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Lyndsay Parker
Zero Waste Scotland
Ground Floor
Moray House
Forthside Way
Stirling
FK8 1QZ

By email: lyndsay.parker@zerowastescotland.org.uk

Dear Sir

Deposit return system – call for evidence

The Co-operative Food is the third largest food retailer in Scotland. There are over 400 Co-operative Food stores in Scotland, serving communities from densely populated inner cities to the most remote islands. In addition to this there are also stores run by the broader Co-operative movement, these include Clydebank Co-operative Society (1 store), Scotmid (189 stores), and 8 independently run Co-operatives.

These stores range in size but are predominantly small convenience stores. A convenience store is typically about 3,000 square feet, but there are variations depending on store history, population, available premises, etc. Of the stores operated by the Co-operative movement in Scotland:

- 285 are less than 2,000 square feet
- 35 are less than 1,000 square feet
- 12 stores are on petrol stations
- 206 are in areas of high population density
- 71 are in remote communities including those on various Scottish islands.

All these stores would be required to take back all containers from any Scottish sale under the proposed Deposit Return system.

We are extremely concerned that the proposals will not have the desired result of increasing recycling rates and, in addition, may have a number of unintended and unhelpful consequences. We outline these in more detail in our answers to the questions below.

We suggest that in developing proposals to increase recycling rates, the changing patterns of food shopping both in Scotland and throughout the UK need to be taken into account. The number of convenience stores is increasing - driven by changes in the UK's shopping habits. People are tending to buy less but are shopping more frequently and have 'segmented' their shopping - buying items from different places based on either price or convenience. People are moving away from shopping at larger supermarkets and are instead shopping more



frequently in their local community convenience store. This is a positive thing for many communities - ensuring spending power takes place locally rather than at out of town retail parks. It would be disappointing if the introduction of a Deposit Return System were to undermine the viability of convenience stores.

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

As a food retailer serving communities throughout Scotland we have real concerns about the challenges which the introduction of a Deposit Return System would present for food retailers operating convenience stores – both on the high street but also in remote locations.

Specific challenges for small food stores

For small stores of less than 3,000 square feet the installation of a reverse vending machine represents a major challenge, this challenge becomes even more significant for the very smallest stores.

Our understanding is that the smallest Deposit Return machines are the size of a standard vending machine. In a store of under 1,000 sq ft, this is a significant amount of selling space to be 'lost'. This would represent not only a financial burden on the store through the loss of vital selling space but would disadvantage the community served through the loss of available goods and/or services. In this context 'services' might include Post Office Counter services. A typical convenience stores carries around 1,500 lines so up to 5% might be lost. It is important to note that in order for a machine to be safely installed and not compromise safe exit from the building in event of fire or restrict access for wheelchairs, additional space will need to be kept clear.

Some stores may decide that the 'sacrifice' required to install a Deposit Return machine is too great and opt for alternative arrangements. The Eunomia Report (hereafter referred to as 'the Report') suggests that in this circumstance the bottles could be stored in a bag by the cashier. This suggestion is completely unrealistic. The space behind the cash desk is already extremely congested and the idea of an additional 'bag' is simply flawed. When a cash desk area is designed for a store, we need to take account of the ergonomic factors that are likely to affect the operator. Handling and storing containers behind the cash desk would not only require extra space, and handling, but would require additional ergonomic assessment. Containers returned to the store may not be clean so it would not be hygienic for them to be handled by staff and stored behind the cash desk. Furthermore bags, when full, would need to be moved to another part of the store for storage – this would represent an additional task for store staff and an additional space requirement. The Report assumes that small retailers would store uncompressed bottles for up to 14 days; this would tie up a significant amount of 'backroom' space, compromising the retailers' ability to store the stock of retail lines necessary to meet customer needs.



We understand that where retailers have already installed Deposit Return machines some have found that the machines have attracted flies and rodents. This is a concern to us – whether the machine is located in a small car park adjacent to the store or within the store itself.

