



Coca-Cola Enterprises' submission to the Zero Waste Scotland deposit return system – call for evidence

June 2015

EXECUTIVE SUMMARY

Coca-Cola Enterprises in Scotland:

- As a successful business with a strong Scottish footprint and over one hundred years of trading here, Coca-Cola Enterprises (CCE) is a business which lessens the impact of its operations while continuing to grow in a responsible and sustainable manner.
- We support the Government's vision of a resource efficient Scotland. In order to achieve this we believe the focus needs to be on enabling business-growth by responsible businesses and so creating sustainable, long-term jobs across our vibrant food and drink sectors.
- We expect a fair and non-discriminatory commercial environment.
- We have internationally-recognised sustainability credentials and bring leadership to this debate on recycling and litter. We want the best possible solution, but don't believe a deposit return system is the way to do it. It is unambitious, is too narrowly focused and poses significant unintended risks to our business and to Scotland's wider recycling performance.
- CCE takes this stance from a position of expertise: We're a business which operates in Great Britain, north-western Europe and the Nordics. We have a strong understanding and involvement in different recycling systems, including being part of the scheme which runs deposit return schemes in Norway and Sweden. Our aim is to work well in any market. We're therefore not against deposit return schemes per se. However, they're equally not comparable systems to what we have in Scotland.

Our concerns with the Eunomia report:

- We're deeply concerned that no cost-benefit analysis has been undertaken. It's extremely questionable for the Government to progress on the basis of a report which doesn't make the cost-benefit case for a DRS.
- It is legally questionable whether a DRS could be introduced in Scotland, without changes to UK legislation first.
- Introducing a Swedish deposit return system in Scotland won't have a strong result: The Scottish retail environment, including consumption patterns is different for example to Sweden. Scotland has a good local authority kerbside recycling collection system. Eunomia's report fails to acknowledge this.
- Two separate studies found that local authorities may lose out from a DRS: Local authorities could lose the income from valuable materials – such as aluminium cans and PET bottles – not being recycled through their collection system.
- Extra costs to consumers: Peer-reviewed research found that a DRS in Scotland would cost consumers an extra £155M / £65 per household per year through lost deposits and the cost associated with the loss of private time (personal free time) spent redeeming deposits.

- Consumers don't want it: 71% were "very convinced" that the extra £65 cost per household was "too high in the current times of austerity". 50% backed an improved local authority collection scheme, with only 27% saying a DRS. They cited ease and practicality in backing an improved kerbside collection system.
- We agree with Keep Scotland Beautiful who say: "The scale of the investment that would be required to roll out a DRS, and the lack of evidence that it would deliver any significant reduction in litter, means a DRS is not the right solution to the litter problem in Scotland at this time".
- Scottish businesses, such as ours, will be negatively impacted: We're concerned there hasn't been greater recognition in the Eunomia report of the cross-border complexities of running a separate system in Scotland to the rest of GB – this goes against their 2011 report which recommended that a Scottish-only DRS should not be introduced due to cross-border concerns and fraud risk. This current report significantly underestimates the costs we face in how we re-organise our business and the very real threat of fraud. There is a lack of understanding by the report authors of the soft drinks market and how packer/fillers, such as ourselves, operate commercially.
- DRS doesn't encourage packaging reduction or recyclability. It doesn't recognise our industry-leading position on the use of recyclate and the steps we've taken to invest in plastic reprocessing infrastructure. A DRS treats all packaging as the same – taking a negative view of it, rather than championing innovation and sustainability leadership.

Our preferred solution:

- We believe we collectively as businesses, Government and civic society have a unique and significant 'game-changing' opportunity in Scotland. We support three specific actions which are more cost-efficient and deliver similar or as good a recycling rate as a DRS:
 - 1) Local authority kerbside collections have achieved good rates of recycling, but more can be done. We're committed to playing a strong, positive role: With 70% of our products consumed in the home and well established local authority kerbside collection schemes in place, it makes more sense to improve the current household system than to build separate and costly Deposit Return Scheme (DRS) infrastructure. We support greater efficiency within the fractured local authority recycling system to deliver public confidence and increased recycling rates: producers, central Government and local government have a shared responsibility to improve the waste services funding system. We're encouraged by the work the Zero Waste Taskforce is progressing on this agenda. A peer-reviewed study commissioned by CCE found that a move to a best practice local authority approach could achieve the necessary Scotland-wide recycling rates.
 - 2) We want to use the best of what we do to help positively change consumers behaviour on recycling and litter. We want to partner with Government and recognised civic-groups to deliver this.
 - 3) Reform of the packaging producer responsibility system (PRN) to encourage greater transparency in the system and as a result, support moves on how a greater share of this funding can be directed to the 'frontline' of household waste services. This should be used to improve recycling participation rates. We support, in principle, the identification of packaging waste arising in Scotland and separate packaging targets.
- CCE offers a strong, credible and visible part of the solution.

BACKGROUND ON COCA-COLA ENTERPRISES (CCE)

CCE manufactures, distributes and sells soft drinks for both The Coca-Cola Company and other brand owners.

