

# Introducing a Deposit Return Scheme (DRS) Consultation

**Q1.1** Q1.1. What is your Surname?

[Redacted]

**Q2** Q2. What is your e-mail address?

[Redacted]@suntory.com

**Q3 (ST)** Q3. Which best describes you?

Other

**Q3.a** Q3.a Other (please provide details...)

Soft Drinks Supplier

**Q4** Q4. If you are responding on behalf of an organisation, what is its name?

Suntory Beverage & Food GB&I

**Q.5** Q5. Would you like your response to be confidential?

Yes

**UI** Unique Identifier:

Unique Identifier

## DRS in a post-Covid context

**6** 6. Given the context of the Covid-19 pandemic we are currently experiencing, do you support or oppose our proposals to implement a Deposit Return Scheme for drinks containers by 2024?

Support

**6.a** 6.a Please elaborate on your answer if you wish.

We support the introduction of a well-designed deposit return scheme for drinks containers. We recommend that Government works closely with those sectors that will be obligated to assess a pragmatic timeline for the earliest possible implementation of a DRS, taking into account the context of recovery from the Covid-19 pandemic. Further, given the timing disparity with the Scottish DRS (scheduled to commence in July 2022), governments elsewhere in the UK should ensure that the DRS is compatible/'interoperable' with the scheme in Scotland, and should ultimately work towards facilitating the eventual presence of a "single scheme" across the UK drinks market that is efficient, simple and works for consumers, producers and retailers alike. However, we wish to note that there are potential issues as a result of misaligned timelines for the DRS with the proposals for an Extended Producer Responsibility scheme for packaging, as well as the proposals for greater consistency in recycling collections. From an industry and consumer standpoint, it would be preferable to ensure that DRS producers are not obligated for primary packaging under the EPR scheme, only to soon be obligated to change reporting and payment practices in switching – potentially mid-year- to the DRS scheme.

**7** 7. Do you believe the introduction of a Deposit Return Scheme will have an impact on your everyday life?

Not answered

**7.a** 7.a If you answered yes the scheme would have a detrimental impact, how significant would this impact be?

Large impact but still manageable

**8** 8. Have your views towards implementation of a DRS been affected following the economic and social impacts of the Covid-19 pandemic?



8.a 8.a Please elaborate on your answer if you wish.

Yes, but our support for the introduction of well-designed DRS has not changed due to the Covid-19 pandemic. If anything, renewed focus on a green recovery and building back better has highlighted the need for a change in recycling infrastructure and a focus on circularity. Despite the pandemic, the industry in Scotland managed to form a DMO, demonstrating its willingness to progress and overcome obstacles. In our view, the Scottish DMO has a governance structure which is a good template for other countries that follow suit, and we would hope this is replicated in other countries in the UK. However, recovery from the Covid-19 pandemic of 2020 and 2021 will necessarily draw heavily on the resources and capacity of obligated sectors to plan for and implement the changes required for a successful DRS, and therefore we recommend that Government works closely with obligated sectors to assess a pragmatic timeline for implementation. We also reiterate that Government should work with industry to design a system that will work coherently and efficiently across the UK, facilitated by an industry-backed, independent not-for-profit DMO.

Chapter 1: Scope of the Deposit Return Scheme

9 9. Do you agree that the cap should be included as part of the deposit item in a DRS for:

Plastic bottle caps on plastic bottles ×

10 10. Do you believe we have identified the correct pros and cons for the all-in and OTG schemes described above?

No ▼

10.a 10.a Please elaborate on your answer.

No, SBF GB&I disagrees with the extent of the benefits described for an 'on-the-go' scheme. SBF GB&I does not believe a limited, 'on-the-go' model will deliver the same environmental outcomes or support the circular economy ambitions of drinks manufacturers. Instead, we support an 'all-in' DRS. Further, we disagree with the premise that an "on-the-go" DRS could be successfully designed and implemented with a focus just on smaller packaging, and do not support the assumption that such products/packaging formats are more likely to be used by citizens away from home. • An 'on-the-go' scope risks creating consumer confusion and adding complexity to the system. It is hard to determine what an "on the go DRS" should or could look like, particularly given the lack of successful international precedent, and that many drinks that may be consumed 'on the go' would exceed the >750ml threshold (for example many 1litre water bottles), whilst many other below 750ml would still be consumed at home or on premise. Likewise the consumption of drinks sold in multipacks is not exclusive to either "on the go" or "at home" consumption patterns. We believe 'on-the-go' will lead to greater consumer confusion, putting at risk consumer engagement with the system and distort the market with product sizes changing dependent upon a size benchmark for in/out. • An 'on-the-go' scope would not collect as much material for higher quality recycling. As noted by the Government itself, an all-in scheme would target the collection of over 90% of the 23.7 billion drinks containers placed on the market per year, whilst an on-the-go would only attempt to capture over 90% of 7.4 billion bottles. Therefore this difference of 14.67 billion or more containers would – in the Government's own words – "limit the amount of high-quality material that could be recycled into another bottle". Additionally, the British Soft Drinks Association's (BSDA) internal analysis of different DRS scopes suggested a lower return rate with an on-the-go system, with such a scheme failing to achieve the key objectives of sufficiently increasing the collection rate or increasing the quantity and quality of recycling. • An 'on-the-go' scope would be less effective at encouraging people to recycle. A poll of consumers conducted by the polling company YouGov on behalf of the BSDA shows that a dedicated DRS would be more effective than an on-the-go DRS. When asked 'Which, if any, of the following do you think would be MOST effective at encouraging you to recycle more drinks containers than you do now?', 67% said a DRS for all drinks containers regardless of size. Additionally, the consultation document does not reflect the implications of a different scope in England and Northern Ireland as that which would be in-place in Wales and Scotland (i.e. an all-in model) on the supply chain and integrated UK market. Any differences in scope, fees and financing are likely to result in the fragmentation of the single UK drinks market. It's also worth highlighting that adopting an 'on-the-go' model would mean that producers would be potentially subject to two different regimes for drinks containers – those under the proposed 750ml would be within the scope of the Deposit Return Scheme, whereas those over the 750ml limit and from multipacks would be under the scope of the Extended Producer Responsibility scheme. This would be more onerous for producers who would have to join two separate schemes which are being implemented at the same time.

11 11. Do you foresee any issues if the final scope of a deposit return scheme in England and Northern Ireland does not match the all-in decision taken in Wales? E.g. an on-the-go scheme in England and an all-in scheme in Wales.

Yes ▼

11.a 11.a Please elaborate on your answer.

We strongly believe Deposit Return Schemes across the UK should be as closely aligned as possible to minimise consumer confusion, minimise unnecessary burdens on business, and reduce the opportunities for fraud. Different items being included or excluded from the scope of different deposit return schemes across the UK risks fragmenting the single UK drinks market. It would be impractical to require producers to have separate barcodes or markings on their products for different countries of the UK, creating significant additional complexity and cost in the handling of Stock Keeping Units (SKUs) across the UK. Differing schemes runs the risk of creating consumer confusion, potentially impacting the effectiveness of the schemes, as well as opening up the possibility of fraud from cross-border movement of containers.

12 12. Having read the rationale for either an all-in or on-the-go scheme, which do you consider to be the best option for our deposit return scheme?

All-in ▼





SBF GB&I believes an ‘all in’ approach across all channels is the best approach to ensure the scheme captures as many containers as possible. This view is supported by the British Soft Drinks Association, who do not believe a limited, ‘on-the-go’ model will deliver the same environmental outcomes or support the circular economy ambitions of drinks manufacturers. Including all sales channels will make the scheme easier to understand for consumers and boost participation, helping to foster wider behaviour change when it comes to recycling. This will also avoid the difficulties inherent in defining on-the-go products. We are not aware of any DRS scheme operating anywhere in the world on a solely on-the-go basis and, given the resulting lack of evidence as to the effectiveness and practicality of such an approach, would caution against adopting such a model. Governments across the UK should also ensure that any DRS introduced is compatible and interoperable with the system planned for Scotland – and moreover, work towards a single scheme in the future that is efficient, simple and works for consumers, producers and retailers alike. This will reduce the potential for consumer confusion as well as additional costs and complexity for all parts of the drinks supply chain.

13 13. Given the impact Covid-19 has had on the economy, on businesses and consumers, and on everyday life, do you believe an on-the-go scheme would be less disruptive to consumers?

No

14 14. Do you agree with our proposed definition of an on-the-go scheme (restricting the drinks containers in-scope to less than 750ml in size and excluding multipack containers)?

No

14.a 14.a If no, how would you change the definition of an on-the-go scheme?

