

**4 June 2021**

Deposit Return Scheme Consultation  
Consultation Coordinator  
Defra 2<sup>nd</sup> Floor  
Foss House  
Kings Pool  
1-2 Peasholme Green  
York YO1 7PX

Dear Sir/Madam,

## **Call for Evidence: Deposit Return Scheme**

This is a response to the open consultation on Introducing a Deposit Return Scheme in England, Wales and Northern Ireland. On behalf of the Federation of Small Businesses (FSB), we welcome the opportunity to respond to this consultation.

The Federation of Small Businesses (FSB) is the UK's leading business organisation. Established over 40 years ago to help our members succeed in business, we are a non-profit making and non-party political organisation that is led by our members, for our members.

Our mission is to help smaller businesses achieve their ambitions. As experts in business, we offer our members a wide range of vital business services including legal advice, financial expertise, access to finance, support, and a powerful voice in government. FSB is the UK's leading business campaigner focused on delivering change that supports smaller businesses to grow and succeed.

Our lobbying arm starts with the work of our team in Westminster, which focuses on UK and England policy issues. Further to this our expert teams in Glasgow, Cardiff and Belfast work with governments, elected members and decision-makers in Scotland, Wales and Northern Ireland.

The UK Government's Deposit Return Scheme for England, Wales and Northern Ireland will play an integral role in recycling more plastic and expanding the UK's circular economy. The UK's six million small businesses and sole traders will play a vital role in ensuring the success of this scheme. However, if not appropriately implemented, they will also disproportionately be affected by it.

Businesses overall support the UK Government's Net Zero and sustainability agenda. However, COVID-19 took a heavy economic toll. The proposed deposit return scheme risks placing

additional burdens on small businesses that include the extra space required on business premises, the scheme's additional cost, and the time it will take for firms to set up and administer the scheme. We therefore recommend a number of exemptions for small businesses, including setting a threshold below which businesses do not pay the producer fee.

We urge the UK Government to consider aligning the Deposit Return Scheme proposed for England, Wales and Northern Ireland with the Deposit & Return Scheme in Scotland. This will allow businesses based in communities along the nation's borders and selling to customers in other parts of the UK not to be disadvantaged.

Finally, Northern Ireland, in particular, has a significantly larger proportion of small and microbusinesses that need to be considered when implementing the scheme.

We trust that you will find our comments helpful and that they will be taken into consideration.

Yours sincerely,

[REDACTED]

[REDACTED]  
Federation of Small Businesses

# **FSB response to the Consultation on Introducing a Deposit Return Scheme in England, Wales and Northern Ireland**

**June 2021**

## A deposit return scheme in a post-Covid context

**Q6: 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 in 2024?**

**Q7: Do you believe the introduction of a deposit return scheme will have an impact on your everyday life?**

COVID-19 had a severe impact on small businesses and sole traders. As the UK is emerging from lockdown and businesses embark on a long recovery journey, additional burdens on small businesses may hamper their economic growth. FSB's UK Small Business Index has finally returned to positive territory after more than two years. The majority of small business owners expect their performance to improve, revenues to increase and their firm's size in the round to grow over the months ahead.<sup>1</sup>

We are confident that 2024 is a reasonable date for the launch of the deposit return scheme if implemented with small business needs taken into considerations. Although we recognise the urgency of expanding the circular economy, small businesses require enough time to adjust their business operations and to be able to plan. We recommend that retailers have a two-year lead time for the go live date of the deposit return scheme.

## Chapter 1: Scope of the deposit return scheme

**Q11: 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.**

**Q12: 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?**

We recommend that the UK Government considers aligning the Deposit Return Scheme proposed for England, Wales and Northern Ireland with the Deposit & Return Scheme in Scotland. Two or three separate schemes will disadvantage businesses based close to the Scottish or Welsh border and which are shipping products to customers in other parts of the UK or operating multiple sites across borders.

We furthermore recommend committing to an all-in scheme. Germany's deposit return scheme, which was introduced in 2003, was recently reviewed and expanded, demanding from businesses and customers to adjust to new rules. A unified and comprehensive approach from the beginning will help companies to make plans.

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<sup>1</sup> <https://www.fsb.org.uk/resources-page/fsb-voice-of-small-business-index--quarter-1--2021.html>

## Chapter 2: Targets

**Q23: Who should report on the volumes of deposit return scheme material place on the market in each part of the United Kingdom (England, Wales and Northern Ireland) for the proposed deposit return scheme, and what would be the implications of these obligations?**

- a) The producer/importer
- b) The retailer
- c) Both the producer/importer and retailer

FSB recognises that it will be paramount to monitor the material placed on the market to ensure that the maximum collection targets set by the Government will be met. However, the scheme will put additional operational burdens on small businesses. Retailers should not be obligated to report on volumes of material placed on the market, and the responsibility should be with the producer/importer and retailer. Producer/importer will already be tracking non-DRS materials under the EPR proposal and, therefore, will have a system in place already to track DRS materials. The process for reporting should be as simple as possible to avoid an unnecessary burden on smaller producers.