Impact on Local Authorities

The introduction of a deposit return system would remove valuable recyclables from local authority collections for which markets and long term contracts have already been established. The local authorities will still be running the same collections with the same costs, but will be left with a smaller quantity material, much of it of lower value. This could have the following effects, all detrimental to longer term improvements in waste management infrastructure and the development of the circular economy:

- Local authorities cease the collection of other plastic bottles.
- Local authorities reverse the roll-out of collection of other hard plastics (pots, tubs and trays).
- Local authorities cease the collection of composite cartons used for purposes other than beverages (eg, chopped tomatoes, passata).
- Local authorities cease the collection of other glass containers (jam jars, pickle jars, ready meal jars, etc) (this is much less likely).
- Local authorities cease the collection of cans (this is much less likely).

This view is supported by the DEFRA 2008 report undertaken by ERM (Review of Packaging Deposits System for the UK Final Report, December 2008¹. Unlike the Eunomia report, the ERM report included consultation with local authorities. We believe that the apparent lack of consultation with local authorities or waste management contractors undertaken by Eunomia is a fundamental flaw in their work.

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? (e.g. costs to businesses; costs to the public; public acceptability)

Specific challenges for high street stores and inner city stores

We believe that the introduction of a deposit return scheme may encourage consumers to ‘bulk up’ their returns to collect deposits in one trip. Doing this would tend to encourage customers to use the car rather than carry bags of bottles back to store on foot or on public transport – this would have a significant impact on convenience stores located on high streets, shopping parades and in inner city areas where parking is limited and stores are primarily accessed on foot or by public transport. 57% of customer walk to convenience stores, and 3% use public transport².

¹ randd.defra.gov.uk/Document.aspx?Document=WR1203_8019_FRP

² <http://www.acs.org.uk/research/local-shop-report/>



We would therefore face the challenge in such stores where parking spaces are limited of whether to install a machine or not. If the decision is taken to *not* install a machine, we might lose trade to stores that do, but if we do install a machine, there is the potential to lose the trade anyway to a larger store with better parking facilities. We would expect that the situation would be similar for many other inner city convenience retailers.

The introduction of deposit return therefore poses a severe risk to high street convenience stores in inner cities, and therefore a risk to the survival of the high street as a shopping destination. The report states (on page 30) that “*The key assumption being that the majority of containers will be returned to the same type of retail establishment as they were sold.*” Because customers are likely to “bulk up” returns to take to a larger store, they are also likely to do their shopping there.

We are also concerned that if consumers do decide to ‘bulk up’ their returns and use a car to transport them the consequence would be increased use of cars – with a negative impact on the environment but also reducing the level of ‘active travel’.

The impact that we expect the deposit return system to have on high street shops is at odds with the Scottish government’s stated³ ambition to regenerate town centres.

Costs of installation for retailers

It is our view that the Co-operative movement, operating a large number of small outlets across Scotland, including in remote areas, would be disproportionately adversely impacted by the introduction of a deposit return system.

The Report suggests that 2,000 retail outlets in total would require reverse vending machines. We believe, however, that the Co-operative movement alone would probably need 500 to 600 machines because of remote locations and to attempt to reduce the risk of loss of trade to larger stores. At a cost of around £30,000 plus £2,000 installation per machine, the investment required by the Co-operative movement would be between £16 million and £19 million. However, some of the independent societies operating community-owned stores on the Scottish Islands would struggle to be able to invest the sums required. They would face additional debt, government sanctions, or business closure.

Onward transport of returned items

The report (page 43) suggests that backhauling of returned items could be undertaken using existing retailer logistics. This would be extremely difficult to achieve in practice. For a retailer to use their own transport, they would:

- Need to be registered as a waste handling company; and
- Need to complete and retain the relevant records

³ <http://www.gov.scot/Topics/Built-Environment/regeneration/town-centres>

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 on 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. As far as we can see in the report, there has been no consultation with retailers about the proposed use of backhauling and no consideration of the impacts beyond the need to register.

For stores in remote and rural locations, the footfall may be insufficient to warrant investment in a compacting reverse vending machine which would therefore increase the volume expected to be backhauled and the amount of storage space required to hold bottles until collection or transport to a collection facility.

Additional workload for, and impact on, colleagues working in convenience stores

If a deposit return scheme is operational within a store, colleagues will be required to deal with issues such as lost labels, crushed bottles and general confusion as to what has had a deposit paid on it. These would be dealt with by a member of the customer services team in a large store but for convenience stores they would need to be dealt with by the small team on the shop floor. This would take these colleagues away from their main tasks required to run a retail store. In addition, in a small store, the potential for colleagues to face abuse from unhappy customers is more of an issue due to there being fewer other colleagues around. This does not appear to have been considered in the report.