Sites:

- The origin of the company's heritage in Scotland goes back to 1865 when 'Schweppes' opened a factory at Kinning Park, Glasgow.
- We employ about 350 people in Scotland – at our manufacturing site at East Kilbride and a field-based sales force.
- Our East Kilbride factory celebrated its 50th anniversary last year.
- We have invested over £45M in our Scottish sites since 1999. This includes over £5M in 2012 at our East Kilbride manufacturing site for a new energy-efficient bottles blowing facility, producing lightweight PET plastic bottles, reducing the amount of PET required. A state-of-the-art packaging machine, that removes the need to use cardboard in the packaging of our multi-pack products, was also part of this investment. We plan to announce further sustainable manufacturing investment at East Kilbride later this year.

Products:

- The product range includes 19 brands made up of sparkling soft drinks, fruit juice drinks, isotonic sports drinks, waters and energy drinks. They are sold in a variety of packaging formats - aluminium cans, glass, plastic bottles and pouches – and portion sizes – from 150ml cans through to 1.75 litre bottles.
- We sell over 400M drinks a year across Scotland.
- Our most successful brand, Coca-Cola, is also the biggest grocery brand in Scotland and across the rest of Great Britain.

Economics:

- Recent research has found that for every job provided by Coca-Cola we support a further eight jobs – that means an additional 2,800 Scottish jobs.
- The soft drinks industry in Scotland is worth over £800M per year. CCE's share of the market was around 27%¹.

Our Scottish recycling and littering reduction record:

- We are one of the largest users of recycled food-grade PET in Scotland.
- We pledged to reduce the amount of material we use across all packaging formats by 25% by 2020. All of our bottles and cans are recyclable. Our PET bottles include 25% recycled PET.
- Last year CCE spent over £200K on recycling and litter reduction initiatives in Scotland.
- We ran recycling activations at two summer festivals – Rockness and Royal Highland Show to increase awareness and educate the public on recycling; encourage the public to recycle more often in the home and make recycling fun. This included volunteers from Zero Waste Scotland for the past two years and will do so again at our Royal Highland Show activation this year.
- We are a key sponsor and supporter of Keep Scotland Beautiful's 'Local Heroes' programme – a community-based volunteering initiative.
- We supported and provided sponsorship to the Scottish Government's 2012 consumer recycling roadshow, helping educate householders about how they can best recycle in their homes.

We welcome the opportunity to respond to this 'call for evidence'. We make several recommendations and are happy to discuss this evidence further with Zero Waste Scotland and the Scottish Government.

¹ AC Nielsen Scotland Total Coverage Data – weekly data up to 30.05.15

QUESTION 1

Are you aware of additional evidence that is relevant to any consideration of the suitability of a deposit return system in Scotland

(e.g. the impact of the targeted items when littered; improvements in recycling rates or reductions in litter achieved by deposit schemes or pilots elsewhere; wider social, environmental, or economic impacts; the extent to which performance estimates match experience elsewhere; the extent to which comparable performance could be delivered at lower cost)

DRS discriminates against diligent manufacturers and recyclers:

CCE is present in a number of European markets and therefore has expertise on the issue of recycling collection systems. We're also one of the biggest users of recycled-PET in this country.

We're concerned that the introduction of a DRS is a discriminatory approach to diligent manufacturers and recyclers. A DRS treats all manufacturers and recyclers the same – irrespective of the investment and commitment made to reduce packaging and increase recyclability and recycled-content. CCE has a commitment to a 25% reduction in the amount of material we use across all packaging formats by 2020. 100% of our cans and bottles are recyclable. 34% of the plastic in our PET plastic bottles is from recycled-PET. A DRS doesn't encourage this type of enterprise and leadership by producers. It doesn't support business decisions to invest in plastics reprocessing, such as our £5M, multi-million pound investment in the Continuum plastics reprocessing site in Hemswell in Lincolnshire. This more than doubled the total amount of rPET reprocessed in the UK.

UK legislation required to implement a Scottish DRS:

In terms of the legalities of this issue, our legal team have confirmed that packaging falls under UK legal requirements rather than the devolved Scottish powers concerning waste. Packaging requirements currently sit under the Packaging (Essential Requirements) Regulations 2013 (as required by Commission Directive 2013/2/EU) which applies to all packaging placed on the market in the United Kingdom. The Regulations cover areas such as volume and weight and do not provide for labelling with reference to deposit schemes. There is therefore currently no mandatory requirement and either UK legislation would be required to implement a requirement, or a voluntary scheme would have to be introduced in Scotland.

ENVIRONMENTAL EVIDENCE

Marginal recycling rates benefits when other materials are not included:

We are concerned that the focus on single-use beverage containers is a narrow and discriminatory focus on materials that already have the highest recovery rates. It is important to put this debate into the right context – beverage packaging contributes just 2% to the overall waste arisings in Scotland. There are greater savings to be had elsewhere, including food waste. The significant massive extra cost of any DRS scheme does not compare favourably or proportionally to any recycling rates improvement. It's a very expensive and disruptive system for minimal returns. Eunomia estimates just a 1.5%-3.3% increase in household recycling rate.

It is questionable why other materials and other consumer-goods products, milk cartons, food cans are not included in the proposal.

