to serve food-to-go and accept unhygienic returns was unfathomable by retailers. One retailer said: *"There's no way they're coming in my store. ... I don't need to be in the situation where I could be sued by a customer, I could have Health and Safety after me, I could have the EHO round after me, simply because I'm accepting a tin of beans that hasn't been cleaned out properly."*<sup>34</sup>
38. We also believe that retailers may experience hygiene issues when they retain returned containers for a considerable period. Retention of used packaging for such a long period is likely to attract pests and be a general hygiene risk for retailers and their staff. This could impact their Food Hygiene Rating, which has not been considered in other impact assessments or studies. The Food Hygiene Rating Scheme helps consumers choose where to eat or shop for food by giving them information about the hygiene standards in food businesses. An Environmental Health Officer will inspect a food business and score it according to its food hygiene compliance. One of the checks that an officer will undertake will be the condition and structure of the buildings which will include the cleanliness, layout, lighting, ventilation and other facilities of the premises<sup>35</sup>. If a retailer is involved in a DRS, this could impact on their hygiene rating score.

### *Displacement of Sales*

39. The most likely scenario is that the implementation of a deposit scheme will drive many customers to stockpile their returns to collect deposits in one trip. This will inevitably lead to customers returning large volumes of containers in bulk to stores, causing disruption. A consumer is far more likely to drive to store to return their containers so they do not have to carry the bottles back by walking. This was also assumed in our consumer focus groups. One consumer in our focus group in Scotland said *"I don't have a car, I'm not going to be taking glass bottles out with me out on to the bus. I don't think I'd bother."*<sup>36</sup>
40. We fear that a DRS could displace sales from smaller format stores to larger format stores. 60% of convenience store customers travel on foot or by public transport to visit their local shop.<sup>37</sup> Larger format stores can accommodate customers as they typically have more parking available. However, consumers bulk returning bottles could result in more people driving to their convenience store, negating the environmental benefits of the DRS. In all likelihood, a shopping pattern would be established where customers buy their goods from the stores where they return their containers. This is made apparent in the Populus polling of consumers which suggests that 51% of consumers would return their empty container to a supermarket, while 35% said they would return their empty container to a convenience store, and 29% responded that they would return their empty container to a recycling centre<sup>38</sup>.

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<sup>34</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>35</sup> [FSA: Frequently asked questions about the food hygiene rating scheme](#)

<sup>36</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>37</sup> ACS Local Shop Report 2016

<sup>38</sup> Populus DRS Polling 2016

## Joining / Registration Fee

41. Another potential cost that DRS could place on retailers is a joining or registration fee to become part of the DRS supply chain. The Zero Waste Scotland feasibility study makes reference that retailers would be required to pay a joining fee if a DRS was introduced in Scotland but does not make reference to the cost.
42. A retailer participating in DRS in Germany would be required to pay an annual registration fee. If the retailer processes less than 15 million containers they would be charged a joining fee equivalent to £950, whereas retailers processing 15-80 million containers would be charged £6,730, and retailers processing more than 80 million containers a year would be charged £14,250.<sup>39</sup> If England or United Kingdom were to replicate a joining fee, like in Germany, the convenience sector would pay over £39million or over £47million respectively<sup>40</sup>. This would be a considerable cost to retailers, especially small retailers, which the Zero Waste Scotland feasibility study does not take into account despite stipulating that there would be a fee for retailers to join the scheme.

## Customer Confusion

43. There is customer confusion about what can and cannot be recyclable through kerbside collections<sup>41,42</sup>. A BBC Freedom of Information request found that 3% of recyclable waste was rejected by local authorities, with some local authorities experiencing a rate of 14.99%. As such, we have concerns that customer confusion would only be exacerbated if a DRS were to be introduced<sup>43</sup>.
44. In response to reports of customer confusion on kerbside recycling collections, the Local Government Association noted that “the problem is there is widespread confusion over what can and cannot be recycled. If just one non-recyclable item is included with recyclable items, the whole bin is effectively contaminated. Councils then have to re-sort it, which is time consuming and very expensive”, adding that “there is no-one-size-fits-all solution to waste collection”<sup>44</sup>.
45. In our focus groups, consumers also identified the potential complexity of a deposit return system. They raised concerns about the ability to know what could or could not be recycled in the system. One consumer in England said *“How many product lines are there out there that have to be washed, cleaned and returned? 500? 400? 300? It might be that we can just deal with a few of them, and that makes it doable, ok, but once we get into the enormity of the different types of materials, you starting to get a bottleneck problems, and how could anywhere – like the village shop – cope with 25, 100, 500 different types of products”* Older Male, England<sup>45</sup>.
46. If there were to be customer confusion in a DRS, this would significantly impact retailers. For example, it would be extremely likely that a customer would attempt to