We disagree with the proposed definition of on-the-go drinks as such products are not always consumed away from the home. As most bottles contain over 250ml of liquid, they contain more than one serving of drink. Bottles, unlike cans, can be re-sealed and drunk over a longer period of time and so are drunk in many locations, including the home. Similarly, many products that are traditionally seen as “take home products” are actually consumed on-the-go. For example, we know that 27% of the volume of multipacks and 52% of 1 litre bottle sales, traditionally seen as “take home products”, are consumed on the go.<sup>4</sup> The difficulty of defining “on- the-go” or “take home” products is one of the main reasons we believe a deposit return scheme should be all-in rather than based on where a product is consumed. As previously mentioned, an ‘on-the-go’ scope would be less effective at encouraging people to recycle. A poll of consumers conducted by the polling company YouGov on behalf of the BSDA shows that a dedicated DRS would be more effective than an on-the-go DRS. When asked ‘Which, if any, of the following do you think would be MOST effective at encouraging you to recycle more drinks containers than you do now?’, 67% said a DRS for all drinks containers regardless of size. It is therefore, hard to determine what an “on the go DRS” should or could look like, particularly given the lack of successful international precedent. We believe an ‘on-the-go’ DRS will lead to greater consumer confusion, putting at risk consumer engagement with the system and distort the market with product sizes changing dependent upon a size benchmark for in/out.

15 15. Do you agree that the size of containers suggested to be included under an on-the-go scheme are more commonly consumed out of the home than in it?

No

16 16. Please provide any information on the capability of reverse vending machines to compact glass?

We understand that reverse vending machines capable of collecting glass are in use in other deposit return schemes, and will be available for in use the Scottish DRS. As such, we recommend that officials consult/liase with suppliers and the scheme administrator in Scotland. However, the British Soft Drink Association’s past assessment of best practice noted that the inclusion of glass may create issues related to health and safety, retailer considerations, and higher costs. Given such concerns, and which scope the Government regulates for, it is vital that Government allows the deposit management organisation to determine, set and modulate the producer fees for a given container depending on a range of factors including its material and size – using on activity- based costing methods. This will allow for the costs of collecting and handling glass to be fairly apportioned to the responsible producers and ensure that return points can be appropriately compensated for the higher costs of managing glass. It will also allow the deposit management organisation to reflect the lower material value of collected glass.

17 17. Do you agree that the scope of a deposit return scheme should be based on container material rather than product?

Yes

18 18. Do you agree with the proposed list of materials to be included in scope?

Yes

19 19. Do you consider there will be any material switching as a result of the proposed scope? Please provide evidence to support your response.

Yes

19.a 19.a Please provide evidence to support your response.

Yes, however we and the rest of the soft drinks sector still support an ‘all-in’ model. It is hard to rule out some level of switching with whatever scope is implemented in a DRS, both in terms of switching occurring between in-scope materials and formats, as well into and out of the DRS scope altogether. However, the overall impact is not expected to be significant if the DRS is well- designed (i.e. the DMO has control over critical levers such as the deposit level and fees), implemented, and communicated. Additionally, the other forthcoming changes to waste and resources policies - i.e. the Plastic Packaging Tax, Consistency in Recycling Collections, and Extended Producer Responsibility for Packaging – that are set to be introduced alongside DRS will have a further effect on brands’ packaging decisions, in addition to responding to consumer preferences and



volume threshold and exclude multipack sales – even if of the same size to in-scope containers. Experience from other DRS markets suggests that such distortions between packaging types can lead producers to find ‘loopholes’ – for example avoiding the scheme or avoiding the upfront (refundable) cost increase to consumers by switching to other container types or increasing the size of their containers.

## Chapter 2: Targets

**20** 20. Which of the following approaches do you consider should be taken to phase in a 90% collection target over 3 years?

70% in year 1, 80% in year 2, 90% in year 3 and thereafter

**21** 21. What collection rate do you consider should be achieved as a minimum for all materials after 3 years?

85%

**22** 22. Is it reasonable to assume that the same collection targets could be met with an on-the-go scheme as those proposed for an all-in scheme for in-scope materials?

No

**22.a** 22.a Please provide any evidence to support your answer

No. SBF GB&I agrees with the BSDA and the wider soft drinks industry in believing that a limited, ‘on-the-go’ model will not deliver the same environmental outcomes or support the circular economy ambitions of drinks manufacturers. • An ‘on-the-go’ scope would not collect as much material. BSDA internal analysis suggests a lower return rate with an on-the-go system; thus not achieving the key objective of increasing the collection rate and quality of recycling. • An ‘on-the-go’ scope risks creating consumer confusion and adding complexity to the system. We believe an ‘on-the-go’ will lead to greater consumer confusion, putting at risk consumer engagement with the system and distort the market with product sizes changing dependent upon a size benchmark for in/out. • An ‘on-the-go’ scope would be less effective at encouraging people to recycle. A poll of consumers conducted by the polling company YouGov on behalf of the BSDA shows that a dedicated DRS would be more effective than an on-the-go DRS. When asked ‘Which, if any, of the following do you think would be MOST effective at encouraging you to recycle more drinks containers than you do now?’, 67% said a DRS for all drinks containers regardless of size. Governments across the UK should ensure that any DRS introduced is compatible and interoperable with the system planned for Scotland – and moreover, work towards a single scheme in the future that is efficient, simple and works for consumers, producers and retailers alike. This will reduce the potential for consumer confusion as well as additional costs and complexity for all parts of the drinks supply chain.

**23** 23. Who should report on the volumes of DRS material placed on the market in each nation?

Not answered

**23.a** 23.a What would be the implications of obligations to report on volumes of deposit return scheme material for producers/ importers and retailers? Please provide evidence to support your answer.

Unsure. Government should clarify what it means by ‘placed on the market’ and the intended outcome and benefits of requiring such data to be reported at a nation-specific level, rather than reported for the overall sales in-scope of DRS operating in the UK Most initial customers of the UK drinks market (e.g. wholesalers and retailers) operate UK-wide and it is up to them how they distribute stock across their stores within the UK once stock is delivered to main supply bases. Producers typically neither have any control or sight of this data. Therefore, it will not be possible for most producers/brand-owners to accurately declare where its eventual sale to the end-user (consumer) takes place. Therefore, there may be limited value to Government in mandating the gathering of such data at that early point in the supply chain (i.e. the first point of sale, such as to a wholesaler), given the various routes to market and stock movements typical of the UK and Irish drinks markets. The ‘collection’ rates would not reflect the true market situation. However, should Government instead require a level of accuracy about ‘final’ sales to consumers – so that it can know the proportion of containers returned/collected by the DRS in a particular nation – we recommend that it considers the feasibility of asking for this to be reported at a later point in the supply chain i.e. from the final sellers of in-scope products to consumers. However, it is understood that this may be highly onerous for many businesses, particularly SMEs who do not keep electronic sales records. Government should therefore reflect on the costs and benefits of such a requirement.

**24** 24. What evidence will be required to ensure that all material collected is passed to a reprocessor for the purpose of calculating the rate of recycling of deposit return scheme material?

Having taken ownership of collected materials, the DMO should have flexibility in showing how collected material is recycled and/or where it is sold. This may allow more options to the DMO to support closer-loop recycling, and domestic reprocessing, rather than being tied to using existing reprocessors or exporters – which may limit the ability of the DRS to support increased levels of ‘bottle-to-bottle’ / ‘can-to-can’ recycling in the UK market. It would also support manufacturers in exercising their rights of access (on a competitive, first-refusal basis) to the material, without being constrained to how or where they reprocess and utilise the materials. Yet to provide Government with assurances that the DRS was supporting circular outcomes, the DMO’s intentions could be outlined as part of the tender application, and managed/control through the ongoing contract management (led by officials) once the scheme is running.

## Chapter 3: Scheme Governance

**25** 25. What length of contract do you think would be most appropriate for the successful bidder to operate as the Deposit Management Organisation?



26 26. Do you agree that the above issues should be covered by the tender process?

Yes

26.a 26.a Please list any further issues you believe should be covered as part of the tender process.

The tender / assessment criteria proposed appears to miss out a clear, essential requirement for a given 'bid' to have to demonstrate widespread support of obligated industry rather just "ensuring representation and feedback from affected stakeholders" within the "decision process" of the DMO. This is despite page 40 of the consultation document stating that "there will be an obligation in the tender process that any successful bid must be made up of or demonstrate the support of the relevant drinks producers and retailer trade associations". Having strong support among the obligated sectors (i.e. producers / brand owners) is vital for a successful scheme that commands the confidence of all involved, and crucial to ensuring that the DMO would truly be an industry led but independent not-for-profit entity. Further, "affected stakeholders" may be too numerous and disparate to accommodate, and ongoing involvement could hinder the efficiency of decision taking. Separately, we welcome that any consideration regarding the deployment of "innovation" and also of "how existing collection and recycling infrastructure could be utilised to provide greater value for money" will sit with the DMO rather than be a requirement or outcome of the regulations.

27 27. Do you agree that the above issues should be monitored as Key Performance Indicators ?