Bigger labels could be needed:

As a business we have a commitment to reduce our environmental impact – this includes in reducing our packaging. Our PET 500ml Coca-Cola bottles labels for example are designed to get in as much consumer and brand information as possible in the smallest space available. The front of pack is the brand name and colour-coded GDA nutritional information. On the back of pack we have to include ingredients, legal address, the On Pack Recycling Label information and the product line bar code. Under a DRS we'd now be expected to include potentially another bar code and another logo – meaning the labels might have to get bigger, using more materials to create the label and cost our business more when we continue to strive to be a competitive business in Scotland.

Greater focus needed on recyclability of packaging:

As a business which is committed to setting the standard for sustainable packaging and recycling more packaging than we use, we support the promotion of the sustainable design of products. There is a common misconception that packaging that is collected for recycling ends up being recycled. This is not always the case - often due to packaging being of a material that is unrecyclable, which contaminates the recycling stream, adds complexity to the recycling sorting process and wastes resources. Therefore, we would like to see an emphasis on the recyclability of packaging, ensuring that what is put on the market, can be genuinely recycled – keeping valuable resources in Scotland.

Marginal impact on littering:

We believe deposits would have a marginal effect on littering, but the vast majority of litter would be left in place as the behaviour of litterers would not be affected. The introduction of a DRS in Germany saw “hardly any material impact”, given that drinks packaging accounts for only 6% of littering². Instead, we feel a better way to tackle littering and actively influence behaviour change is through government, Keep Scotland Beautiful and industry working together on a joint consumer communications campaign.

Equally, the 2008 ERM ‘Review of Packaging Deposits System for the UK’, which considered evidence from other European countries, including Sweden, found “little hard evidence that deposit schemes reduce littering.”³

Eunomia says beverage containers are 40% of litter based on volume. However, a ‘Composition of Litter Survey’ in Scotland carried out by Keep Scotland Beautiful last year found that “deposits on drinks containers (cans, bottles and cartons) for example would target only 4.3% of litter. That would leave 95.7% unaffected. Even with gum and cigarette ends excluded, the total potentially deposit-bearing litter amounts to just 22.4% leaving nearly 80% that would have to be addressed in some other way”⁴.

As a result, we agree with Keep Scotland Beautiful’s statement that: The “scale of the investment that would be required to roll out a DRS, and the lack of evidence that it would deliver any significant reduction in litter, means a DRS is not the right solution to the litter problem in Scotland at this time”⁵.

² Experience with the introduction of a mandatory deposit system in Germany. Pro Europe deposit workshop. Roland Berger Strategy Consultants presentation, 22 February 2008. p33

³ Review of Packaging Deposits System for the UK. ERM. Final Report. 2008. pVII

⁴ Composition of litter in Scotland. 2014. Survey carried out by Keep Scotland Beautiful on behalf of INCPEN. <http://www.incpen.org/docs/CompositionOfLitterInScotland.pdf>

⁵ A deposit return system for Scotland – A position statement from Keep Scotland Beautiful. June 2015. P2

The Scottish Government should be proud of establishing its National Litter Strategy, but it hasn't been given enough time to properly and successfully implement this plan. A greater focus on this, rather than a DRS which risks diverting focus and resources away, is where the Government should be concentrating its efforts.

We feel a better way to tackle littering and actively influence behaviour change is through Government, civic society and industry partnerships. We're delighted for example to be a sponsor and supporter of Keep Scotland Beautiful's Local Environmental Champions initiative – it's this type of programme which encourages civic, community action to help keep their local environments clean of litter. Local people are supported with practical measures to help them litter pick and take pride in their local areas. A DRS is top-down government action is an additional burden which stifles charitable and collective community action.

ZWS often quote the economic value of littered items. While this is true, with 70% of our products consumed in the home, it is self-evident that there is greater economic value in making household kerbside collections work – that's where the greatest recycling and economic gains can be made.

Consumers see litter as personal responsibility and back better and tougher enforcement:

A Com Res consumer poll for the Packaging Recycling Group Scotland found that respondents when asked, "who do you think is responsible for addressing the issue of littering?", respondents said that littering is the responsibility of the individual (82%) and parents (60%), with increased fines for people who are caught littering backed by more than half of Scots (53%)⁶. Last year the Scottish Government introduced increased Fixed Penalty Notices fines for littering. The public consultation found more half of respondents backing this approach – reflecting the same high level of support the PRGS survey found. This is a crucial part of the Government's Litter Strategy and should be allowed to see what impact it has had.

Disamenity argument is based on all litter not just bottles and cans:

When individuals state a willingness to pay for a reduced level of litter in their neighbourhood this isn't just about bottles and cans littering. In itself it does not make the case for the disamenity – it's much wider than this - extrapolating the much wider disamenity debate on what consumers quite reasonably take account of a number of negative attributes that they associate with litter, which could include concerns about crime, the perceived effect on mental wellbeing, and the effect on house prices and putting all this against bottles and cans littering, is stretching the point to incredulity.

Although Eunomia is prepared to put a high value on willingness to pay for reduced littering, no value has been assigned to the social costs, opportunity costs and inconvenience that members of the public would incur. The opportunity cost and inconvenience aspect we cover off in Question 3.