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<sup>39</sup> Defra: Review of Packaging Deposits System for the UK 2008

<sup>40</sup> Calculations are based on the Germany joining fee of £950, and multiplied by the number of convenience stores in England and United Kingdom

<sup>41</sup> [BBC News: Rejected recyclable waste up 84% in England since 2011, data shows](#)

<sup>42</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>43</sup> [BBC News: Rejected recyclable waste up 84% in England since 2011, data shows](#)

<sup>44</sup> [BBC News: Rejected recyclable waste up 84% in England since 2011, data shows](#)

<sup>45</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

return a bottle or can that was not part of DRS. Not only would this lead to in-store delays increase queue times while the retailer determined if it was part of the scheme, but if the retailer had to reject the claim for a deposit return, this could be a trigger for verbal abuse or violence from the customer. ACS' Crime Report 2017 found that the top triggers for violence and verbal abuse are when staff and their staff are going about their typical working day, enforcing the law, for example, retailers when enforcing age-restricted sales through age-verification schemes such as 'Challenge 25'<sup>46</sup>.

### *Technical Issues*

47. DRS could also present technical issues for convenience retailers. In Denmark, retailers experienced operational disruptions through IT problems<sup>47</sup>. If DRS were to be introduced in the UK, retailers processing returns manually could be required to have an IT system in place in their store to process the return in order to update the centralised DRS system. If this is the case it could place considerable burdens on the convenience sector as one in three (33%) independent retailers do not have an EPoS system in their store<sup>48</sup>. In order to comply with DRS, retailers would have to not only ensure that they have EPoS system in place in their store, but also upgrade their EPoS software to be able to administer returns. This would present additional costs on the retailer.

### *Backhauling*

48. The ZWS study suggests that backhauling be undertaken using "existing retailer logistics." Many independent retailers will not have access to existing 'logistics' in respect of backhauling services. While some symbol group retailers may have backhauling services in place with their group, this tends to be just for packaging. 38% of the sector are unaffiliated independent retailers who would have no access to any backhauling services and as such would need to pay for returns to be collected from their store or transport the returned containers themselves.
49. If a retailer was required to transport their returned containers, they would need to be registered and licensed as a waste handling company and would need to complete and retain the relevant records. However, because the materials to be collected would be of unknown cleanliness, retailers would be unlikely to want to mix collected waste and food for delivery in the same vehicle. In addition, for a convenience retailer, the potential to have a mix of stores on a delivery/collection route with and without bottle crushing/compaction would add a further level of complexity in dealing with the returned bottles.

### *Kerbside Collections*

50. A deposit scheme could divert a certain amount of high value recycling out of the local authority collection system. This could have an impact on the economics of kerbside collections.<sup>49</sup> Populus polling of over 2,000 consumers found that 70% of respondents said that they would rather have their plastic bottles and cans continue to be collected through kerbside collections than through a deposit return scheme<sup>50</sup>.

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<sup>46</sup> ACS Crime Report 2017

<sup>47</sup> European Economic Area - Joint Parliament Committee Draft Report on European Refunding Scheme for Drinks Containers

<sup>48</sup> ACS Voice of Local Shops Survey November 2016

<sup>49</sup> Eunomia: A Clean Sweep, Rethinking the way we tackle litter

<sup>50</sup> Populus DRS Consumer Polling 2017

51. In our focus groups of consumers, they identified that DRS could cause unnecessary complications. They noted that it may actually reduce the volume of recycled goods, if kerbside schemes were no longer in use. One consumer said that DRS “sounds good on paper, but in terms of practicalities, I’m not sure it would ever work.”, another said *“But not all products are going to have a deposit on them. When you have plastic shrink wrap, that’s not a bottle, so that would still have to go in the recycling at home.”*<sup>51</sup> Considering other solutions to improve kerbside collections to increase recycling may offer as a more suitable and cost effective alternative to DRS.