No

27.a 27.a Please list any further issues you believe should be covered by Key Performance Indicators .

SBF GB&I would advise adding an indicator on the cost-per-unit to producers (i.e. producer fees) along with registration costs, to ensure a degree of cost control and efficiency overtime. • Additionally, the accuracy of producer fees (in terms of modulation and reflection of actual costs) could also be assessed. • We would advise the removal of "How long does it take for broken machines to be repaired?" as this responsibility would better sit with return point operator (and the supplier/contractors for their Reverse Vending Machine), given their obligation to host a return point. o Whilst the DMO would rightly reimburse 'reasonable' handling costs per container collected, it is not for the DMO to ensure the operation of each return point (although it would have an incentive to provide advice and support where possible). This is noted on page 39 of the consultation document, where it is stated that "After further analysis and engagement, the Deposit Management Organisation being 'responsible for the maintenance of reverse vending machines and the provision of containers to those running manual return points' was removed" (from the responsibilities and functions to be conferred on the DMO). o Instead,wewouldexpect(basedonassessmentofwithexistingpracticeinNorwayand other DRS systems) that maintenance costs would be factored into in the return point handling fees. As a result, return point operators would be compensated by the DMO for maintenance, but the direct responsibility for RVM maintenance would not fall to the DMO.

28 28. Do you agree that Government should design, develop and own the digital infrastructure required to register, and receive evidence on containers placed on the market on behalf of the Deposit Management Organisation and regulators?

No

28.a 28.a Please elaborate on your answer

No. The Deposit Management Organisation, which should represent the main industry stakeholders obligated in the DRS, is better placed to create all the digital infrastructure that is relevant to the DRS' operation. We strongly recommend that the DMO – not Government – takes on this task. This is typical internationally in high performing schemes and will be the case in Scotland (which may avoid duplicating efforts).

29 29. Government will need to understand the needs of users to build digital services for DRS. Would you like your contact details to be added to a user panel for DRS so that we can invite you to participate in user research (e.g. surveys, workshops interviews) or to test digital services as they are designed and built?

Yes

## Chapter 4: Financial Flows

30.a 30.a If any other please specify

Introducing a de minimis threshold should only be considered for the registration fees (e.g. one- off/annual) payable to the DMO to cover the administrative costs of contracting with it and 'on boarding' products. The DMO should have a role in working with Government to determine what level this could be set at – in order to ensure accessibility and coverage, whilst also not overly subsidising producers' responsibilities. There should be no exemptions to the wider obligations under a DRS, and all producers/importers of in-scope products should be obliged to join the scheme. Therefore the per-unit producer fees should apply to every container placed on the market, irrespective of the size of business that was responsible (i.e. brand owner/importer) for this. Not doing so would be counter to the notion of extended producer responsibility and would see other producers unfairly subsidising the collection and treatment of others' packaging waste.

30 30. Q. What is an appropriate measure of small producers for the purposes of determining the payment of registration fees?

Taxable Turnover × Drinks containers placed on the market × Other ×

31 31. Is a high level of unredeemed deposits funding the scheme problematic?

No



No, and all unredeemed deposits must be retained by the DMO. Those deposits deemed to not be likely to ever be redeemed (i.e. several years have passed) should be used to contribute to the operation and performance of the scheme. Should the long-term, steady-state performance of the DRS fall below the target collection rates set in regulations, then the DMO could expect to face sanctions or penalties (on behalf of the producers on whose behalf it was failing to fulfil extended producer responsibility obligations). This performance framework would provide an incentive to continue investing funds in increased performance. Therefore, whilst theoretically conceivable, a “zero” producer fee would not be an issue or expected to arise in reality. Additionally, to ensure its effectiveness and efficiency, the DMO would exercise independence and be established on a not-for-profit basis. As a not-for-profit, no funds could/would be paid-out of the scheme or constitute any form of ‘dividend’. Instead, in steady-state operations, once the significant start-up and capital costs to establish the systems had been repaid, any funds retained by the scheme above the annual operating costs (and maintenance of reserve funds) would be expected to be reinvested into the scheme, increasing performance and upgrading the infrastructure over time. Furthermore, as the consultation document acknowledges, it is unlikely that producer fees will ever be set at zero, as there is no time limit on when containers can be returned into the system and therefore a reserve of funds would always have to be kept. Government should be aware that the retention of unredeemed deposits within the system is observed in best-practice DRS systems internationally. In addition to the per-unit producer fees paid by producers and the resale value of the collected materials, the unredeemed deposits contribute essential funding to make sure the DRS is properly resourced to achieve the targets set without increasing the costs to citizens or businesses who are doing the right thing by recycling their packages through the DRS. It is an essential feature of the Scottish DRS, and as the Scottish Government acknowledged, ‘the usual model adopted in Europe is to calculate the income derived from unredeemed deposits and material sales, and adjust producer fees to make up any shortfall to its budget’. We support the Government’s preferred option (1) of allowing unredeemed deposits to part fund the scheme to whatever extent they are collected.

32 32. Which option to treatment of unredeemed deposits do you support?

Option 1

33 33. With option 2, do you foresee any unintended consequences of setting a minimum percentage of the net costs of the deposit return scheme that must be met through the producer fee?

Yes. Option 2 would undermine the viability of the DRS by removing a key part of the scheme funding and create a further disparity with the Scottish DRS system by increasing the scheme costs for producers selling in England, Wales and Northern Ireland. Such differences in funding and fees may inhibit the ability of the Deposit Management Organisation to work with the Scottish DRS Scheme Administrator in terms of allowing financial exchanges and material flow, thus increasing the likelihood that the current single market for drinks in the UK would be fragmented, with separate SKUs adopted for each deposit return scheme. Instead, Government should be seeking to minimise differences with the DRS model being planned for Scotland. SBF GB&I therefore supports the Government’s preferred option (1) of allowing unredeemed deposits to part fund the scheme to whatever extent they are collected. As per our response to Question 31, all unredeemed deposits must be retained by the DMO, with those deposits deemed to not be likely to ever be redeemed (i.e. several years have passed) should be used to contribute to the operation and performance of the scheme.

34 34. If a floor is set do you consider that this should be set at:

Other

34.a 34.a Please provide any evidence to support your response.

SBF GB&I does not support option 2 or the notion of a ‘floor’. Instead, all unredeemed deposits should part-fund the scheme to whatever extent they are collected, with producers covering the remaining operational costs (net of material revenues).

35 35. Do you agree that any excess funds should be reinvested in the scheme or spent on other environmental causes?

Reinvested in the scheme

36 36. Q. What should be the minimum deposit level set in legislation?

10p

36.a 36.a If other please specify

37 37. Do you agree that there should be a maximum deposit level set in legislation?

No

37.a 37.a If yes, then what should be the maximum deposit level set in legislation?

37.b 37.b If other please specify

In an optimal DRS, the setting of the deposit level(s) should be a function of the Deposit Management Organisation/scheme administrator. The Deposit Management Organisation should be empowered to set the deposit level in relation to achieving its primary purpose of meeting the collection and recycling targets, as set by Government. We would suggest that an initial deposit value be set by the Deposit Management Organisation at a level that is forecasted to achieve the prescribed collection targets with minimal impact on consumers and businesses. It can then be reviewed by the Deposit Management Organisation once the system is operational and well-established. However, if different DRS systems





are aware of arguments for multiple/varied deposit levels (e.g. linked to container size/material type/multipacks) and that some DRS systems overseas operate with these. For reasons outlined above, we suggest this should be a matter for a future Deposit Management Organisation to consider with the support of the obligated industry and utilising consumer insight, rather than for regulations. It is also important to distinguish any debate about variation in deposit values from the variance (i.e. modulation) in 'producer fees'. Deposits are refundable and act as the incentive for consumers to return their empty containers, driving the collection rate – whereas 'producer fees' are the funding payments from producers for each container placed on the market within the scope of the scheme. We would expect the producer fee cost for a given container to depend on the material and size – based on activity-based costing – but not the deposits themselves.

**38** 38. Recognising the potentially significant deposit costs consumers could pay on a multipack purchase, how best can we minimise the impact of the scheme on consumers buying multipacks?

The best way to minimise the impact of the additional costs (an initial, one-time outlay) would be to have clear communication at the point of sale about the refundable deposit costs and information on how these can be redeemed/reimbursed to the consumer, along with a well-functioning network of accessible and well managed return points that make it "as easy to return as to purchase". More broadly, SBF GB&I believes that the Deposit Management Organisation should have the power to consider and determine the deposit level(s) with the support of industry and utilising consumer insight.

**39** 39. Do you agree with our approach to letting the Deposit Management Organisation decide on whether to adopt a fixed or variable deposit level, particularly with regards to drinks containers sold in multipack form?