ECONOMIC EVIDENCE

Costs would be disproportionately allocated:

There has always been a system of shared responsibility between producers and retailers who pay through the current packaging producer responsibility funding system (PRN) and local authorities who have a duty to deliver public services to their electorate – this includes the provision of waste services. We pay our fair share (we're one of the largest food and drink manufacturer contributors to the PRN scheme), agreeing that we have a responsibility for the packaging we put on the market in this country.

⁶ Public perceptions of proposed Scottish deposits scheme. Com Res consumer survey, commissioned by PRGS. January 2014.

Valpak, the environmental compliance body have established that “over the last 10-12 years, packaging producers have contributed around £1.5billion in investment into the recovery and recycling of packaging waste⁷”.

Yet the Eunomia report recommends that producers pick up the vast majority of the costs through a system of ‘producer fees’. This is not only unfair, but significantly changes the dynamic of shared producer responsibility. The only conceivable way to accept such a proposition is if we had proportionately higher ownership of the material.

Potential net loss of jobs:

As a significant employer and economic contributor to Scotland, we believe that the Scottish Government should focus on sustainable jobs and businesses, rather than, as proponents of a DRS argue, trying to create new, perceived ‘green’ jobs.

There is a danger that creating any ‘new’ jobs from the introduction of a DRS is artificial and unsustainable - they duplicate existing jobs and create uncertainty, particularly in the local authority waste collection sector - potentially trading one job for another. According to the ERM study commissioned by CCE to examine the impact of a deposit return scheme in Scotland⁸, it found that rather than creating new ‘green jobs’, the introduction of a deposit return scheme could result in 99 job losses in Scottish local authorities or their contractors.

EXPERIENCE OF OTHER DEPOSIT SYSTEMS

Introducing Swedish system in Scotland won’t have desired result:

CCE bottles, distributes and sell Coca-Cola products in Sweden. For the past twenty years we’ve been part of the Swedish beverage industry-run deposit return system, which works well.

It’s worth noting the key differences between Scotland and Sweden in recycling systems, retail dynamics and consumer demand – this makes it difficult to declare that introducing a Swedish system in Scotland will have the same desired effect:

1. Sweden already had a refillable bottles system when DRS was introduced. In fact DRS was a response by refillable producers to the entry of single-use beverage cans to the market.
2. In Scotland we have a good household kerbside recycling collection system. This is where the significant volume of our packaging - 70% - is recycled. In Sweden they have a limited recycling kerbside collection system.
3. Soft drinks and alcohol single-use beverage containers are included in the DRS in Sweden, but juice drinks are excluded, including dilutables. Milk is not included in Sweden, but HDPE milk bottles are referenced in the Eunomia report as a material for strong consideration in the Scottish DRS.
4. Like the Swedish system a Scottish DRS could generate a higher recycling rate for soft drinks and alcohol bottles and cans, but at the expense of other containers, which have a much lower recycling rate – in Sweden the recycling rate for other types of packaging is more like 30%, meaning that the overall national recycling rate impact is inconsistent and impacted, with other sectors not contributing. This is shown by the composition of litter. It’s still prevalent, with paper, coffee cups and fast food packaging being littered. Cans and bottles are still littered as well.

⁷ Valpak response to the LGA Local Waste Review ‘call for evidence’ February 2013.

⁸ An Evaluation of the financial and environmental impact of changes to recycling systems in Scotland: Including a DRS. ERM study commissioned by Coca-Cola Enterprises. 2013.

5. The market, retail offer and consumption patterns are different in Sweden to Scotland. In Sweden only 50% of Coca-Cola products are consumed in the home, versus 70% in Scotland. In Scotland we have more promotions and multi-packs to Sweden. The Eunomia report takes no account of this difference or the strong retail dynamic of promotions. The driver for introducing DRS in Sweden was litter from Out Of Home consumption, which is higher than we have in GB.

It's worth observing that despite Sweden having a high recycling rate for soft drinks and alcohol bottles and cans, our experience is that the beverage industry-run scheme has to continually advertise and remind Swedish consumers to recycle their bottles and cans, despite having the scheme for the past 20 years! This level of on-cost has not been considered by Eunomia's study.

Non-deposit systems work just as well – e.g. Belgium:

Evidence from the DRS being set up in Germany showed that retailers and producers faced initial investment costs of 726M Euros to develop the deposit system, with annual costs to operate and maintain the deposit system of 793M Euros⁹.

Despite all of this investment the German DRS still reflects badly in comparison with Belgium, which has an equivalent recovery rate, yet has no deposit scheme. It has an effective and standardised household collection system. CCE operates in Belgium and has good experience of making the Fost Plus system a successful high recycling collection programme.

The Iru Bru iconic glass bottle deposit system in Scotland doesn't work:

Eunomia have suggested a 10p level for small 500ml and under and 20p for large PET and bottles. There is a question whether this will act as a sufficient incentive for bottles to be returned. Too high a fee will encourage even greater fraud and organised criminal activity.

The Eunomia report contains return rates of 85% at 10p per unit and 95% at 20p per unit. These form the basis of all the limited modelling in the report – yet according to AG Barr, who run a deposit return scheme on glass one litre bottles of Iru Bru, this does not reflect the reality of actual return rates on these returnable glass bottles in the Scottish market. This is despite people choosing bottles with a 30p deposit per unit. "These bottles - which can be returned to over 4,000 Scottish stores – have seen a marked decline in return rates as people recycle rather than return"¹⁰. The rate has declined to an historic low of 54%. They see a direct correlation between the reduction in the return rate and the introduction of local authorities significantly widening its glass kerbside recycling collection service.