### *Fraud*

52. Some system of labelling containers that would carry the deposit would be required if a DRS were to be introduced. Regardless of which labelling system would be implemented, retailers would incur additional training burdens to understand which labels are authentic. Any labelling system would require a counterfeit-proof ink. These are expensive and the cost would be passed onto consumers.

53. Moreover, it is currently unclear who would be liable for the money lost through fraudulent returns. We are wary that retailers will be under pressure to provide a quick and prompt service to customers, which could lead to some retailers losing out to deposit returns because bottles they have received may be fraudulent. We would seek clarity from any DRS in existence about where the responsibility lies for fraudulent returns

### Coffee Cup Levy

54. The use of coffee machines in convenience stores continues to grow. Currently, 18% of convenience stores offer customer operated coffee machines, while 6% of convenience stores offer staff operated machines<sup>52</sup>. In our research, there was consensus that for any collection or incentive schemes to be truly effective, that coffee cups should be made out of recyclable material<sup>53</sup>.

55. We are supportive of proactive work from industry to increase the recycling of coffee cups. As well as being supportive of work from Paper Cup Recovery and Recycling, we are also supportive of individual schemes from coffee retailers including cash incentives to use reusable cups in-store and the launch of in-store cup recycling schemes. We believe it is voluntary industry action rather than Government regulation which will lead innovative of recycling of coffee cups and encourage the Committee to explore how it can work with the industry to encourage further innovations.

### **How can we encourage households, businesses, food and drink outlets, and offices to change behaviours or introduce policies to reduce their coffee cup and plastic bottle waste?**

56. We do not believe there is a silver bullet to increase recycling rates, and while we do not offer solution(s) for the Committee to consider, Populus consumer polling found that consumers would recycle more if more packaging was recyclable (37%),

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<sup>51</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

<sup>52</sup> ACS Local Shop Report 2016

<sup>53</sup> Jericho Chambers: Deposit Return Scheme – views of retailers and consumers 2017

packaging was more clearly labelled as recyclable (35%), collections from their home took a greater range of recycled goods (29%), and all types of recyclable materials could be placed in one bin (28%). In comparison, only 9% of consumers in Populus' polling, responded they would recycle more if a deposit return scheme was introduced<sup>54</sup>.

57. The Defra review of packaging deposit return schemes suggests that "it is not disputed that a deposit scheme would increase recycling, but alternative schemes could achieve the same or better results at a lower cost."<sup>55</sup> They suggest that in the case of Germany, the deposit return scheme cost around three times as much per container as household-based collection systems.<sup>56</sup> Therefore, we encourage the Committee to look at more suitable, cost effective solutions to increase recycling rates which will not place additional burdens on retailers.

**How are other countries working to reduce coffee cup and plastic bottle waste? What examples of best practice are there that the UK could learn from?**

58. As stated above, there are a number of deposit return schemes already operating in the EU. We encourage the Committee to consider the retailer impact of these deposit return schemes and not solely at the environmental impact or return rate of these products.

**For more information on this submission, please contact Julie Byers, ACS Public Affairs Executive at [REDACTED] or call [REDACTED]**

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<sup>54</sup> Populus DRS Consumer Polling 2017

<sup>55</sup> Defra: Review of Packaging Deposits System for the UK 2008

<sup>56</sup> Defra: Review of Packaging Deposits System for the UK 2008

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 50,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents 22,870 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions. These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents 15,060 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits. Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents 12,165 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls, Conviviality Retail and others. Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



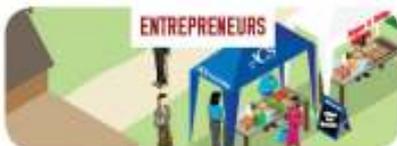
In 2016, the total value of sales in the convenience sector was £37.5bn. The average spend in a typical convenience store transaction is £6.13.