Yes

**39.a** 39.a Please provide evidence to support your answer

Yes. SBF GB&I believes that the deposit level(s) should be set by the Deposit Management Organisation, not Government. The deposit level is a key lever for the DMO to use to ensure it meets the high collection targets set by Government. Government should instead set the legislative and regulatory framework, setting out key objectives for the DRS and targets to be met.

## Chapter 5: Return Points

**40** 40. Do you agree that all retailers selling in-scope drinks containers should be obligated to host a return point, whether it is an all-in or on-the-go deposit return scheme?

Yes

**40.a** 40.a Please provide any evidence to further explain your answer.

Yes. The size of the containers in-scope of the scheme should not affect the nature of the return point system. Patterns of drinks consumption by material/format do not 'map' to types of vendors or retailers to any clear enough extent to provide any meaningful basis for this to be a consideration. Based on the soft drinks sectors' international experience, we understand that a high performing scheme would see consumers being able to return their empty containers from anywhere that sells them, as well as additional return point options, making it easy to 'do the right thing'. We therefore support a comprehensive DRS based on a 'return-to-retail'/seller model (including the exemptions outlined), but with pragmatic arrangements for hospitality and food-to-go businesses as well as take-back provisions for online/distance sellers. We also agree with the proposed exclusion of retail points where the source of in-scope containers is solely through vending machines – i.e. "if a vending machine is situated on a site where there are no other catering / retail facilities selling scheme articles, then there would be no requirement for the vending machine operator to host a return point on the site. Signage may instead be required to inform consumers of the nearest return point to that machine". A high-performing DRS system would also incorporate additional/'voluntary' return points to be approved by the Deposit Management Organisation – for instance at transport hubs and stations, car parks, attractions, and in civic/community spaces. The operators of such return points should work with the future Deposit Management Organisation to agree their facility but stand to benefit from 'handling fees' as well as reduced littering at their site. A return-to-retail model would also align with the Scottish DRS, therefore making it easier for consumers and businesses alike to understand and operate within. Further, we note and welcome the role of Deposit Management Organisation in assessing applications and granting exemptions for return points, which will help ensure there is an efficient and accessible network of return points. We recommend that the regulations allow for the Deposit Management Organisation to open the application process for exemption well ahead of the start date of the DRS.

**42** 42. Do you have a preference, based on the 3 options described above, on what the schemes approach to online takeback obligations should be? We welcome views from stakeholders on who this obligation should apply to, including if there should be an exception for smaller retailers or low volume sales.

Option 1

**41** 41. Given the proposed extensive distribution and availability of return points for consumers to return bottles to, do you think customers would be likely to experience delays / inconveniences in returning drinks containers?

No

**41.a** 41.a If so, how long or how frequently would such delays be likely to arise for?

No, but the Deposit Management Organisation tender process could reasonably be expected to assess the prospective DMO's plans to ensure accessibility of the return point network and provide plans for servicing consumers who rely on assisted collections for recycling and waste.

Based on the soft drinks sectors' international experience, we understand that a high performing scheme would see consumers being able to return their empty containers from anywhere that sells them, as well as additional return point options, making it easy to 'do the right thing'. We therefore support a comprehensive DRS based on a 'return-to-retail'/seller model, with arrangements for hospitality and food-to-go businesses as well as take-back provisions for online/distance sellers. Such a model would also align with the Scottish DRS, therefore making it easier for consumers and businesses alike to understand and operate within. We would recommend that Government, and the future Deposit Management Organisation, liaise with Circularity Scotland Limited to understand the approaches being considered to facilitate and support to online take-back, and any challenges encountered.

43 43. Do you agree with the proposed criteria for the calculation of the handling fee?

Yes

43.a 43.a Would you propose any additional criteria are included for the calculation of the handling fee?

Yes. The rates of handling fees are best determined and set by the independent Deposit Management Organisation, using appropriate third-party input (i.e. development of methodology and sector benchmarking of costs). Appropriate return point handling fees should be calculated using a methodology that accounts for the per-unit costs incurred by return point operators (which will likely depend on retailer / vendor type, use RVMs, collection rates, location, etc.), while also driving/incentivising efficiency.

44 44. Please tick which exemptions you agree should be included under the scheme:

Breach of safety Close proximity

44.a 44.a Any further comments you wish to make

We welcome the close alignment with similar exemptions under the Scottish DRS Regulations and welcome the role of Deposit Management Organisation in assessing applications and granting exemptions, which will help ensure there is an efficient and accessible network of return points. We recommend that the regulations allow for the Deposit Management Organisation to open the application process for exemption well ahead of the start date of the DRS.

45 45. Please can you provide any evidence on how many small and micro sized retail businesses we might likely expect to apply for an exemption to hosting a return point, on the grounds of either close proximity to another return point or on the compromise of safety considerations?

We recommend Governments liaise with officials in the Scottish Government (and Circularity Scotland Limited) to learn from experience in Scotland.

46 46. Do you think obligations should be placed on retailers exempted from hosting a return point to display specific information informing consumers of their exemption? If yes, please tick what information retailers should be required to display:

Signage to demonstrate they don't host a return point Signage to signpost consumers to the nearest return point

46.a 46.a Anything else? Please specify

To support consumers in accessing return points and therefore drive collection rates, it is entirely reasonable to expect businesses to provide consumers with information and advice on where and how they can return their empty containers and recover their deposits where those businesses have chosen to, and successfully applied, for an exemption from their obligations to host a return point. To support compliance, exempted return points could be required to show evidence of the exemption and grounds for this (i.e. an exemption licence number) and the review date/expiry of this. This would then be a matter for the regulator(s) to enforce/check.

47 47. Do you agree with our rationale for not requiring retailers exempted on the basis of a breach of safety not to be required to signpost to another retailer?

Yes

47.a 47.a Please explain your answer.

It would seem reasonable to not require businesses to potentially advertise competitor businesses if they have been exempted on the basis of a 'breach of safety' alone. However, where a business chooses to 'opt-out' (i.e. with agreement of an alternative return point in close proximity), it is entirely reasonable to expect that business to provide consumers with information and advice on where and how they can return their empty containers and recover their deposits.

48 48. How long do you think exemptions should be granted for until a review date is required to ensure the exemption is still required?

3 years

49 49. Do you think the scheme could benefit from technological solutions being incorporated as a method of return, alongside reverse vending machines and manual return points?

Yes

50 50. How could a digital deposit return scheme solution be integrated into existing waste collection infrastructure? Please explain your answer.





solutions if deemed appropriate by the Deposit Management Organisation and with the support the obligated sectors. However, to be clear to Government, as the situation currently stands and for reasons including the following, we do not support introducing a 'Digital DRS' that relies on kerbside collections as an alternative to an 'all-in' DRS operating on a return-to-retail model and being implemented in a consistent manner across the UK:

- Lower quality recycle – a 'Digital DRS' that relied on kerbside collections would fail to achieve the material quality and therefore circularity goals of the DRS – a key rationale for a DRS is to increase both the quantity and quality of the materials collected so that higher rates of bottle-to-bottle and can-to-can recycling can be achieved in the UK. DRS should remove the contamination problems associated with kerbside and comingled collections whereas a 'Digital DRS' – unless every kerbside recycling bin were to be separated at source – would not be able to achieve this.
- Non-prevention of litter and bin debris – unless one-way, secure 'smart bins' were used for all return points, it is unclear how the removal of containers that had been 'redeemed' could be prevented. Likewise, there is nothing to prevent a consumer 'redeeming' their deposit but not actually returning the physical container. This leaves a risk of litter, or even just wind-blown bin debris, from household and other recycling bins, which would result in a loss of material volume and value to the DRS scheme.
- Carbon costs of computing – if a 'Digital DRS' was technologically possible, it would require substantial computing capabilities to record, track and administer the scheme handling approximately 23.7 billion drinks containers per annum. This would have a substantial power and resource implication for the DRS.
- Undermining behavioural changes – a 'Digital DRS' based on the continued reliance of the existing waste collection infrastructure (i.e. kerbside recycling collections) would also potentially undermine the attempts to change consumer behaviour that is a vital part of a successful DRS. It could also risk reliance on each and every consumer / household using an app-based returns system, which would not be accessible for many.
- Unproven at a manufacturing level – The BSDA's response highlights to Government that 'Digital DRS' is not proven to be a workable alternative means of collections and is not used as a mainstream method of collection in any DRS scheme internationally. Instead, it exists only at a conceptual level with small-scale trials that are not reflective of the complexities of the real supply chain for drinks in the UK. Further, the requirement to 'serialize' / uniquely label in-scope products/containers would not be attainable in the UK, as it is not possible for the majority of labelling (and methods) used by the UK drinks market to adopt unique labels. Therefore the concept of a 'DDRS' currently is not viable at a manufacturing level.

51 51. What are the potential fraud control measures a digital deposit return scheme could bring? Please explain your answer.