Given AG Barr's experience in this issue and that this scheme has been long-running and active in Scotland, it's surprising that Eunomia did not include this in their report. We would encourage further consideration and examination of this scheme in order to better inform the overall decision-making on this crucial issue.

⁹ Experience with the introduction of a mandatory deposit system in Germany. Pro Europe deposit workshop. Roland Berger Strategy Consultants presentation, 22 February 2008. P19

¹⁰ Presentation by Jonathan Kemp of AG Barr to ZWS deposit workshop. 26 May 2015.

COMPARABLE PERFORMANCE DELIVERED AT LOWER COST THROUGH VOLUNTARY ACTION:

Voluntary commitment by companies can achieve as good a recycling rate for cans, bottles and glass:

The Eunomia report estimates a recycling rate for single-use beverage containers under a DRS of between 85-96% - an extraordinary high range. It would take a number of years to reach anything like that, if at all. Taking into account that a final decision to be made by the Minister and for it to pass into legislation through the Scottish Parliament won't happen until 2016, potential legal challenges, Eunomia's recommendation for an implementation period of no less than two years from the date at which the decision to proceed has been made, plus time to finalise scheme design¹¹ – potentially another year – means that we could be looking at 2018/2019 at the earliest for a DRS to be introduced to Scottish consumers. On top of this it'll take time for consumers to adapt to the new system and with it recycling rates will be nowhere near the figures quoted by Eunomia in the first few years.

In that time producers, retailers and drinks material suppliers have committed, through the PRGS Commitment to Scotland paper a pledge to get to 70% by 2017, 75% by 2020, 80% by 2025. This would be highly significant and the difference in achieved recycling rates between expected DRS outcomes and the PRGS proposal would be minimal, yet the cost and disruption of setting up a whole new parallel recycling system would be immense.

As a baseline, Valpak say there's a household recycling rate of 70% for glass drink bottles, 62% for aluminium drink cans and 52% for PET drinks bottles¹². Industry figures put PET drinks bottles at 59% for 2013 to correct the now acknowledged problem of under-reporting of this packaging type for a number of years. They also found aluminium cans to be at 65%¹³. With household recycling for all plastics at just 27% and all aluminium at 43%, a DRS would remove the higher recycling levels of beverage cans and bottles from the local authority waste stream. This would result in suppressing local authorities overall recycling rates.

REFORM OF PRN SCHEME

Reform of PRNs could deliver greater recycling outcomes:

CCE is one of the largest food and drink manufacturer contributors to the PRN scheme. Valpak, the environmental compliance body established that "over the last 10-12 years, packaging producers have contributed around £1.5 billion in investment into the recovery and recycling of packaging waste¹⁴".

In fact, CCE successfully lobbied the HM Treasury to increase packaging recycling targets - this means not only higher recycling rates are being achieved, but these higher targets mean an increase in our packaging producer responsibility payments – something we feel is necessary and right.

CCE supports reform of the PRN system, which encourages greater transparency of where the funding, we put into the scheme, actually goes. We want to see it better directed to the 'frontline' of Scottish waste service delivery, in particular to increase recycling participation rates.

The debate should be around improved efficiency and use of the existing funding system, rather than a simplistic approach to asking for a general increase in financial contributions.

¹¹ A Scottish Deposit Refund System. Final report for Zero Waste Scotland. Eunomia. May 2015. P33
http://www.zerowastescotland.org.uk/sites/files/zws/Deposit_return_system_report.pdf

¹² Valpak presentation to the ZWS deposit return scheme workshop. 26 May 2015

¹³ Calculations made by Recoup, FEVE, EAA.

¹⁴ Valpak response to the LGA Local Waste Review 'call for evidence' February 2013.

Furthermore, specifically in Scotland we support, in principle, reform of the producer responsibility system - such as the identification of packaging waste arising in Scotland and separate packaging targets.

QUESTION 2:

Do you have any evidence that is relevant to any consideration of how a deposit return system could be designed and managed?

(e.g. the governance arrangements and contracting; the way in which services are procured; the extent of public/private/third sector involvement; the ownership of material within the scheme; on the coverage of materials/products; the implications for re-usable/recyclable container design; the interaction with other Scottish/UK regulatory systems; changes/amendments that would improve the performance or value of the initial system proposed)

We believe that a DRS is not in Scotland's environmental or economic best interests. We would prefer to work with the Scottish Government to improve the existing kerbside recycling collection system and reduce littering. This will achieve the same, if not better, results at a much lower cost to all involved and on a timeframe which is realistic.

QUESTION 3:

Do you have any evidence on the anticipated impacts of a deposit return system on your own organisation, or on the public more widely?

(Do you have any evidence on the anticipated impacts of a deposit return system on your own organisation, or on the public more widely? (e.g. costs to businesses; costs to the public; public acceptability)

IMPACT ON OUR BUSINESS:

High costs disproportionate to any recycling or litter benefits:

We remain concerned that the introduction of any DRS in Scotland would be significantly unequal in cost to any recycling or litter benefits. The Impact Assessment (IA) for 'the Recovery and recycling targets for packaging waste for 2013-2017' consultation, which was commissioned by DEFRA and supported by all three devolved UK administrations, showed the costs of setting up and running a DRS would be disproportionate to any recycling or litter benefits¹⁵.