There are 50,095 convenience stores in mainland UK. 74% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 390,000 people. 21% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 22% take no holiday throughout the year. 74% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors. 84% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2015 and May 2016, the convenience sector invested over £600m in stores. The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1200 independent and symbol retailers which is combined with responses from multiple businesses representing 3,970 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2200 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 5,765 stores. The Local Shop Report also draws on data from him! research and consulting, IGD, Nielsen and William Reed Business Media.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.

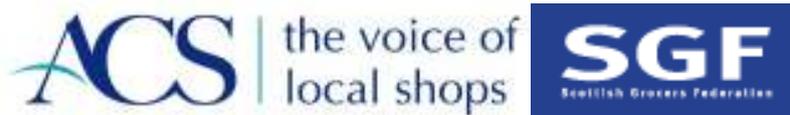
## ANNEX B

Country	Scope	Retailer Impact	Notes	Voluntary or Mandatory
Croatia	All beverages (milk only in containers over 2 litres) - glass, PET, aluminium, tin	Disposal fee - 0.1 HRK, handling fee .15HRK. Sellers must report the materials collected and refunds given every quarter, and are compensated through the fund.	Introduced in 2005. In January to October 2006, the fund paid out significantly more money than it received in fees, leaving it with a deficit of over 41 million Euros. The system does not require labelling of containers - which led to fraudulent returns.	Mandatory
Denmark	One way - beer, carbonated drinks, flavoured alcoholic beverages, cider, still water, iced tea	All sales locations of returnable packaging have a duty to take the empty packaging back and pay a refund. Retailers have the choice to sell DRS bottles.  There were problems around software and RVS system. Some disruption when it came into effect which annoyed customers and store owners.	Denmark has two DRS' - reusable containers and one-way containers	Mandatory
Estonia	Containers made of glass, plastic, metal - containers for beer, cider, drinks with low alcohol content, soft drinks, water, juice.	Unknown	Mandatory one-way beverage DRS since 2005	Mandatory
Finland	Industry led - glass, cans, PET bottles	Industry initiated system in the first place - general positive feedback.  Smaller shops raised concerns about increased workload. RVS were expensive and retailers could not afford them.	Voluntary industry scheme - there are several DRS' operating in Finland, one responsible for cans and PET bottles, one for reusable glass and PET bottles, reusable glass bottles, and one for one-way glass containers. There are also 7 closed DRS systems.	Voluntary

Germany	One-way DRS for beverage containers. There are also various DRS for reusable bottles	Initial investment costs (retailer and producers) - 726m euros, with annual costs to operate and maintain at 739m euros.  All parties in the system must register with DPG, including retailers (no reference to cost of registration).  Annual fee by retailer - (15 million containers or less £950, 15-80 million £6,730, more than 80 million £14,250). Currently handling fees do not cover additional expenditures.	One-way beverage container DRS introduced in 2003. Had a lot of opposition from lobby groups about introduction of one-way containers. Disputes led to trials at Federate Administrative Court of German and the Federal Constitutional Court of Germany but all trials were won by German federal Government.	Mandatory
Iceland	All ready-to-drink beverages, ecluding dairy and juice concertrate. Non-refillable containers made of aluminium, steel, plastic or glass	Unknown	Implemented in 1989	Mandatory
Lithuania		Unknown	Came into effect February 2016	Mandatory
Netherlands	Voluntary - glass beer bottles and large PET bottles (reusable and one-way)	Unknown	Voluntary system	Voluntary
Norway	Plastic bottles and beverage cans (not including milk, vegetable juice and water)	Unknown	Industry system	Mandatory
Slovakia	Beveage packaging - PET bottles and aluminium beverage cans	Unknown	Mandatory deposit on reusable and one-way beverage packaging since 2011.	Mandatory
Slovenia	Glass packaging	Unknown	Voluntary DRS from 2000 on glass packaging by the Association of Commerce, Association of Tourism and Hospitality and the Association of agro-food processing of Slovenian Chamber of Commerce	Voluntary