At a conceptual level, a 'Digital DRS' may remove the risk of fraud if attempts were made to redeem containers twice by voiding further return attempts of a serialised container. However, it is unclear how fraud – of a potentially greater level – could be prevented where products are falsely scanned for redemption pre-sale (e.g. using an app in a shop, rather than at a return point/at home). Likewise, a 'digital DRS' does not appear to prevent people 'redeeming' but not physically returning the containers (e.g. scanning but not placing in a bin), which would defraud the DRS system of the material and material value, and return points of their handling fees. Additionally, if the collection points were to use 'QR codes' to identify their locations, it is unclear how use of replicas of these codes in other (not return point locations) could be prevented. Separately, unless one-way, secure 'smart bins' were used for all return points, it is unclear how the removal of containers post-redemption could be prevented – opening up a risk of litter or vandalism as well as the aforementioned 'defrauding' of the system by removing materials and material value from the scheme. Therefore, we recommend – as Government has proposed in the consultation document – that specific methods of return (reverse vending machines, manual return points) should not be specified in legislation, so as to leave the scheme open to possible future innovations and other technological solutions if deemed appropriate by the Deposit Management Organisation and with the support the obligated sectors. SBF GB&I – in agreement with BSDA – feels that 'Digital DRS' is not proven to be a workable alternative means of collections, is not used as a mainstream method of collection in any DRS scheme internationally, existing only at a conceptual with small-scale trials that are not reflective of the complexities of the real supply chain for drinks in the UK. Further, the requirement to 'serialize' / uniquely label in-scope products/containers is not currently attainable in the UK, as it is not possible for the majority of labelling (and methods) used by the UK drinks market to adopt unique labels. Therefore the concept of a 'DDRS' currently is not viable at a manufacturing level. As the situation currently stands we do not support introducing a 'Digital DRS' that relies on kerbside collections as alternative to an 'all-in' DRS operating on a return-to-retail model and being implemented in a consistent manner across the UK.

52 52. Do you think a digital deposit return scheme could ensure the same level of material quality in the returns compared to a tradition return to retail model, given containers may not be returned via a reverse vending machine or manual return point where there is likely to be a greater scrutiny on quality of the container before being accepted?

No

52.a 52.a Please explain your answer.

No. A key rationale for a DRS is to increase both the quantity and quality of the materials collected so that higher rates of bottle-to-bottle and can-to-can recycling can be achieved in the UK. A 'Digital DRS' that would rely on at-home kerbside collections, and/or on-the-go recycling bins, would fail to achieve the material quality as a 'return-to-retail' DRS that utilised reverse vending machines or manual return points. Therefore, it would not achieve the circularity goals of the DRS. DRS should remove the contamination problems associated with kerbside and comingled collections whereas a 'Digital DRS' – unless every kerbside recycling bin were to be separated at source – would not be able to achieve this. Additionally, unless one-way, secure 'smart bins' were used for all return points, it is unclear how the removal (and littering) of containers that had been 'redeemed' could be prevented. Likewise, there is nothing to prevent a consumer 'redeeming' their deposit but not actually returning the physical container. This leaves a risk of litter, or even just wind-blown bin debris, from household and other recycling bins, which would result in a loss of material volume and value to the DRS scheme. As the situation currently stands we do not support introducing a 'Digital DRS' that relies on kerbside collections as an alternative to an 'all-in' DRS operating on a return-to-retail model and being implemented in a consistent manner across the UK. The DMO should remain flexible to further integration of new technologies.

53 53. If the digital DRS system can be integrated into the existing waste collection infrastructure would its implementation and running costs be lower? Please provide evidence to support your answer.

We're aware of feasibility studies that may provide further evidence of cost reduction and we'll continue to be interested in the results. However, whilst at a conceptual level, digital collection points could be 'simpler' in design than some reverse vending machines, and therefore potentially have a lower cost, we envisage the majority of costs in the overall scheme would be similar. For instance, the scheme would still be serving a network of tens of thousands of return-to-retail and voluntary return points and would still have the same core scheme infrastructure and



that the vast the majority of labels are not created/printed digitally and therefore cannot be serialized. Therefore the concept of a 'DDRS' currently is not viable at a manufacturing level and would likely not be possible for the majority of imported products. SBF GB&I – in agreement with BSDA – therefore reiterates that as things stand, 'Digital DRS' is not proven to be a workable alternative means of collections, is not used as a mainstream method of collection in any DRS scheme internationally, existing only at a conceptual with small-scale trials that are not reflective of the complexities of the real supply chain for drinks in the UK. We believe, as Government has proposed in the consultation document, that specific methods of return (reverse vending machines, manual return points) should not be specified in legislation, so as to leave the scheme open to possible innovations and other technological solutions if deemed appropriate by the Deposit Management Organisation and with the support the obligated sectors. The DMO should remain flexible to further integration of new technologies.

**54** 54. Do you support the proposal to introduce a new permitted development right for reverse vending machines, to support the ease of implementation for the scheme?

Yes

**54.a** 54.a Do you have any amendments or additional parameters you would propose are reflected in the permitted development right?  
We support steps to make it easier for return points to prepare for DRS implementation, including making any changes deemed necessary to host reverse vending machines, if they are deemed appropriate for the forecast level of consumer returns.

## Chapter 6: Labelling

**55** 55. Do you agree that the following should be part of a mandatory label for deposit return scheme products?

An identification marker that can be read by reverse vending machines and manual handling scanners. X

**56** 56. Are you aware of further measures that can be taken to reduce the incidence and likelihood of fraud in the system?  
Reducing the gap in implementation timing between the DRS in Scotland and DRS elsewhere in the UK would have a significant impact on the risks of fraud to our business. Likewise, maintaining a high degree of coherence and interoperability between schemes would be the optimal solution. For instance, if different DRS systems are to be run in different parts of the UK, we would recommend that the Deposit Management Organisation/scheme administrator(s) adopt common deposit values to reduce complexity, consumer confusion, market distortion, and to mitigate against fraud and cross-border issues. The setting of these, however, should still be determined by the Deposit Management Organisation/scheme administrator. Separately, the Deposit Management Organisation could encourage producers to introduce new barcodes for products just ahead of the scheme going live, which would reduce the potential for 'historic fraud' – the redemption of containers for which no deposit had been paid. Additionally, Government and regulators must put in place appropriate enforcement regimes, with adequate resourcing.

**57** 57. Do you agree with our proposals to introduce mandatory labelling, considering the above risk with regards to containers placed on the market in Scotland?

Yes

**58** 58. Do you consider the risk of incorrectly labelled products entering the markets of England, Wales or Northern Ireland via Scotland to be a significant risk? Please provide any evidence to support your answer.

Yes

**58.a** 58.a Please provide any evidence to support your answer.

**59** 59. Do you consider leaving any labelling requirements to industry to be a better option than legislating for mandatory labelling requirements?

Yes

**59.a** 59.a Please explain your answer.

Decisions to adopt labels to aid consumer understanding, prevent fraud, or for other purposes (e.g. technological innovation) must sit with industry via the Deposit Management Organisation. However, a minimum requirement of an identification marker that can be read by reverse vending machines and manual handling scanners (i.e. a barcode) may need to be regulated for to ensure that all containers in-scope of the DRS can be returned automatically via Reverse Vending Machines or manually using scanners/checking apps. It's worth stating that if the 'deposit price' is mandated to be shown on product labels (or encouraged by the future Deposit Management Organisation), we believe it should be shown in a non-monetary way – i.e. as 'levels' (i.e. 1,2,3 or A,B,C) rather than the price. Having flexibility on this approach could save labelling changes, if the deposit value was changed, or if multiple deposit levels were adopted.

**60** 60. Are you aware of any other solutions for smaller producers who may not currently label their products? Please explain your answer.  
If Government can set out its final Regulations with sufficient lead time for producers, it would seem reasonable for smaller producers to adopt the minimum requirement of an identification marker that can be read by reverse vending machines and manual handling scanners (i.e. ensure all in-scope containers carried a barcode). Alternative options could be to require the post-production labelling of in-scope products (i.e. using secure stickers) but doing so is likely to be less efficient and potentially more susceptible to fraud.

**61** 61 We believe 18 months is a sufficient period of time for necessary labelling changes to be made. Do you agree?





61.a 61.a Can you provide any evidence to support your answer?

We will need to change in the region of 500 SKUs, each of which could potentially have up to 6 different artworks. We believe we would need 24 months in order to make the necessary labelling changes. This is especially given the additional complexity and costs introduced through other potential labelling changes during the same period e.g. OPRL and nutrition labelling, as well as the changes we will be managing across our supply chain and logistics etc. at the same time. The labelling changes can't be considered in isolation given the impact setting up the DRS will have on our business and operations.

62 62. Will your processes change as a result of mandatory labelling?

Yes

62.a 62.a Please explain your answer.