Our own internal study of DRS costs to our business found significantly higher costs than estimated or modelled by the Eunomia report. We've outlined the range of issues that Eunomia have either not considered, or with any degree of understanding.

DRS could hinder legal right to free movement of goods in EU:

Under the EU rules CCE is entitled to trade freely across member states. However, a new DRS label could prevent or hinder this free movement of goods, as CCE would need to change their labelling in order to sell our products in Scotland.

A DRS would require a national system and it is not clear how it could be set up and in compliance with competition rules. Potentially, it may need multiple systems to be established, which would increase cost and bureaucracy.

¹⁵ DEFRA Statutory Packaging Recycling Targets 2013-17 consultation – Impact Assessment. www.defra.gov.uk/consult/files/packaging-ia-120321.pdf

Significant concern about underestimation by Eunomia of labelling costs and cross-border fraud:

Labelling costs: We're concerned that Eunomia estimated the number of impacted product lines in Scotland at just 2,000¹⁶. Valpak used its EPIC database to estimate that this figure is likely to be in the order of 15,000 product lines. A significant difference, meaning that the costs for changing labels are over seven times what has been estimated. As CCE alone we'd be looking at having to change 380 SKUs in Scotland or 450 across whole of GB.

The Eunomia report rather simplistically says that "a design company would need 4 days at £600 per day to adjust the labels in order to fit the DRS logo on"¹⁷.

While we agree on £600 per day for four days for design costs, it takes into account only one part of the costings we'd face - it does not take into account artwork origination, where we have on average costs of £2000 per plate. Each plate is needed for each artwork label. There would also be additional artwork costs of £250 per SKU for the cardboard trays. Anti-fraud measures to stop criminals printing their own labels would have to be added, such as special inks.

Cross-border fraud – fundamental issue which hasn't been resolved by Eunomia report:

The Eunomia report outlines two labelling options – a Scotland-specific label and barcode and a Scottish DRS logo on all beverages sold in the UK. Option two has very immediate fraud implications. Given that this proposal monetarises packaging, rather than products, it makes it tradable and an opportunity for cross-border criminal activity.

AG Barr's presentation to the ZWS deposit workshop on 26 May outlines how this is an intrinsic, fundamental issue when a used can has a value 6x or 12x what the material is worth. According to their presentation one truck load of cans and bottles could fetch £15,000 at 10p and £30,000 at 20p, making a lucrative new criminal operation.

It's not just Barr's outlining these concerns: *Eunomia's own 2011 study on DRS for Scottish Government's questions viability of such a scheme*: The Eunomia report, 'Producer Responsibility: Policy Evaluation', the Scottish Government-commissioned report into the introduction of a DRS scheme, questioned the viability of the introduction of such a scheme – they specifically highlighted significant problems around cross-border trade¹⁸, particularly the threat of fraud¹⁹.

They also identified extra, discriminatory costly burdens on Scottish businesses. The report states: "...the DRS for Scotland [is] more costly [for Scottish producers] to join initially"²⁰. They also state that "an onerous scheme might dissuade smaller producers from entering a Scottish market."²¹

In the United States, where the distances are much greater, there is some evidence for fraud through inter-state traffic between deposited and non-deposited states.

The Eunomia report does not state who would be liable for fraudulent transactions – this needs to be carefully considered and established.

A Voluntary approach would add further confusion: We equally don't believe a voluntary approach, which is outlined as an option by Eunomia is the right approach: A led to different labelling systems being adopted (especially for imports), consumer confusion and a lower return rate would result.

¹⁶ Scottish Deposit Refund System. Eunomia Final report for Zero Waste Scotland. May 2015. p73

¹⁷ *Ibid.* p73

¹⁸ Producer Responsibility: Policy Evaluation. Eunomia Final Report to the Scottish Government. May 2011. P36.

¹⁹ *Ibid.* pV

²⁰ *Ibid.* P58. "The setup cost, in terms of the total cost of the scheme, in the initial years, increases the annual cost by 18% in the Scottish scheme. This affects the 'joining' fee to be paid by producers, making the DRS for Scotland more costly to join initially".

²¹ *Ibid.* p57

Eunomia report doesn't reflect the commercial realities of the soft drinks market:

Given the strong emphasis of the GB market on promotions and retail offers, including having a wide range of multi-packs, we're unconvinced the report accurately reflects the commercial realities of the soft drinks market. In modelling against other DRS countries which have fewer SKUs and less volume, there is an underestimate and lack of understanding by the authors of what impact a DRS could have on a business such as ours which creates economic value, of every Coca-Cola job in GB supporting a further 8 across the wider Scottish economy.

DRS would lead to significant extra manufacturing costs:

As a GB-wide business our six factories across the country manufacture for demand across GB. A Scottish DRS, with the need for separate labelling, would have an impact across our British manufacturing footprint. It would add cost and complexity proportionally more than what Eunomia outline in their report.