Sweden	Drinks in plastic bottles and metal cans for e.g. beer water and soft drinks may only be sold when they are part of an approved deposit return system. Exempt are drinks which consist primarily of dairy product or vegetable/fruit juices.	Free joining fee for retailers.	Already had a refillable bottle system when DRS was introduced. DRS was a response by refillable producers to the entry of single-use beverage cans to market. Limited kerbside collection system in place	Mandatory
Switzerland	Refillables, one-way containers that exceed a maximum amount in the waste stream (by weight). One way soft drinks, beer and mineral water.	Unknown	Implemented 1990	
<b>Sources</b>				
European Economic Area - Joint Parliament Committee Draft Report on European Refunding Scheme for Drinks Containers				
<a href="http://www.europarl.europa.eu/meetdocs/2009_2014/documents/deea/dv/2611_07_/2611_07_en.pdf">http://www.europarl.europa.eu/meetdocs/2009_2014/documents/deea/dv/2611_07_/2611_07_en.pdf</a>				
Bottle Bill				
<a href="http://www.bottlebill.org">www.bottlebill.org</a>				

## Annex C



### Deposit Return Scheme: Local Shops and Consumers

ACS (the Association of Convenience Stores) and the Scottish Grocers' Federation (SGF) have commissioned new research about the views that retailers and consumers have on recycling and the impact that a Deposit Return Scheme will have on local shops.

Three consumer focus groups and three retailer focus groups<sup>57</sup> were held in England, Scotland and Wales exploring retailers and consumers understanding of DRS and the impact it would have on their recycling habits and businesses. The focus groups were supplemented by consumer polling of 2,000 UK adults<sup>58</sup> about their views on recycling, their preference for a Deposit Return Scheme vs existing kerbside recycling and where they would return their recycled goods to under a Deposit Return Scheme.

#### Consumer Views

- Given the choice **70% of consumers favour their existing household collections**, compared to 21% that favour a new Deposit Return Scheme.
- Consumers suggest **they would recycle more if more packaging was recyclable (37%)**, packaging was more clearly labelled (35%) and their household recycling collection took a wide range of products (29%). Only 9% thought a Deposit Return Scheme would make them recycle more.
- **The most vulnerable in society support household kerbside recycling**; people with long term disability (73%), people aged 65 and over (76%) and carless households (70%)

#### Local Shops

- **Space is at a premium in convenience stores.** Convenience stores are generally under 280 square metres and 93% of independent businesses are under 186 square metres<sup>1</sup>. Retailers suggest they would not have the space to collect, process and store returned packaging.
- Processing and collecting packaging in small stores would **increase pressure on staff and increase queuing times in stores**. 35% of consumers said they would return their recycled packaging to stores resulting in a high volume of packaging to be processed at local shops.
- Local shops are concerned about **hygiene and health and safety issues associated with used packaging**. Collecting used and soiled packaging could impact on their food hygiene rating and the need to invest in protective clothing for staff to handle soiled bottles and packaging.

ACS chief executive James Lowman said: *“A deposit return scheme would impose massive time and cost burdens on retailers, many of whom are operating in very small stores that would be significantly adversely affected by the proposals. We encourage the Government to focus on recycling measures that are effective, popular with the public and don't add costs to small shops, such as improving the existing kerbside recycling schemes.”*

SGF chief executive Peter Cheema said: *“From this UK-wide research we now have clear evidence of the highly negative impact of deposit return on both consumers and retailers.”*

<sup>57</sup> Completed by Jericho Chambers March 2017

<sup>58</sup> Populus Online Consumer polling March 2017

*DRS is too complex, too expensive and too burdensome on customers and small shops. We should be looking instead at investing in kerbside schemes and raising the awareness of consumers about how they can recycle more effectively.”*

### **Local Shops**

#### *Convenience Stores Lack the Capacity to Store Process Packaging*

Convenience stores by their very nature are small format businesses, they are generally defined as being under 280 square metres and the 93% of independent retailers are even smaller with stores under 186 square metres. From the retailer focus groups there was considerable concern about where and how they would collect and store bottles and packaging;

*“We are fighting for every space inch of space. If someone comes in with a black bag of plastic bottles, where are you going to keep this stuff?” **Retailer, Scotland***

*“I don’t have room in any of my stores. It’s filled with stock or cardboard to go back. There isn’t the room.” **Retailer, England***

#### *Health & Safety and Hygiene*

Retailers expressed concerns about the hygiene issues with storing used packaging and bottles. This was especially a concern for retailers that prepared fresh food in their business and the impact it might have on the food hygiene rating. In Scotland, retailers had raised concerns about their experience of broken and blooded bottles they had to process under the now debunked AG Barr bottle return scheme.

