



## **Deposit Returns Scheme - Response from the Scottish Grocers' Federation & the Association of Convenience Stores**

The Scottish Grocers' Federation (SGF) and ACS (the Association of Convenience Stores) represent the interests of convenience retailers across Scotland. There are currently 5,545 convenience stores in Scotland providing employment for 42,255 people<sup>1</sup> with the total value of sales per annum being approximately £4 billion.<sup>1</sup> We welcome the opportunity to respond to the call for evidence from Zero Waste Scotland regarding the feasibility of a Scottish Deposit and Return Scheme.

We are concerned that the Zero Waste Scotland feasibility study has failed to consult with any retail organisations or representative bodies in Scotland about the Deposit Returns Scheme (DRS). This significantly undermines the credibility of the study as retailers would be a fundamental part of any DRS. Consultation with our members about the proposed DRS has resulted in significant concerns about their ability to participate in the scheme without incurring significant set up costs, additional staffing hours and ongoing operational disruption in their stores. If the Scottish Government seriously considers the DRS, a full impact assessment must be completed which includes convenience retail.

The main concern for convenience retailers is the amount of space required in store to implement the DRS. Convenience stores are generally defined as stores up to 280 square metres as it allows them to trade in smaller more dynamic locations at the heart of communities, providing access to food and a range of essential services. Operating in such small format stores means that space is always at a premium and it would be a significant challenge for all convenience retailers in Scotland to fit Reverse Vending Solutions (RVS) or manually retain containers in bags behind their tills.

Our key concerns about the proposed deposit and return scheme include:

1. Convenience retailers do not have the space to store and manage high volumes of returned beverage containers.
2. An increase in staffing levels would be required to manage returns and prevent delays at the till.
3. At an indicative purchase cost of £30,000, plus £2,000 installation, costs are not financially viable for an independent convenience store retailer to install RVS.
4. Independent retailers will be disproportionately disadvantaged as they do not have access to back hauling services, their stores are smaller and they have less capital to invest in the set-up of the scheme.
5. A Deposit and Return Scheme will encourage fraud, the additional cost of which will be passed on to the consumer.

We have provided further details and evidence below for each of these concerns. For more information on this submission, please contact [J.lee@scotgrocerfed.org.uk](mailto:J.lee@scotgrocerfed.org.uk).

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<sup>1</sup> [ACS Local Shop Report 2014](#)

### *Reverse Vending Storage*

Of the 5,545 convenience stores in Scotland, 90% (4,991 of which are symbol & independent stores) are under 1,999 sq. ft, and 54% (2,994 of which are symbol & independent stores) are under 999 sq. ft<sup>2</sup>. Space within convenience stores is therefore at a premium and fitting in an RVS or manually retaining containers in bags, would be extremely difficult and costly for many convenience retailers.

The feasibility report estimates that a space of 5 metres squared will be required for RVS in stores. Large format convenience stores in urban areas serving high density populations will meet the threshold for having an RVS<sup>3</sup>. Giving up this much space in their store will result in significant costs and loss of important sale space for other products and services. Many convenience store are unlikely to have access to outside space to place RVS, meaning they have no choice but to sacrifice sales space in stores.

At a cost of around £30,000 for the RVS, plus £2,000 installation per machine, retailers are unlikely to prioritise investment in RVS unless they are located in urban areas with high density populations. Convenience retailers would have no choice but to take the manual storage approach and incur longer term disruption to their stores and higher staffing costs.

### *Manual Storage*

The feasibility report suggests that if a RVS is not installed in-store, then bottles should be stored in a bag by the cashier. This is an impractical solution because space behind the till area is very limited and needs to be clear of clutter so that staff can serve customers swiftly. In addition retaining bags of returned containers behind the till will represent a health and safety risk for staff both in terms of trip and hygiene hazards.

Manual storage of these products behind the till is also likely to increase queuing time and therefore staff hours. With customers returning large stock piled volumes of goods at the till point, staff will have to manage this alongside serving other customers. There will be inevitable delays at the tills as staff have to check, monitor and store returns correctly.

### *Container Storage*

The feasibility report assumes that small retailers would be able to store bags of uncompressed bottles for up to 14 days. This is not feasible as the containers would take up significant space in store rooms that is needed for holding stock for sale in the store. We also believe that there are potential hygiene issues with retaining return containers for this long. Retention of used packaging for such a long period is likely to attract pests and be a general hygiene risk for retailers and their staff.