The monetarising of labels would mean we'd have to install increased security in our factories. It would also double the number of SKUs. This would significantly increase our costs: Not just the cost of stocking but the cost of changing over labels, keeping label stock secure at all stages to counter fraud. It would reduce our business efficiency, with constant change-overs in labelling rolls. At the end of each production run all bottles will need to be removed from the filling line and the line refilled with deposit containers. All this is non-productive time that will reduce industrial productivity, energy efficiency and increase wastage.

Logistics & warehousing costs would significantly increase:

There would be increased warehousing costs. While Eunomia has rightly taken this into account, their figures are an underestimate based on the amount of volume of product we produce in GB and the potential need to separate Scottish-only DRS product from the product for the rest of GB. The costs would be on extra shelving and having to set up the equivalent of an internal bonded warehouse within our facilities to securely house the specific monetarised DRS labels and separately, the cases of bottles and cans with the new labels on.

IMPACT ON THE PUBLIC: LOCAL AUTHORITIES:

The best long term solutions to maximum recycling in Scotland should be based on the current kerbside collection system. Undermining that system by introducing DRS would be a great mistake which could not easily be reversed.

A change to a 'best in class' recycling system would raise local authority collection standards:

CCE wants to contribute constructively to the wider public policy discussions on packaging and recycling in Scotland.

In November 2012, CCE 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 deposit return systems for beverage containers²². The report, it's modelling and assumptions were peer reviewed by an independent environmental expert.

²² An Evaluation of the financial and environmental impact of changes to recycling systems in Scotland: Including a DRS. ERM study commissioned by Coca-Cola Enterprises, 2013.

We asked them to model what changes to the current local authority collection system would help deliver as good a recycling level as deposits. They reported that changing to a local authority ‘best in class’ approach – where local authorities standardise their collection systems to the best recognised approach in Scotland would rise from 43% in 2010/2011 to 73% by 2017. This compares with an assumed recovery rate for a deposit return scheme of 80%, which would equate to only an *additional* 16,000 tonnes of recycling per year over current planned measures. We support this recommendation for a more standard approach taken by local authorities. We’re encouraged by the Zero Waste Taskforce partnership between COSLA and ZWS/Scottish Government as a way to facilitate a voluntary commitment by local authorities to move towards a more consistent approach.

DRS could cost local authorities as assets are stranded:

With 70% of our products consumed in the home we have a fundamental interest in improving local authority household collections. We believe Scotland has a good local authority collection service, but this could be even better. However, we remain deeply concerned that a DRS would negatively impact the current kerbside collection infrastructure established and invested in by local authorities. Contracts with waste management companies would need to continue to be honoured, with a number based on amounts of material collected. We’ve heard anecdotally that some local authorities have already modelled the potential impact of a DRS and found that infrastructure investment would be stranded as a result of the introduction of a DRS. This needs much more careful consideration and discussion with local authority representatives.

Could have a negative impact on local authority income:

We are keen to ensure that negative unintended consequences are not created through public policy decision-making. We believe that the introduction of a DRS would potentially deprive local authorities of high-value income - removing the materials of the most value from the household collection schemes (metal cans and plastic bottles) would leave those local authorities with a major loss of revenue and reduce the kerbside service to households for the remaining materials. We want to help local authorities to maximise value from the materials they collect, which can help them to run better services and communications campaigns. That is why we are supporting them through trial initiatives such as *Metal Matters*.

The CCE-commissioned ERM study found estimated costs or cost savings to local authorities in Scotland vary according to the assumptions made. The introduction of a deposit return scheme may offer some cost savings to local authorities. However, such savings are dependent on assumed savings in kerbside collection costs, which may not be realised in practice, and in the management and disposal of low value glass. If high value plastics and aluminium are preferentially ‘cherry picked’ by a deposit return scheme, then overall costs to local authorities will increase. For example: under an assumption that 50% of collection costs and 30% of sorting costs at material reclamation facilities are fixed, the indicated cost impact on local authorities of introducing a deposit return scheme can vary from a £7.5m saving to net cost of £3m per year²³.

Separately, ERM also investigated a DRS for the UK for DEFRA, including the impact on local authority collections. Their findings showed that “the introduction of deposits would have a detrimental effect on existing collection mechanisms in general, and council kerbside collections in particular. The deposit scheme would divert a significant amount of packaging waste from the kerbside schemes, and that may have a knock-on effect on other materials currently collected at kerbside”.²⁴

²³ An Evaluation of the financial and environmental impact of changes to recycling systems in Scotland: Including a DRS. ERM study commissioned by Coca-Cola Enterprises, 2013. P2

²⁴ Review of Packaging Deposits System for the UK. ERM. Final Report. 2008. pVI

IMPACT ON THE PUBLIC: CONSUMERS:

Best ways to engage consumers in recycling - make it easy, simple, impactful and fun. A DRS system would further confuse:

Over the past few years, CCE has undertaken research to better understand the drivers of good recycling behaviour. This found that, for consumers to recycle, it needs to be easy, simple, impactful and fun. We believe that the focus needs to be on educating and enthusing consumers to recycle in the home through the universal household kerbside collection system. Businesses, local authorities and Government all have a role to play in this.

