

Deposit Return Scheme (DRS) for England, Wales & Northern Ireland

Valpak Draft Response to Key Questions raised within Consultation on Updated Proposals

FOR VALPAK MEMBERS ONLY

Background

Updated proposals for introducing a DRS for single-use drinks containers across England, Wales and Northern Ireland from **late 2024**.

The updated 'Rest of UK DRS' proposals, which build upon those first published in Spring 2019, have been announced as part of a **10-week period of public consultation** on them across Spring 2021, closing **4th June 2021**.

Once effective the 'rest of UK' DRS will sit alongside the Scottish DRS, the July 2022 implementation date for which is currently under review by the Scottish Government in light of the prolonged impacts of the COVID-19 pandemic.

Whilst this document outlines Valpak's intended responses to the questions posed within the DRS consultation, we highly encourage Valpak members to respond directly to the Government, based on the financial significance of these reforms.

Responses can be to as many or as few of the questions posed within the DRS consultation document. Please feel free to emulate any of our draft responses in your responses.

Hyperlinks: [Consultation Home Page](#), [Rest of UK DRS Proposal Document](#), [Consultation Response Portal](#)

If you'd like us to consider making additional comments about the updated Rest of UK DRS proposals within our consultation response, please get in touch in advance of **Friday 4th June**.

Draft Responses

Valpak are responding to this consultation as the UK's largest producer compliance scheme. We are aiming to achieve the best balance between the interaction of DRS and EPR schemes for the UK to ensure efficient and effective overall system, maximise overall environmental benefits and recycling levels and ensure best value

for industry, consumers and the UK economy as a whole. Due to the wide range of views held by our membership, we cannot directly represent all of their interests in this consultation response.

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 in 2024?

- ☐ Support
- ☐ Neither support nor oppose
- ☐ Oppose
- ☒ Not sure

We are supportive of the Government's proposal to postpone implementation of any possible DRS scheme from the original date of the beginning of 2023. We do however hold significant concern regarding the newly proposed 'late 2024' implementation date of the scheme. It is Valpak's view that **it would be far preferable to have an implementation date at the beginning of a calendar year such as 1st January 2025**, as this would enable much more straight forward legislation drafting for Government and packaging data reporting schedules for producers.

7. Do you believe the introduction of a deposit return scheme will have an impact on your everyday life?

- ☐ Yes, a detrimental impact
- ☐ No, there will be no impact
- ☐ No significant impact
- ☐ Some impact but manageable
- ☒ Large impact but still manageable
- ☐ Large impact and impossible to comply with

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

- ☐ Yes - because of economic impacts
- ☐ Yes - because of social impacts
- ☒ Yes - because of both economic and social impacts
- ☐ No
- ☐ Not sure

Scope of the Deposit Return Scheme

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

- ☒ Plastic bottle caps on plastic bottles
- ☒ Aluminium bottle caps on glass bottles
- ☐ Corks in glass bottles
- ☒ Foil on the top of a can/ bottle or used to preserve some drinks

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

- ☐ Yes
- ☒ No

We have a number of concerns about the Government's assessment of the two DRS designs within the consultation document.

Firstly, we are not convinced that the implementation of an 'all-in' DRS would best reduce the likelihood of consumers altering purchasing habits or producers altering packaging materials or container sizes as a result of the implementation of a deposit scheme. These impacts have been shown to be difficult to predict in other countries.

Second, we are concerned with the Government's estimation of net carbon savings of £6m per annum by year 11 of an 'all-in' DRS, compared to £1m per annum savings associated with the implementation of an 'on-the-go' DRS model. We believe the impact assessment does not fully estimate the likely substantial impact DRS will have on consumers' day to day lives, more specifically the likelihood of consumers to make additional DRS-specific trips to return containers to designated return points. Whilst we acknowledge that it is Government's intention for there to be a wide distribution of return points such that the likelihood of consumers making additional trips and their associated carbon impacts would be mitigated as best as possible, we would question the belief that additional trips would not occur or only occur to the negligible extent.