Yes. The pack architecture and design of our products will need to change. This will lead to one off design costs, printing plate write off costs, as well as packaging and label write off costs. We would like to see alignment across all the packaging changes being proposed by the DRS, a reformed EPR scheme and any changes to nutritional labelling etc. Alignment will mean producers can carry out a single packaging redesign for each SKU artwork, rather than multiple ones over a very short period of time which creates unnecessary complexity and cost.

63 63. Do you agree that our proposed approach to labelling will be able to accommodate any future changes and innovation?

Yes

63.a 63.a Are you aware of any upcoming technology in the field of labelling?

By giving the Deposit Management Organisation the power and flexibility to determine labelling standards and requirements, it will be able to consider future developments as they become viable across industry and potentially adopt those that would support the scheme outcomes.

## Chapter 7: Local Authorities

64 64. Do you agree that local authorities will be able to separate deposit return scheme containers either themselves or via agreements with material recovery facilities to regain the deposit value?

No

64.a 64.a Please explain your answer

SBF GB&I does not support the idea of using kerbside services for collecting in-scope DRS materials for the reasons outlined in the consultation itself. The consultation document is clear that using councils' kerbside collections for in-scope DRS materials would be "a failure of DRS" (page 75), and also that recyclate quality would be adversely impacted and lead to "less circularity" (page 76). We do not think that local authorities/material recovery facilities will be able to separate out containers in a way that prevents contamination and preserves the material quality required. Further, we do not think that such arrangements could be made without creating an incentive for local authorities to "compete" with the DRS and promote returns via kerbside, which would undermine the DRS and the DMO's ability to achieve its legal obligations.

65 65. Do you agree that local authorities will be able to negotiate agreements with material recovery facilities to ensure gate fees reflect the increased deposit values in waste streams or a profit sharing agreement on returned deposit return scheme containers was put in place?

No

65.a 65.a Please explain your answer.

SBF GB&I does not support the idea of using kerbside services for collecting in-scope DRS materials for the reasons outlined in the consultation itself. The consultation document is clear that using councils' kerbside collections for in-scope DRS materials would be "a failure of DRS" (page 75), and also that recyclate quality would be adversely impacted and lead to "less circularity" (page 76). We do not think that local authorities / material recovery facilities will be able to separate out containers in a way that prevents contamination and preserves the material quality required. Further, we do not think that such arrangements could be made without creating an incentive for local authorities to "compete" with the DRS and promote returns via kerbside, which would undermine the DRS and the DMO's ability to achieve its legal obligations.

66 66. In order to minimise the risk of double payments from the Deposit Management Organisation to local authorities, where should data be collected regarding the compositional analysis to prevent the containers then being allowed to be redeemed via return points?

SBF GB&I supports the BSDA in recommending that this situation is avoided by making sure in-scope DRS materials do not go through the kerbside system and that there is minimal incentive for them to do so. Should compositional analysis be used – for instance if Government pursued option 2 or 3 – we would recommend that additional safeguards are put in place to prohibit the later redemption of containers, and that this is monitored and enforced as a potential fraudulent activity.

67 67. How difficult do you think this option would be to administer, given the need to have robust compositional analysis in place? Please explain your answer.

SBF GB&I recommends that this situation is avoided by making sure in-scope DRS materials do not go through the kerbside system and that there is



the consultation itself. The consultation document is clear that using councils' kerbside collections for in-scope DRS materials would be "a failure of DRS" (page 75), and also that recycle quality would be adversely impacted and lead to "less circularity" (page 76).

**68** 68. What option do you think best deals with the issue of deposit return scheme containers that continue to end up in local authority waste streams?

Option 1

**68.a** 68.a Please briefly state the reasons for your response. Where available, please share evidence to support your view.

SBF GB&I does not support the idea of using kerbside services for collecting in-scope DRS materials for the reasons outlined in the consultation itself. The Government's consultation document is clear that using local authority kerbside collections for in-scope DRS materials would be "a failure of DRS" (page 75), and also that recycle quality would be adversely impacted and lead to "less circularity" (page 76). We do not think that local authorities / material recovery facilities will be able to separate out containers in a way that prevents contamination and preserves the material quality required. Therefore no option listed is the optimal outcome from an environmental perspective, however, Option 1 is the simplest and aligns with the Scottish DRS. Should the Deposit Management Organisation deem that a particular local authority can ensure material quality, it should be up to the DMO to decide whether it wishes to interact/allow local authorities to return collected and separated in-scope containers. Further, given that in such a scenario consumers would have forfeited their full deposit – by way of not returning via the DRS but by either littering their container or placing it in a kerbside collection – it is not clear why local authorities should be entitled to claim 100% of the deposit value, particularly if the material quality is compromised. Where the material quality is comparable to that achieved by DRS return points, and the containers' barcodes are readable, the Deposit Management Organisation could pay-out to the local authority. However, where the label was unreadable, or the quality compromised (i.e. contamination) the DMO should only pay out the net costs (of collecting and sorting containers), not the full deposit value, and only once the containers had been counted and their quality verified and graded. SBF GB&I also disagrees with the notion that Option 1 would only be preferable for an 'on-the-go' DRS system - the soft drinks sector rejects the idea of using kerbside services for collecting in-scope DRS materials in whichever scope or model is implemented.

## Chapter 8: Compliance Monitoring and Enforcement

**69** 69. Are there any other producer obligations you believe the Environmental Regulators should be responsible for monitoring and enforcing?

There may be a role for regulators to ensure that obligated parties are responsible in their communications regarding the scheme – both to consumers and B2B – and to ensure that parties do actively act in a detrimental manner to the performance of the scheme.

**70** 70. Are local authorities (through the role Trading Standards and the Primary Authority Scheme) best placed to enforce certain retailer obligations?

Yes

**70.a** 70.a To what extent will local authorities be able to add monitoring and enforcement work for the deposit return scheme to existing duties they carry out with retailers?

We suggest central government/regulators increase funding, or fund additional spot-checking capabilities.

**71** 71. In addition to those in the table, are there any other types of breaches not on this list that you think should be? If so, what are they? These may include offences for participants not listed e.g. reprocessors or exporters.

The Deposit Management Organisation could be deemed to be in breach should it repeatedly fail to calculate accurate return point handling fees. However, conversely 'not setting correct producer fees' shouldn't constitute a breach – it is an accounting issue that should be instead addressed via contract KPIs. Government must define what it means by the term 'Not ensuring adequate provision of return points'. 'Adequate' is a function of an extensive RPO network, whereas accessible would mean that all consumers are served and have the ability to redeem their deposits.

**72** 72. Are there any vulnerable points in the system? Please explain your answer?

The biggest risk for fraud we envisage is a situation where there is not a single scheme (if there are different, misaligned schemes implemented in different parts of the UK at different times). Different schemes would drive pricing differences between the same product in different parts of the country, so incentivise the transportation of products and used packaging between deposit and non- deposit parts of UK (and the Republic of Ireland) to take advantage of this, which would undermine legitimate businesses, create potential consumer confusion, lower consumer trust in the system and limit the effectiveness of the scheme(s). Therefore, we strongly advocate for one, shared, single scheme across the UK - to tackle fraud, ensure consistency for consumers and businesses, and maximise collection. Additionally, whilst we support the introduction of DRS in principle in Northern Ireland, Government should consider the merits of aligning the DRS across the island of Ireland to prevent similar risks of cross-border fraud and issues outlined above. Industry hopes that Governments across the UK will work with the Irish Government to assess the compatibility of schemes and consider measures that could prevent fraud and cross-border issues.

**73** 73. Do you see a role for the Deposit Management Organisation to seek compliance before escalating to the Regulator?

Yes, but the Deposit Management Organisation alone cannot ensure full compliance or prevent fraud, particular organised criminality.

**74** 74. Do you agree with the position set out regarding enforcement response options?

Yes

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**74.a** 74.a If not, please expand your answer.

## Chapter 9: Implementation Timeline

**75** 75. Do you have any comments on the delivery timeline for the deposit return scheme? Please pose any views on implementation steps missing from the above?

There is notable misalignment with the implementation timeframe for the Scottish DRS (currently due to commence in July 2022). A lengthy 'timing gap' (and discrepancies between scheme scopes) risks various cross-border issues including fraud. We recommend that Government works closely with obligated sectors to assess a pragmatic timeline for implementation, and reiterate that Government should work with industry to design a system that will work coherently and efficiently across the UK, facilitated by an industry-backed, independent not-for-profit DMO. We also note that there are potential issues as a result of misaligned timelines for the DRS with the proposals for an Extended Producer Responsibility scheme for packaging, as well as the proposals for greater consistency in recycling collections. From an industry and consumer standpoint, it would be preferable to ensure that DRS producers are not obligated for primary packaging under the EPR scheme, only to soon be obligated to change reporting and payment practices in switching – potentially mid-year to the DRS scheme. It is also vital that Government avoids any scenario where producers face a 'double obligation', for either reporting or charging, under the DRS scheme and the existing Packaging Recovery Note (PRN/PERN) system or the future Extended Responsibility for Packaging scheme. Separately, however, Government must consider the phasing of activities with regards to allowing the Deposit Management Organisation to determine its 'rules' and guidelines for producers – particularly as applicable to labelling. As noted in our responses to Question 61, we suggest 24 months for any labelling changes. Therefore the Deposit Management Organisation would need to be appointed and established ahead of this to allow producers to make the necessary preparations. Likewise, the exemptions process (for return points) needs to be established and 'opened' well ahead of the 'go-live' date.