## Chapter 4: Financial flow

**Q30: 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
- Any other

The costs and operational impacts of the deposit return scheme will have a significant impact on small producers. FSB recommends that there is a threshold below which businesses do not pay the producer fee should be determined by the business' taxable turnover.

**Q36: What should be the minimum deposit level set in legislation?**

- a.) 10p
- b.) 15p
- c.) 20p
- d.) Other

**Q37: Do you agree that there should be a maximum deposit level set in legislation? Yes / no If yes, what should be the maximum deposit level set in legislation?**

- a.) 30p
- b.) 40p
- c.) 50p
- d.) Other

We recommend a flat deposit level of 20p for all materials and products included in the scheme – which aligns with the decision taken forward by the Scottish Government.

The deposit level needs to be high enough for consumers to have an incentive to return the bottles. In Germany, beer breweries advocated for an increase in the deposit level – currently set at 8 cent – due to a lagging return of glass beer bottles. A brewery can refill a glass bottle up to forty times but is forced to purchase more new bottles due to low return levels.<sup>2</sup>

Germany also has four different deposit levels – ranging from 8 cents to 25 cents – adding to the confusion for customers and businesses.

**Q39: 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 multipacks?**

FSB recommends that a deposit level set for multipacks be easy for businesses to implement and not confusing for businesses and consumers.

## Chapter 5: Return points

**Q40: 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?**

According to ACS, 85% of the 49,918 convenience stores in Great Britain are under 186 square metres, and 50% are under 93 square metres<sup>3</sup>. Furthermore, the ACS Voice of Local Shops survey revealed that 71% of retailers responded that they either did not have the space to process bottle returns in-store or would have to make significant changes to their stores to facilitate a deposit return scheme.<sup>4</sup>

FSB therefore recommends that premises under 200sqft that have limited sales and storage space should be exempt from taking back returns (although there would be nothing to prevent those who wish to participate from doing so).

These businesses should furthermore not be required to find alternative return locations. We suggest that the DMO should strategically map DRS return points, like Post Office, ATM providers and national lottery terminals.

We furthermore recommend that small retailers should be able to opt-out of taking back materials they do not sell and should not be forced to handle return containers manually.

**Q42: Do you have a preference, based on the 3 options described above, on what the schemes approach to online takeback obligations should be?**

Small retailers should not be required to take back large quantities of containers sold online. This would put a disproportionate burden on them, whilst online retailers take back minimum returns. We, therefore, recommend the de minimis based approach that obligates qualifying retailers selling in-scope containers.

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<sup>2</sup> <https://www.mdr.de/nachrichten/deutschland/wirtschaft/brauereien-forderung-erhoehung-pfand-bierflaschen100.html>

<sup>3</sup> ACS Local Shop Report 2017

<sup>4</sup> ACS Voice of Local Shops survey May 2017

Furthermore, online retailers should be obligated to offer a takeback service they are placing on the market.

**Q43: Do you agree with the proposed criteria for the calculation of the handling fee?**

FSB are pleased to see the inclusion of a “reasonable handling fee” in the regulations which considers a number of factors including the costs of materials, space requirements, staffing and utility costs.

However, we urge the Government and the DMO to consider the different size and formats of retailers when setting the handling fee. Furthermore, the break-even point for operating an RVM or manual handling the returns will be different for smaller retailers. This needs to be reflected in the calculation of the handling fee.

We furthermore recommend that there should be a minimum service level agreement for a quick return to the retailer of both the handling fee and the deposits they have refunded to customers, preferably a seven-day turnaround.

**Q44: Please tick which exemptions you agree should be included under the scheme:**

- close proximity
- breach of safety

**Q46: Do you think obligations should be placed on retailers exempted from hosting a return point to display specific information informing consumers of their exemption?**

We welcome the recognition that a small retailer’s premise may not be able to host a return point without, for instance, breaching health and safety obligations on the site. However, the business should not be responsible for finding and signposting alternative return locations. The retailer may be required to clearly communicate to customers that they do not host a return point.

## Chapter 6: Labelling

**Q61: We believe 18 months is a sufficient period of time for necessary labelling changes to be made. Do you agree?**

As previously highlighted, small businesses require sufficient time to plan for and implement changes. We believe that 18 months to be a tight turnaround for small businesses and recommend that the Government offers appropriate advice and support throughout the implementation period.

**For further information please contact:**

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