Our research supports this:

1. Most consumers are 'Green Casuals'²⁵ – they make up 40-55% of the demographic and have better intentions than actions - recycling some things some of the time, but not all things all of the time. Most would think of themselves as committed to recycling, but face a number of obstacles for not recycling more often. We have talked to our consumers about their attitudes to recycling. They told us that they are still not clear on what materials can be recycled, what materials are collected by their local authority, what the benefit of recycling is and that the schemes can be difficult to understand.
2. In 2013 CCE commissioned a study with the University of Exeter to better understand how household dynamics influence recycling behaviours. The pioneering study, 'Unpacking the Household'²⁶ observed 20 families, couples and single-person households in Great Britain and France, in their own homes, for six months. Householders told us that making it easy for them to recycle in the home, when the positive benefits of recycling are tangible and clear, with small meaningful and achievable actions resonate, along with an engaging, impactful and fun tone - all delivered through more consistent local authority communications - is key to empowering them to recycle more.

Introducing a parallel recycling scheme just for single-use beverage containers may add to the already fractured system of recycling in Scotland. It is questionable what level of recycling rate the Government would expect to achieve when these two distinct systems are in operation.

A DRS logo would add confusion to the increasingly successful On Pack Recycle Label:

The On Pack Recycle Label (OPRL) is increasingly successful and recognised by consumers, albeit operating in the difficulty of a fractured local authority system. Having a more structured local authority collection system, which the Zero Waste Taskforce are working on and which we applaud, would help reinforce the importance of the OPRL. An additional DRS logo would add further confusion for consumers and do nothing to help make communications on recycling to them simple, simple and impactful.

A DRS would cost Scottish consumers £155M per year extra:

In 2013 environmental consultants, ERM commissioned by CCE undertook to establish what the financial and environmental impacts of a change to the recycling system with particular reference to the introduction of a DRS would be. They found that a national DRS in Scotland would cost consumers £155M per year.

²⁵ In-Home Recycling Decision Making. The opportunity to Change recycling behaviour at home. Quant & Qual Research Overview. Harris Interactive research for Coca-Cola Enterprises. January 2011

²⁶ Unpacking the household – exploring the dynamics of household recycling. Exeter University study by Dr Annabelle Bonlay, Dr Alan Metcalfe, Dr Stewart Barr & Professor Gareth Shaw. Commissioned by Coca-Cola Enterprises. March 2014

This is through:

1) The costs of unredeemed deposits: These costs are estimated at £87m per year, or £36.50 per household per year. This assumes an average deposit of 20 pence per container and a return rate of 80%. This is significant and will have a bearing on the public acceptability of such a scheme.

2) The cost associated with the loss of private time (personal free time) spent redeeming deposits. The introduction of a deposit/reverse-vend scheme is an extra burden to consumers, who under the current scheme have an easier and less burdensome approach by recycling through their household recycling collection schemes. Asking them to queue up and redeem their beverage containers impacts already busy lives and adds extra complexity. This additional pressure needs to be taken into account. For the first time we have estimated the cost of this extra burden at £68m per year, or £28.80 per household per year. This assumes an optimistic average time of 10 seconds per deposit including queuing time.

Consumers back improved local authority collections for ease and practicality: A more standard local authority collection system is needed:

We support a more standard or consistent approach to local authority collections – we respect that local authorities need to operate systems that is best for their local communities, housing-stock, geography and budgets, but it is proving difficult for successful and proven scalable communications initiatives to work with these myriad of collection schemes. Having a more consistent system would allow us to actively support a nationwide business and government-backed consumer-facing behaviour change campaign. This would deliver scale and consistency. It would need political support from Government Ministers and facilitated by agencies such as ZWS and would need to include influential consumer charities such as Keep Scotland Beautiful. This aligned approach would mean businesses such as ours could get involved.

Consumer survey results: In 2014 the Packaging Recycling Group Scotland (PRGS) commissioned polling company, Com Res to undertake a consumer survey to better understand consumer attitudes to DRS. They found, encouragingly, that Scots are concerned about the environment, with four out of five (80%) saying they are worried about future energy sources and supplies and more than three-quarters (77%) feeling concerned about the natural depletion of resources. Just under seven out of ten (68%) said they were concerned about littering and recycling.

When asked in isolation the question: “The Scottish Government is currently considering introducing a ‘deposits’ scheme on drinks containers in order to encourage recycling and to reduce litter. This would involve an extra cost for these products, which would be refunded only if you took the empty containers back to the recycling site (most likely supermarkets). To what extent would you support the introduction of this scheme?” 50% of consumers (20% strongly support, 30% tend to support) said they would support the introduction of such a scheme. 33% were opposed (17% tend to oppose, 16% strongly oppose).

When questioned further, more than seven in ten (71%) were “very convinced” that the extra £65 cost per household was “too high in the current times of austerity”. When asked “Which one of these initiatives (improved local authority kerbside collection scheme, a deposit scheme, increased litter/recycling bins) do you support most overall? Half of Scots (50%) said an improved local authority collection scheme, with now only 27% saying a deposit-return scheme. Factors relating to convenience and practicality dominate the reasoning of those who prefer the improved local authority collection scheme to other options. 39% of those preferring an improved local authority collection system said it was “easier/requires the least effort/convenient for people to use”.