*“There’s no way they’re coming in my store. ... I don’t need to be in the situation where I could be sued by a customer, I could have Health and Safety after me, I could have the EHO round after me, simply because I’m accepting a tin of beans that hasn’t been cleaned out properly.” **Retailer, England***

*“If we are going to have things returned to us that have crap in it, or collected over time. That’s not going to work.” **Retailer, Wales***

The Workplace (Health, Safety and Welfare) Regulations 1992, Regulation 9 Cleanliness and Waste Materials stipulates that “so far as is reasonably practicable, waste materials should not be allowed to accumulate in a workplace except in suitable receptacles”. Staff would also need to be provided with protective clothing and gloves in order to process the packaging returned to stores.

#### *Customer Service*

Retailers are concerned they will lose trade as the collection and processing of packaging will increase queuing times. The average customer spends 4.8 minutes in a convenience store<sup>59</sup>, meaning that fast service is essential. Retailers suggested that accepting and processing bottles at the till would increase service times, put more pressure on staff and require them to invest in more staff;

*“You’ve got someone wanting £5 on a Paypoint, 20 king-size, a bottle of Buckfast, and, oh, ‘here’s a bag of empty milk bottles’. You have to sort them, scan them. You could not do it. It’s ludicrous. There’s three or four people standing in a queue, they’ll walk away. Speed of service is key thing and you would lose your customers.”*

**Retailer, Scotland**

#### *Costs to Retailers*

Retailers are very concerned about the amount they will have to invest in additional staff time and reverse vending machines if a Deposit Return Scheme were to be introduced. They strongly advocated the need for compensation for the additional costs imposed by the scheme:

*“If you come in the front door with a can, it’s got to go somewhere where its being recycled, so now a member of staff – at 12p a minute – as got to walk out the back*

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<sup>59</sup> Him! Data

*and walk back again. That's 5 minutes, or 60p we're paying to get a 5, 10 or 20p refund on a can – it doesn't make sense. And most of this stuff is already recycled in private anyway."* **Retailer, England**

*"If we could have them [RVMs] outside, and not cost us anymore in payroll, and the council was going to pay for them, or multinationals would foot the bill, then there is a possibility."* **Retailer, Scotland**

## **Consumers**

### *Deposit Return Scheme vs Household Recycling*

Given the choice between the introduction of a Deposit Return Scheme being introduced compared with their existing household recycling 70% of consumer support their existing household recycling. Only 21% indicated they would favour a Deposit Return Scheme.<sup>60</sup> These figures show that consumers clearly believe that household recycling programmes that are already in operation is the best way to encourage more recycling. In fact, when asked what would encourage them to recycle more 37% wanted more packaging to be recyclable and 35% they wanted packaging more clearly labelled.<sup>61</sup>

Only 9% said that a Deposit Return Scheme would make them recycle more.<sup>62</sup>

### *Carless Households and Vulnerable to be hit Hardest*

Those without cars, in small households, the elderly and those with limited mobility would be at a severe disadvantage under a Deposit Return Scheme, and many would find returning their empties difficult.