In Valpak's view, there are clear advantages in implementing deposit return schemes across the UK in an on-the-go manner, primarily because such an approach would achieve both the positive environmental outcomes Government is pursuing in implementing DRS whilst representing value for money for obligated businesses. An on-the-go scheme design provides a tailored recycling scheme for drinks containers which research consistently finds to be the most problematic in respect of littering. We are disappointed that this has not been included as a potential benefit of an on-the-go scheme design, and also believe it is somewhat inconsistent for the consultation document to state that a disadvantage of an 'on-the-go' scheme is that smaller sized drinks may be consumed in the home as opposed to out of home and not also stating this as a disadvantage of an all-in DRS.

We also believe that should a digital DRS be implemented in the future the stated disadvantage that an 'on-the-go' scheme design would be that consumers would lose deposits if they place containers in kerbside recycling systems would not be relevant. We feel that this 'disadvantage' also applies, perhaps to a greater extent, to an "all in" scheme design, however it is not stated as a disadvantage of 'all-in'.

Despite the concerns we hold, we are also mindful that many of our producer members who would be obligated or affected by a DRS feel that a critical element of its successful implementation will be the avoidance of inconsistent DRS systems across different parts of the UK, as this would cause huge difficulties for producers and retailers and the wider public.

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

☐ No

We have a number of concerns regarding the inconsistent application of DRS systems for single-use beverage containers across the UK, including:

- Differing producer responsibilities across nations.
 - Added complexity to supply chain reporting – liable businesses will need more visibility on where their products are distributed throughout the UK, potentially by the businesses they supply.
- Different collection infrastructures.
- Consumer confusion on size scope.
- Different labelling requirements across DRS-implementing nations.
- Higher likelihood of fraudulent activity in respect of deposit claiming.

Although Valpak believe that a more limited "on the go" approach has many advantages, many of our members have particular concern over the potential for fragmented and inconsistent application of DRS throughout the nations of the UK, to the extent that they view having a consistent scheme design across the whole of the UK is more important and would be more preferable than seeking a reduced scope DRS across some nations of the UK, but not all.

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

☐ On-the-go

Valpak do not intend to express a preference to this question.

Valpak are of the view that an 'on-the-go' design is the most appropriate application of a deposit return scheme for single-use drinks containers in the UK. We hold this belief

because such a design establishes a separate waste collection network specifically targeted at increasing the collection rate of types of single-use beverage container which are not currently widely collected for recycling and are often associated with illegal disposal. Other factors being equal, we believe it would be preferable for EPR to focus on driving up the collection at kerbside and recycling of drinks formats most often consumed in the home through enhancing existing infrastructure rather than investing huge sums in an additional DRS system. That said, our **members have expressed particular concern over the potential for fragmented and inconsistent application of DRS throughout the nations of the UK. Their view is that having a consistent scheme design across the whole of the UK may be more preferable** than seeking the implementation a reduced scope DRS throughout some nations of the UK when others are already committed to implement an “all in” approach.

Regardless of whether an ‘all-in’ or ‘on-the-go’ design is taken forward for implementation, **we are keen ensure the entire reformed producer responsibility system for packaging waste represents good value for money for producers**, namely that placing increased financial responsibility on producers to fund the establishment of segregated waste collection infrastructure for single-use drinks containers leads to a comparative increase in the collection for recycling of these valuable packaging materials that are too often incorrectly or illegally disposed of.

We also believe **it is crucial the Rest of UK DRS is implemented from the beginning of a calendar year not mid-year**, due to both legal complexities of adjusting packaging waste obligations part way through a compliance year, in addition to likely impacts on industry’s understanding of the scheme, which may risk non-compliance. Please see our response to Question 75 for more information.

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?

☒ **Yes**

☐ **No**

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)?

☐ **Yes**

☒ **No**

Government will need to carefully consider their approach following further detailed discussion with industry.

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?

- ☐ Yes
- ☐ No
- ☒ Difficult to say

We believe Question 15 will be difficult for stakeholders to properly answer without in depth knowledge of consumer purchasing and consumption behaviour.

Regardless of if smaller containers are more commonly consumed in the home than on the go, we would highlight that [previous research has found that by volume, small drinks packaging formats \(those less than 750ml\) were by far the most littered item observed](#). In their March 2020 report, Keep Britain Tidy (KBT) found that by volume, small drinks packaging formats represented around 53.2% of the total litter observed, in contrast to larger drinks packaging formats which made up only approximately 5.8% of the total litter observed by volume.