Impact on Consumers

The scope of containers covered in the proposal comprises beverage containers (including alcoholic drinks) made of glass, plastic, or metal and beverage cartons. Bottles used for other purposes are not covered and neither are drinks pouches. It is not clear whether such other container formats would still be allowed. We are concerned that it will be challenging to achieve a good level of consumer understanding of what containers can, and cannot, be returned. Customers are likely to be confused by what should be returned to store and what should be recycled by the local authority. Given the current confusion with recycling in the UK, any suggestion that such confusion would not occur in a deposit return system in Scotland would be optimistic.

Some system of labelling containers that would carry the deposit would be required. If this were Scottish specific it would create problems for retailers operating on a UK wide-basis with stockholding and distribution. This could potentially increase the costs of products sold in Scotland and reduce choice for Scottish consumers.

Alternatively, a UK-wide label could be used which would only be active for goods sold in Scotland. These would require a retailer to operate till systems to control the deposit and would be more open to fraud from cross-border traffic. The report suggests that fraud would be small because of the distance that the major English and Scottish conurbations are away from the border. However, the cost of any fraud would need to be addressed somewhere



within the system, either by the overall management or by the retailers. Either way, the costs would be passed on to the Scottish consumer.

Whatever labelling system were to be adopted a secure ink would be required and would necessitate an additional colour on the printing press used to produce labels and other printed packaging. This would add to cost which would again be passed on to Scottish consumers.

Imported beverages are included in the scope of this system. This would either require overseas producers to label specifically for the Scottish market or involve an extra handling/labelling process at some import point. This would increase costs which would have to be passed on to the Scottish consumer. There would be some products for which the market was too small to justify the additional work. These would therefore not be offered for sale in Scotland at the expense of consumer choice.

Impact on Littering

The report suggests that the introduction of a Deposit Return System could lead to a reduction in litter of around 17%. The 2008 DEFRA ERM report, on the other hand, states that there is little hard evidence that deposit schemes reduce littering. Many of the containers to be included in the proposed system would be very unlikely to be littered - for instance milk bottles, 1 litre juice cartons. In addition, many of the items which *are* littered are not beverage containers which would carry a deposit, so although the deposit may reduce the amount of litter, it is unlikely to prevent all litter. That means that the costs and disamenity of the litter remain, even though the quantity of litter may be reduced.

Impact on Recycling

The report suggests that a deposit return system would increase recycling rates. However, this would only be for those containers *within* the system. It is highly likely that the recycling rates for containers *outside* the system would fall, and continued progress in increasing rates of recycling of additional materials would suffer because of the reduction in income and increased costs falling on local authorities.

Evidence from AG Barr on their deposit return system is that engagement with their system is in long-term decline. This evidence was presented at the Deposit Return Workshop at Heriot Watt University on 26th May and will no doubt be included in their submission. It is important to note that the low rate of return is despite those customers choosing to purchase a bottle with a deposit on it.

We note the evidence of the recent Heriot Watt University trial where approximately 50% recovery was achieved. It is our view that this rate of recovery is unimpressive given the proximity of the machines to the sales outlets and consumption areas, and the fact that the university campus is a largely closed and largely pedestrian community. These numbers are significantly worse than the 70 – 90% returns quoted in the report for other countries. Those countries are often the ones where the deposit return habit has never been lost. This 50%



rate of recovery echoes that achieved by AG Barr which suggests that the 70-90% ambition is unlikely to be achieved among the wider population.

It is our view that a more cost-effective approach by which to increase recycling rates would be to widen and make more consistent the range of materials collected by local authorities for recycling. This would reduce confusion amongst consumers which would boost recycling overall. This could be supported by a communication campaign co-ordinated by the Scottish Government with the support of food retailers and manufacturers.

I trust this makes the position of The Co-operative Food clear to you. If you have any questions about the points made in this submission please do let me know.

Yours sincerely

Iain Ferguson, MSc, BSc, CEnv, FIMMM, APkgProf
Environment Manager, The Co-operative Group

