

Dear lyndsay

## **Scotland's Call for Evidence on a Deposit Scheme**

Please find below Rexam's response to the Scottish Government call for evidence on a potential deposit return system for Scotland.

We have structured our response to answer the specific questions you ask: -

- Additional evidence relevant to consideration of suitability of a Deposit Return System, DRS, in Scotland
  - eg impact on litter
  - recycling of litter
  - wider sustainability impacts
- Evidence on how a DRS could be designed and managed
- Evidence of impact on business, consumers (costs and acceptability).
- In addition we will also comment on the Eunomia report commissioned by ZWS.

### **Background to Rexam**

Rexam's is one of the largest manufacturers of beverage cans in the world. We are a British company with headquartered in the UK. In 2014 we manufactured 64 billion cans globally, supplying all the major drinks (soft drinks, energy and beer) brands in a number of countries from Brazil in the west to India in the East. We are the largest beverage can maker in the Nordic region and supply cans into other countries/regions that operate a deposit system. Our global presence, including in deposit countries/regions and dedication to the recycling of our product means we are uniquely placed to understand what motivates consumers to recycle and how best to recover beverage packaging.

### **Additional evidence - impact on litter**

Firstly it should be noted that drinks packaging only makes up a proportion of litter. While we can debate what proportion of litter is drink packaging and if this is more visible (due to its size and colour vs gum and cigarettes) the fundamental point is that a deposit on drink containers will only remove that proportion of litter - gum, cigarettes, travel tickets, free newspapers and takeaway wrappers will still remain.

The only way to truly address litter to address the public's attitude, through behaviour change programs, education and on the spot fines. Sweden has had deposits on drinks containers for 30 years and despite increasing the on-the-spot fines for littering drinks containers to £63 in 2011, litter is still a problem.

The Eunomia report's estimate of cost savings from litter reduction is speculative. It is unlikely that there would be saving in litter collection (councils would still have to collect all the other items the public litter), the only potential saving would be in the disposal cost of litter and the Eunomia report assumes that a deposit would improve recycling rates, which is questionable given the evidence below. The same cost saving could also be achieved by improving recovery through kerbside collections. At a lower cost to Scottish consumers.

The Eunomia report also puts a value on the disamenity cost of litter at between £513m to £770m, based on four studies of people's claimed willingness-to-pay for less litter, three of which are not named. The fourth is a 2011 study by Wardman, University of Leeds Institute for Transport Studies for Defra. It showed people four photos of different levels of littering but, as the study points out, the results are an average value.

### Additional evidence - recycling of litter

The assumption made in the Eunomia reports that a deposit would increase the recycling rate for beverage packaging is questionable, or at least can be achieved at a lower cost through the existing kerbside scheme. Fundamentally it will not result in materials that are currently deposited in litter bins or left on the floor (drinks cans or other materials) being recycled. Unless individuals empty litter bins to scavenge for containers to redeem the deposit. If this happens it's likely to increase the cost of litter collections and these individuals are unlikely to replace the unwanted material back in the bin.

### Additional evidence - wider sustainability impacts

*A DRS would not increase recycling rates*

Valpak estimate the following recycling rates for drinks packaging: -

| Container              | Flow onto the Market (t) | Recycling Rate |
|------------------------|--------------------------|----------------|
| Glass drinks bottles   | 126,600                  | 70%            |
| Plastic drinks bottles | 38,500                   | 51%            |
| Aluminium drink cans   | 5,500                    | 63%            |
| Steel drinks cans      | 2,700                    | 68%            |
| Cartons                | 5,000                    | 32%            |

The Eunomia report provides no evidence for its assumption that a 10p deposit would produce an 85% return rate and a 20p deposit a 95% return rate.

It suggests that a deposit return system would increase recycling rates. However, this would only be for those containers within the system.

It failed to consider A.G. Barr's returnable bottle scheme that still operates today. Current return rate is 54% with a 30p refundable deposit. In contrast and with no supporting evidence, the report predicts return rates of 85-95% with a 10p-20p deposit.

Given the return rates of the AG Barr returnable bottle system and the Valpak estimates for drinks packaging it is questionable that a DRS would actually increase recycling rates.

Even in Denmark, which has always had deposits on drinks containers and where consumers never lost the habit of returning containers to the store, the return rate is below 90%, though the law set a target of 95% in 2001 and the deadline for achieving it has been postponed more than once since then.

Hawaii, the most recent US state to impose deposits (2005) was at 72% until 2011 and reached 77% in 2012.

*A DRS risks undermining Local Authorities' kerbside recycling systems*

The Eunomia report's estimate of cost savings to local authority kerbside collections is speculative. Drinks containers have a relatively high scrap value compared with other recyclables. Local authorities would therefore lose this value but would still incur similar collection costs (primarily labour and transport) collecting lower value materials. This could undermine the financial viability of kerbside collections especially in rural areas.

The only potentials saving would be in the disposal cost for un-recycled drinks packaging (put into residual waste collections). The same costs saving attributed to deposits could be achieved by improving kerbside collections. At a lower cost to Scottish consumers.

### Evidence on how a DRS could be designed and managed

From our experience elsewhere Rexam does not believe that deposits are an appropriate mechanism to improve recycling in Scotland. We believe that investing in and supporting the existing kerbside infrastructure and behaviour change campaigns is the most effective way of improving recycling rates and reducing litter.

Information in the DRS report has not been verified and should not be used to inform policy. The report did not include a cost-benefit analysis, nor did it consult any retailers, local authorities or waste management companies.