*"I don't have a car, I'm not going to be taking glass bottles out with me out on to the bus. I don't think I'd bother."* **Younger Female, Scotland**

*"If you've got a garage then you're fine, but if you live in a flat then you're knackered."*

### **Dad, Wales**

*"Where would you store this stuff? It's tough enough as it is trying to keep your house tidy before you put it in the wheelie bin. Would I have to keep it in the car?"* **Younger Female, Scotland**

A higher proportion of those with long term disabilities (73%) or those aged over 65 years old (76%) supported household collections instead of a Deposit Return Scheme.<sup>63</sup>

### *Returning Products to Stores*

Polling of consumers indicates that the majority (51%) said they would return their products to supermarkets but 35% said they would return their bottles and packaging to convenience stores<sup>64</sup>. Consumers in the focus groups suggested this could cause problems for local shops;

*"It's a hassle for the small shop keeper, isn't it? They're not going to bother are they? Imagine if everyone went down to the local Spar with all the stuff they bought from Tesco, they're not going to be able to handle it are they?"* **Dad, Wales**

## **Populus Online Consumer Polling of 2,000 UK adults complete March 2017**

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<sup>60</sup> Populus Online Consumer polling March 2017

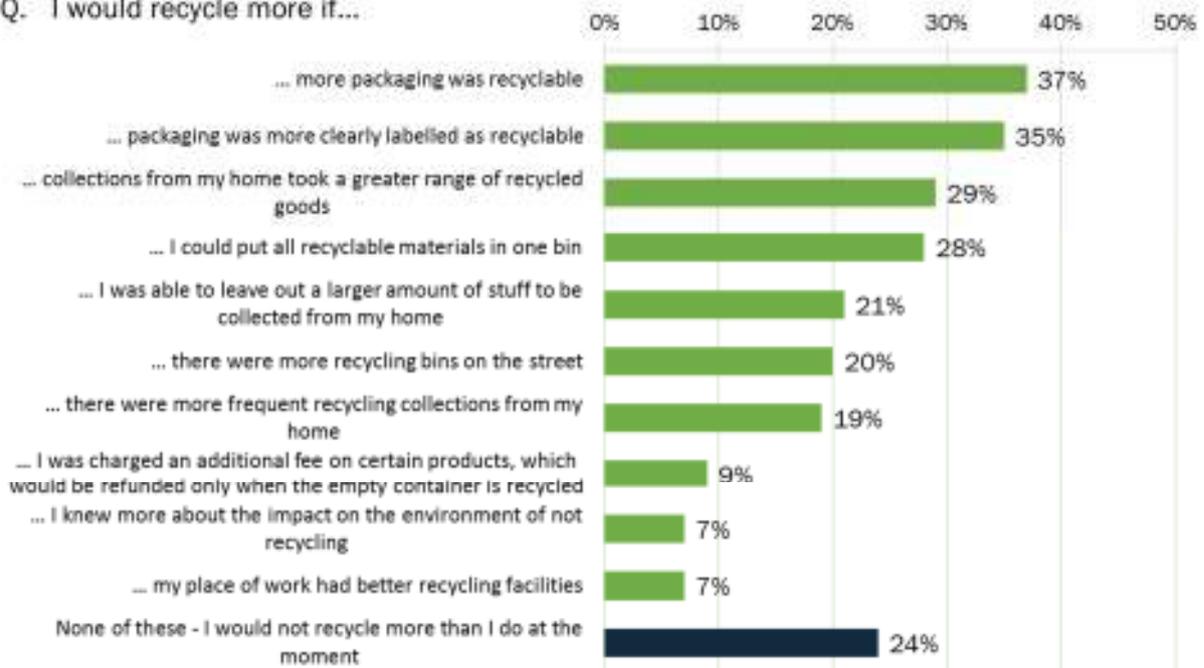
<sup>61</sup> Populus Online Consumer polling March 2017

<sup>62</sup> Populus Online Consumer polling March 2017

<sup>63</sup> Populus Online Consumer polling March 2017

<sup>64</sup> Populus Online Consumer polling March 2017

Q. I would recycle more if...



Base: All (2,034)

Q. To encourage recycling, some people have suggested that instead of recycling collections from your home, shoppers be charged an additional 10p to 20p for each bottle or can that they buy which they only get back when they recycle the empty container at a shop or recycling centre.

Which of the following options would you prefer



Base: All (2,034)

For more information on this briefing and Deposit Return Scheme Research please contact: Edward Woodall, ACS Head of Policy and Public Affairs; [REDACTED] or [REDACTED]

John Lee, SGF Head of Policy and Public Affairs [REDACTED] or [REDACTED]