**76** 76. How long does the Deposit Management Organisation need from appointment to the scheme going live, taking into account the time required to set up the necessary infrastructure?

Any other (please specify)

**76.a** 76.a Any other (please specify)

Based on experience from Scotland and of industry's involvement in international DRS schemes, we would recommend 18-24 months from the appointment/approval of a Deposit Management Organisation to 'go-live'. This timeframe is highly dependent of the regulatory obligations on all parties and the sequencing of activities. For instance, it may be possible to reduce the time required if the regulations are determined and finalised ahead of the commencement of the procurement/appointment of the Deposit Management Organisation, and if the scheme aligns very closely with that being implemented in Scotland, and has a compatible governance regime. However, Government must consider the phasing of activities, and factor in sufficient time for the Deposit Management Organisation to determine the 'rules' for producers – particularly as applicable to labelling. As noted in our response to Question 61, we suggest 24 months for any labelling changes. Therefore the Deposit Management Organisation would need to be appointed and established ahead of this to allow producers to make the necessary preparations.

**76.b** 76.b Please provide evidence to support your answer.

**77** 77. Depending on the final decision taken on the scope of the scheme in England and Northern Ireland – all-in or on-the-go – what, if any, impact does this have on the proposed implementation period?

The difference between an 'all-in' and 'on-the-go' scope in terms of Deposit Management Organisation establishment and scheme implementation is anticipated to be insignificant to the overall timelines for DRS introduction. As also noted in the consultation document, the same processes would be involved to arrange and agree the Deposit Management Organisation governance structure, secure financing, appoint staff, and procure/build counting/sorting infrastructure along with establishing IT and logistics operations, etc. Likewise, whilst the number of products in scope of the DRS regulations would differ, a huge number of brand owners, manufacturers, wholesalers, and retailers would still be in scope of the scheme and be required to make the necessary changes. For example, the number of return points locations not in scope of an 'on-the-go' scheme is unlikely to differ significantly enough to suggest that a longer or shorter implementation period would be required on the basis of return point preparations - i.e. the proportion of sales channels exclusively selling pre-packaged drinks only in volumes of >750ml is estimated to be a fraction of overall return points. Many return points/retailers would be required to make the very same changes in a scheme of either scope, and the DMO's logistics network would still have to be established and cover the same geographies. Whilst, on the face of it, an 'on-the-go' scheme would require fewer labelling changes, this is potentially inaccurate as the majority of our SKUs and associated artwork would be captured by the proposed 750ml threshold. The likelihood is we would still also be required to make changes to SKUs and artworks >750ml at a similar time as they would be under the scope of the Extended Producer Responsibility scheme. And as noted on page 26 of the consultation document, the upcoming implementation of an 'all-in' DRS in Scotland means there will be issues for producers if an on-the-go scheme was in place across the rest of the UK. Producers placing drinks on the market across the UK would be subject to different obligations for the same products (large drinks containers) depending on where this is placed on the market, and would be minded to duplicate and split a proportion of their product portfolios into 'Scottish' and 'rest of UK' lines. This would entail working through significant alterations to production processes, labelling changes, and distribution practices, ahead of a 'rest of UK' go-live date, potentially negating any reduction in workload envisaged from a narrower 'on-the-go' scope. Therefore, we reiterate our support for an 'all-in' scope of container sizes.

## Chapter 10: Summary of approach to Impact Assessment

**78** 78. Do you agree with the analysis presented in our Impact Assessment?

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**78.a** 78.a Please briefly state the reasons for your response. Where available, please share evidence to support your view

- SBF GB&I supports Option 2 presented in the Impact Assessment: to introduce an 'all-in' deposit return scheme but notes the discrepancy of a proposed implementation date of to be implemented in 2023 with that of the consultation document 'late 2024'. We would welcome clarity of this in the Government's response • We welcome that the Impact Assessment acknowledges the role of unredeemed (forfeited) deposits in contributing to the scheme's running costs and overall investment, alongside the payments from producers in the form of per-unit producer fees, and the material revenue gained from selling materials to be recycled. However, we disagree with the notion that 'excess' funds may arise as a result of the unredeemed deposit income – particularly as elsewhere DEFRA state that legislation (and therefore penalties and sanctions) would enforce the “collection target of 90% after three years from the introduction of the scheme, with a view to this target being phased in over the three-year period”, which would “ensure that no perverse incentives exist in the system to achieve low recycling rates so that unredeemed deposits cover the full costs (rather than producer fees)”. • Instead, unredeemed deposits should be fully reinvested into the system to contribute to running costs, investment in increased performances, and the long-term repayment of the significant start-up (capital) costs. There should be no cap/threshold applied to their use nor to the amount that producer fees amount to – given that they are the residual full net cost/“balancing” payment. • We disagree with the assessment and proposal for local authority payments and refer officials to the answers given to Questions 64-68.

**ES** Email Subject

Introducing a DRS in England, Wales and Northern Ireland - Response from SBF GB&I

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Email Questionnaire + Letter

**NF** Non-fitting

[Editor's Note: Cover email below] Please find attached Suntory Beverage & Food GB&I's response to 'Consultation on Introducing a Deposit Return Scheme in England, Wales and Northern Ireland: Second Consultation, March 2021'. We hope the response is helpful. Please let us know if you have any questions or require any further information as part of the consultation process. [Editor's Note: text from attachment follows] [Editor's Note: text from introductory statement follows] 1. ABOUT SUNTORY BEVERAGE AND FOOD GB&I Suntory Beverage & Food GB&I (SBF GB&I) was formed in 2014 and is part of Suntory Beverage & Food, a core part of Japan's global Suntory Group. We are the third largest branded soft drinks supplier in the UK, and our much-loved brands – including Lucozade Energy, Lucozade Sport, Ribena and Orangina – account for nearly 6% of the UK market1. Our business is driven by our 'Yatte Minahare' ('Go for it!') spirit and our role is to have a positive impact on the lives of our consumers, providing them with a responsible choice of great tasting drinks and inspiring them to lead more active lifestyles. Our environmental footprint Like our consumers and the world around us, we're constantly evolving and adapting to complex changes in the external environment. Growing for Good is our company's promise to provide innovative solutions and take collaborative action to reduce our environmental footprint and deliver sustainable growth with a purpose. For us, this means creating great tasting drinks that people can feel good about. Our approach centres around four key areas: Our Drinks, Our Resources, Our Society and Ourselves which are all underpinned by "Mizu To Ikiru" – our commitment to incorporate water sustainably into everything we do, so that consumers can continue to enjoy our drinks all over the world, safe in the knowledge that we're doing the right thing by our planet. As one of the world's largest soft drinks companies we have a responsibility and opportunity to ensure future generations inherit and enjoy a healthy planet and we're working every day to deliver commitments across our entire value chain to make this a reality. Our Packaging SBF GB&I is using more sustainable packaging, eliminating unrecyclable and excessive packaging from our supply chain and collaborating with innovative partners to look at new ways to manage plastic waste. All of our drinks' containers are recyclable and we encourage consumers to recycle with on-pack messaging. Having led the soft drinks industry in creating the first ready-to-drink bottle from 100% recycled plastic (rPET) for Ribena in 2007, in September 2019 we announced our ambition to reach 100% sustainable plastic bottles within a decade2. By 2030, we plan to fully move away from virgin plastic derived from fossil fuels and solely use plastic that has been previously used or bio-sourced (plant based). Studies suggest recycled plastic manufacturing produces up to 79% fewer CO2 emissions than manufacturing virgin plastic3. As a first step towards this, we will initially use 50% sustainable plastic packaging (rPET) across primary packaging by 2025 or sooner by accelerating our existing efforts and supporting Deposit Return Schemes (DRS) across the UK. For our packaging to be fully sustainable, we are making it 100% recyclable to enable bottle-to-bottle recycling. Our newly redesigned Ribena bottles are both made from 100% recycled plastic and 100% recyclable, making Ribena the largest soft drinks brand in the UK to do so. Our Ribena bottles have been 100% recycled material since 2007, but the new bottle is designed and tested to work within the UK recycling infrastructure giving it the optimum chance of being recycled into another drinks bottle. Redesigned versions of Lucozade Sport and Lucozade Energy will follow over the next 18 months, incorporating similar changes. SBF GB&I is also a member of an industry consortium investing in a ground-breaking enzymatic recycling technology being developed by Carbios. This enzyme can biologically depolymerise all PET plastic waste, vastly improving the efficiency of PET recycling and paving the way for a fully circular economy for PET plastic bottles. Reducing plastic in our supply chain will continue to be a key focus - initiatives will focus on eliminating plastic waste, further light-weighting bottles (building on the 325 tonnes of plastic we have already removed from our annual usage through the light weighting of the 500ml Ribena Blackcurrant bottle in 2019) and exploring innovative and alternative sources of materials to replace plastic. Since 2015 we have saved 3,149 tonnes of plastic, including 16 tonnes through the redesign of our Ribena straws to paper last year. Beyond this ambition, we are proud to be a founding signatory of The UK Plastics Pact. Together with more than 50 businesses and organisations in the UK, we share a desire to work together to change the way we use plastic to minimise its impact on the environment. We are also a founding member of The Future of Plastic Packaging Research Programme run by the University of Cambridge Institute for Sustainability Leadership. Working with other parts of the supply chain, the initial report and associated workstreams have been designed to identify the practical steps needed towards eliminating plastic packaging waste from across the soft drinks and bottled water supply chain within the UK. Finally, we are also exploring methods