The report includes information about DRS in selected countries but did not assess countries that have carried out impact assessments of DRS and rejected them – Czech Republic, France, Ireland, Poland, Spain, Switzerland.

It failed to consider A.G. Barr's returnable bottle scheme that still operates today. Current return rate is 54% with a 30p refundable deposit. In contrast and with no supporting evidence, the report predicts return rates of 85-95% with a 10p-20p deposit.

The conclusions of the report are therefore of limited value and should not be used as a justification for the introduction of deposits.

### Evidence of impact on business, consumers (costs and acceptability).

#### *Impact on Consumers*

Rexam's experience of working in countries with deposit, suggests that the management /operations cost (purchase and maintenance of reverse vending machines, increased supply chain complexity, cleaning and pest control around reverse vending machines) of deposits adds approximately 10-15 Euro Cent to the cost of a drink. This is over and above the 'deposit' value which consumer could claim back. This cost is untimely bore by the consumer in the price of the drink they buy.

The proposed scope is wider than anywhere in Europe. The suggestion that deposits should be expanded to more products than just drinks, would create further costs to consumers, Existing reverse vending machines are designed to accommodate high value drinks containers, adding additional materials would add complexity and cost to the machines, ultimately making their operation more expensive, resulting in even higher costs to operate, these costs in turn would be picked up by consumers.

Consumers will have the inconvenience of having to store empty containers at home separately from other containers, take them back to stores and queue to return them. Consumers are also likely to be confused by which containers carry a deposit and should be returned to store and what should be recycled by the local authority.

It is not the scheme from our childhoods when people took empties to the shop to be collected and refilled. Rather than encouraging reuse, it is an alternative recycling collection method, which requires people to walk past the recycling bins at their front door and return all drinks containers to shops.

It takes no account of the extra inconvenience for disabled or older people, those without access to transport or low income families.

The report puts a high value on people's willingness to pay for reduced littering but no value on the costs, wasted time and inconvenience that people would face.

Unlike the carrier bag charges, which are avoidable if people take their own bags, a deposit on drinks containers is not.

### *Impact on business*

Some system of labelling containers that would carry the deposit would be required. Two labelling options are suggested:

- Scotland-specific label and barcode. The report suggests costs of £1.2 million for increased warehousing but this is only a small part of the extra costs that brands would incur.
- The report makes no mention of the effect that a significant increase in Stock Keeping Units would have on the packaging line efficiency of producers' manufacturing plant. It would also create stockholding and distribution problems for retailers, would increase costs of goods and likely reduce choice.

a UK-wide label which would only be active for goods sold in Scotland. Roughly 75-80% of brands are sold UK-wide so most will opt for this label but this would encourage people to buy drinks in England and claim deposits in Scotland. Financial losses from fraud would get passed on to consumers.

In the US fraud is a serious problem even though deposit levels are only 5 cents or 10 cents (3p or 6p). The California state body that administers their deposits system carried out a 3-month study of truckloads of containers coming into California from non-deposits states. It found that \$30 million (£19 million) was being claimed for illegal redemption in the state each year.

There has also been a case where Hungarian containers with counterfeit labels were sold in Germany (the German deposit is 3-6 times higher than the US deposit rate). Distance from Budapest to Berlin is 545 miles, more than the distance from Calais to Edinburgh (519 miles).

Any labelling system would require a counterfeit-proof ink. These are expensive and the cost would be passed on to Scottish consumers.

Space in bars and shops that have never had to store empty containers will be a problem. Supermarkets will also have to be careful how they store milk and juice containers to safeguard health and safety requirements.

The deposits scheme in Germany changed shopping habits. People shifted from small convenience stores to larger retailers because small stores did not have space to install reverse vending machines and therefore customers had to queue at checkouts to return containers. This also meant that people travelled by car, instead of walking. A DRS risks turning people away from shopping in small convenience retailers many of whom are independent/SME businesses.

### *Impact on local authorities*

The Eunomia report alludes to local authorities being able to recover the value of un-claimed deposits from Material that is littered or put in kerbside recycling boxes. In our experience there is no precedence for this in any other deposit system. Any such system is unlikely to work as RVM rely on optical scanning of ink/barcodes, which are unlikely to work on cans that have been crushed or are damaged.

The Eunomia report suggest there would be a cost saving to local authorities

The assumption made in the Eunomia reports that a deposit would increase the recycling rate for beverage packaging and thus reduce local authority costs is questionable, based on the evidence presented above. Similar levels of savings could be achieved by improving the existing kerbside collection at a much lower cost to Scottish consumers.

The most likely impact of a deposit on local authorities is actually more likely to be a cost burden. Drinks containers have a relatively high scrap value compared with other recyclables. Local authorities would therefore lose this value but would still incur similar collection costs (primarily labour and transport) collecting lower value materials. This could undermine the financial viability of kerbside collections especially in rural areas.

### Industry Alternative

Rexam is a member of the Packaging Recycling Group Scotland, PRGS, a group of 33 leading food and drink companies and industry bodies that shares the Scottish Government's ambitions to tackle litter and increase recycling.

PRGS believes a DRS will undermine existing efforts and is not right for Scotland. Instead it offers a progressive, unprecedented alternative to tackle litter using our considerable consumer understanding and creative communications expertise and to achieve a drinks container recycling rate of 80% by 2025, exceeding government targets.

For more information and to read its proposals visit [www.prgs.org.uk](http://www.prgs.org.uk)