Retailers are also burdened with ensuring that containers are not damaged and are secure prior to transport. Convenience retailers cannot afford to allocate extra time to avoid theft and duplicate claims of refund value. Therefore they will either suffer from administrative burdens or from financial burdens from potential fraud.

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<sup>2</sup> ACS Local Shop Report Scotland

<sup>3</sup> The feasibility report suggest storage of up to 5-600 bottles per day

### *In Store Delay and Staff Costs*

For beverage containers to be accepted manually, retail staff need to be able to recognise deposit labels, inspect the packaging to ensure it is still intact, and refund the value of the deposit. This would require a great deal of time from staff in store and delays at the till point. Although these would be processed by customer services in a large format store, they would be dealt with by general store staff in a convenience store.

Once collected by staff, the containers would have to be sorted, bulked and sent for reprocessing – again this would impose huge time pressures on small staff teams, many of whom will work part-time.

Further analysis of staffing costs is required by the feasibility study. It is not clear on what basis table 5-3<sup>4</sup> in the feasibility study has been calculated. Without full consultation with retailers about the tasks required to manage the DRS and the time it will take staff to complete this assessment is not credible. SGF would be happy to arrange for Zero Waste Scotland to meet with some independent convenience retailers and discuss the additional staffing burdens.

### *Displacement of Sales*

The most likely scenario is that the implementation of a deposit scheme will drive many customers to stockpile their returns to collect deposits in one trip. As mentioned above, this is likely to mean that customers will return large volumes of containers in bulk to stores, causing disruption. Doing this would also encourage customers to drive to a store rather than walk or use public transport. Currently 60% of convenience store customers travel on foot or by public transportation to visit their local shop.<sup>5</sup>

As a result, we fear that the deposit return scheme could displace sales from smaller format stores to larger format stores, which typically have more parking available, or result in more people driving to their convenience store, negating the environmental benefits of the DRS. In all likelihood, a shopping pattern would be established where customers buy their goods from the stores where they return their containers. We therefore urge the Scottish Government to think carefully about the impact the DRS will have on footfall and turnover to local shops and shopping parades.

### *Backhauling*

The report suggests that backhauling be undertaken using *existing retailer logistics* (page 43). Independent retailers do not have access to existing 'logistics' in respect of backhauling services. For a retailer to use their own transport to return containers, they would need to be registered and licensed as a waste handling company and would need to complete and retain the relevant records. However, because the materials to be collected would be of unknown cleanliness, retailers would be unlikely to want to mix collected waste and food for delivery in the same vehicle. In addition, for a convenience retailer, the potential to have a mix of stores on a delivery/collection route with and without bottle crushing/compaction would add a further level of complexity in dealing with the returned bottles.

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<sup>4</sup> Feasibility Study Table 5-3 pg53: Breakdown of manual handling costs

<sup>5</sup> ACS Local Shop Report 2014

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

It would probably be more cost-effective to increase recycling rates by widening and making more consistent the range of materials collected by local authorities for recycling. This would reduce confusion amongst consumers, and boost recycling overall. This could be supported by a communications campaign.

### *Fraud*

Some system of labelling containers that would carry the deposit would be required. Two labelling options were suggested in the report 1. A Scottish DRS logo and individual barcode for beverages sold in Scotland only or 2. Scottish specific label and a Scottish DRS logo added to all beverages sold in the UK.

Regardless of which labelling system would be implemented, retailers would incur additional training burdens to understand which labels are authentic. Any labelling system would require a counterfeit-proof ink. These are expensive and the cost would be passed onto Scottish consumers.

### *Conclusion*

Our key concern is that the deposit return scheme places a heavy burden on convenience store retailers which has not been properly considered by the Zero Waste Scotland Report. We would be happy to work with Zero Waste Scotland further to fully understand the impact of a deposit returns scheme on retailers in Scotland.

Convenience stores trade at the heart of our communities and local economies, the additional cost of and burden of compliance with a deposit and return scheme will have a significant negative impact on the operation of our members' businesses. We believe that the most effective alternative for boosting recycling is to invest in expanding coverage of the kerbside collection scheme. The infrastructure is already well developed, and the public are familiar with what is required of them.

Providing financial support for the expansion of council collection schemes offers a much more cost effective means of continuing the trend of improving recycling rates. Furthermore, the investment would cover a much wider range of materials – not only certain beverage containers, but other packaging and non-packaging materials as well. The introduction of these deposits would have a detrimental effect on existing collection mechanisms in general and local authority kerbside collections in particular. The deposit scheme would divert a significant amount of packaging waste from the kerbside schemes, and that may have a knock-on effect on other materials currently collected from kerbsides.