UK-wide DRS scheme (or at a minimum, that all of the nation's proposed separate schemes are fully interoperable) to ensure consistency, minimise consumer confusion and maximise recycling, as well as to tackle potential fraud issues. We are urging England, Scotland, Wales and Northern Ireland to continue to work closely on the design of the schemes. For a DRS to be truly successful, we believe it should be 'all-in' (covering both 'on-the-go' and drink-later containers) and at a minimum should include PET bottles and cans. The scheme/s should be run by an industry led but independent not-for-profit entity, and the Deposit Management Organisation (DMO)/Scheme Administrator (SA) should be empowered to set the deposit level in relation to achieving its primary purpose of meeting the collection and recycling targets. As deposits are refundable they should not be subject to VAT, and any unredeemed deposits should be reinvested in the system to improve infrastructure and consumer communications. SBF GB&I is a founding member of Circularity Scotland – a new not-for-profit company that has been approved as 'scheme administrator' for Scotland's DRS – and we are keen to share industry's experience working on the introduction of DRS in Scotland. [Editor's Note: text from footnote follows] 1 5.97% - EXT IRI Marketplace, GB, latest 52-week data ending 27.12.20 2 [https://www.lrsuntory.com/dyn/\\_assets/\\_pdfs/press-release-pdfs/lrsannounces100percentsustainableplasticbottlesgoal-1.pdf](https://www.lrsuntory.com/dyn/_assets/_pdfs/press-release-pdfs/lrsannounces100percentsustainableplasticbottlesgoal-1.pdf) 3 <https://blog.alpla.com/en/press-release/newsroom/study-confirms-excellent-carbon-footprint-recycled-pet/08-17> [Editor's Note: Answer from Q.7] The introduction of a DRS will necessitate significant changes in consumer behaviour, our business operations and the workings of the wider drinks supply chain in the UK. This will create a large impact and be initially quite disruptive, but we are hopeful that it will result in positive outcomes if the scheme is well-designed and implemented, and if it draws upon best practice internationally and builds upon industry's experience in Scotland. It is vital that bottles are recycled and that this recycled material is then used to manufacture new bottles in turn – a truly circular system. It's just one of the reasons why we welcome the introduction of well-designed Deposit Return Schemes for drinks containers. [Editor's Note: Answer from Q.9] Yes. As noted by the Government, the caps and labels of plastic bottles are an integrated part of the deposit item. Indeed, drinks sold in Northern Ireland will be required to have tethered caps due to the EU's Single-Use Plastics Directive and this might be adopted by manufacturers for the other drinks they sell across the UK market too. It would be unnecessarily inconvenient for consumers to be required to separate them before returning them to return points, which may in turn impact return rates and the overall effectiveness of the scheme. Furthermore, our on-pack recycling messages encourage our consumers to recycle our bottles with the cap on in order to minimise littering. We therefore support their inclusion within the DRS and agree they should not be obligated under the reformed extended producer responsibility regime. [Editor's Note: Answer from Q.15] No. As most bottles contain over 250ml of liquid, they contain more than one serving of drink. Bottles, unlike cans, can be re-sealed and drunk over a longer period of time and so are drunk in many locations, including the home. Similarly, many products that are traditionally seen as "take home products" are actually consumed on-the-go. For example, analysis provided by the BSDA shows that 27% of the volume of multipacks and 52% of 1 litre bottle sales, traditionally seen as "take home products", are consumed on the go. The difficulty of defining "on-the-go" or "take home" products is one of the main reasons we believe a deposit return scheme should be all-in rather than based on where a product is consumed. [Editor's Note: Answer from Q.17] We believe that the scope of a DRS should be determined by the material of the container, rather than the drink. Determining the scope based upon the drink will make it significantly more difficult for consumers to understand what falls within a deposit return scheme and what should be recycled elsewhere. We do however believe that an exception needs to be considered for milk and milk-containing drinks due to hygiene, recyclate contamination, and retailer concerns. We also believe that there is a case for excluding milk substitutes and plant-based drinks such as soya, rich almond and oat drinks from the scope of the DRS due to similar hygiene, recyclate contamination, and retailer concerns. We recommend further assessment of the consequences of including plant-based drinks. [Editor's Note: Answer from Q.18] Yes. A DRS should apply to all beverage containers sold, an 'all-in' system, including take-home and 'on-the-go' packaging, and at a minimum should include PET bottles and cans. We agree with the exemption for pouches, cartons etc. as these will initially add to the complexity and cost of the system. They could however be included at a later date once full feasibility studies have been completed. It is essential that drinks containers that remain out-of-scope of the DRS should be a part of the consistent household kerbside collection list that DEFRA is also consulting on. [Editor's Note: Answer from Q.20] SBF GB&I believes it's important that any Year 1 target should be set for an entire year (a full 12 months), not for the remainder of the year the scheme is launched in. [Editor's Note: Answer from Q.25] However, we would recommend a mechanism is inserted into the contract with the DMO which allows early cancellation if it is not functioning as intended. [Editor's Note: Answer to Q.35] We agree that excess funds should be retained within the scheme and re-invested to maximise collection and recycling rates. While our preference is for all excess funds to be used for re-investment in first instance, we do not object to the DMO having the ability to spend them on wider environmental causes in the future if beneficial opportunities for reinvestment in the scheme cannot be identified. Decisions around such wider spending should be made solely by the DMO. [Editor's Note: Answer from Q.36] In an optimal DRS, the setting of the deposit level(s) should be a function of the Deposit Management Organisation/scheme administrator. The Deposit Management Organisation should be empowered to set the deposit level in relation to achieving its primary purpose of meeting the collection and recycling targets, as set by Government. We would suggest that an initial deposit value be set by the Deposit Management Organisation at a level that is forecasted to achieve the prescribed collection targets with minimal impact on consumers and businesses. It can then be reviewed by the Deposit Management Organisation once the system is operational and well-established. However, if different DRS systems are to be run in different parts of the UK, we would recommend that the Deposit Management Organisation/scheme administrator(s) adopt common deposit values to reduce complexity, consumer confusion, market distortion, and to mitigate against fraud and cross-border issues. The setting of these scheme's deposit values, however, should still be determined by the Deposit Management Organisation/scheme administrator. We are aware of arguments for multiple/varied deposit levels (e.g. linked to container size/material type/multipacks) and that some DRS systems overseas operate with these. For reasons outlined above, we suggest this should be a matter for a future Deposit Management Organisation to consider with the support of the obligated industry and utilising consumer insight, rather than for regulations. It is also important to distinguish any debate about variation in deposit values from the variance (i.e. modulation) in 'producer fees'. Deposits are refundable and act as the incentive for consumers to return their empty containers, driving the collection rate – whereas 'producer fees' are the funding payments from producers for each container placed on the market within the scope of the scheme. We would expect the producer fee cost for a given container to depend on the material and size – based on activity-based costing – but not the deposits themselves. [Editor's Note: Answer from Q.48] Government should consider allowing the Deposit Management Organisation to have flexibility on the length before which exemptions that have been granted are 'reviewed', depending on circumstances of the return point. We would also highlight the approach of the DRS Scotland regulations – allowing for exemptions to be granted indefinitely, but with an obligation on the exempted business/return point operator to give notice of a change in situation, trading, or circumstance. [Editor's Note: Answer from Q. 74] Yes, but criminal activity (organised fraud) should be sooner met with criminal sanctions and criminal law, rather than mere warning and penalties.

DS Date Submitted