Further, when investigating binned litter, KBT observed that of all the drinks packaging binned at the surveyed sites, by volume small beverage bottles and cans were far more prevalent than large drinks packaging formats which represented 7% of the total drinks packaging disposed of through on-the-go bins by volume. In combination with the low rate of littering of these larger formats observed, this gives an indication that [larger drinks packaging formats are much less likely to be consumed “on-the-go”, away from households than smaller drinks packaging formats](#).

16. Please provide any information on the capability of Reverse Vending Machines to compact glass?

Having discussed Government's preference for Reverse Vending Machine functionality with businesses part of the wider Reconomy group (Valpak's parent company) who operate in this area, we are [unsure whether RVMs that will be market-ready once DRS is implemented throughout the UK will be able to consistently break glass containers into 4, 5 or 6 pieces as proposed](#). This is primarily due to likely variance in the size, shape and thickness of the glass containers that would be deposited at RVMs, as well as the position of the container within the crushing compartment of the RVM. As we suspect that many smaller pieces will be created as well, which would introduce further challenges and safety concerns around the handling of returned material, it may be preferable for Government to [discuss RVM capabilities further with established market providers ahead of the implementation of the scheme](#).

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

- ☒ Yes

☐ No

We agree with the Government that container material is a better determinant of scope than the contents of a container.

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

☒ Yes

☐ No

We can see an argument for excluding glass from the DRS, however our members have expressed particular concern over the potential for fragmented and inconsistent application of DRS throughout the nations of the UK. Having a consistent scheme design across the whole of the UK may be more preferable than seeking the implementation a reduced scope DRS throughout some nations of the UK when others are already committed to implement an “all in” approach.

All materials are potentially valid options but should not be considered in isolation. A range of scope (products, material and/or format sizes) should be considered in more specific detail. Each option should be accompanied by a comprehensive cost/benefit analysis on all affected aspects (e.g. environmental, societal, economic etc.) which should then be used to determine which materials and formats and products are more advantageous to be included in a DRS.

The decisions on which materials, sizes, formats and products to include within a DRS should be based on the best available data and detailed impact assessments on each option. The approach to setting DRS scope should be flexible enough to allow for the inclusion of new materials over time, such as cartons.

19. Do you consider there will be any material switching as a result of the proposed scope?

☐ Yes

☐ No

Valpak do not intend to offer a response to this question.

Targets

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

☐ 75% in year 1, 80% in year 2, 90% in year 3 and thereafter

☐ 75% in year 1, 85% in year 2, 90% in year 3 and thereafter

☐ 80% in year 1, 85% in year 2, 90% in year 3 and thereafter

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

☐ 80%

☐ 85%

☐ 90% collection rate should be achieved for all materials

Valpak do not intend to express a preference to this question.

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

☒ Yes

☐ No

Under an all-in scheme with a great number of containers in-scope overall, there would seemingly be more opportunity for consumers to place in-scope containers in kerbside systems, which may not then contribute to DRS targets.

Conversely, under an on-the-go model there would be fewer containers and seemingly less opportunity for consumers to place in-scope containers in kerbside systems, before one considers the assumption that the consumption of smaller drinks packaging formats more often occurs on-the-go than larger drinks packaging formats that would be in-scope under an 'all-in' scheme design. As a result, we believe it is reasonable to assume an on-the-go DRS could achieve collection rates comparable to that of an all-in scheme.

The success of an on-the-go scheme will be dependent on the provision of an adequate network of return points around the community; a network that is comparatively equal to the network that an all-in scheme would require.

In any event, **we strongly believe that whatever targets are set for the administrator, there should be recycling targets rather than only collection targets.** This would reduce confusion and inconsistent reporting.

23. Who should report on the volumes of deposit return scheme material placed on the market in each part of the United Kingdom (England, Wales and Northern Ireland) for the proposed deposit return scheme?

☐ The producer/ importer

☒ The retailer

☐ Both the producer/ importer and retailer

Applying the reporting obligation to retailers **would align with proposals for reporting sales by UK nation under Extended Producer Responsibility**. It is important to stress that the obligation retailers to report volumes sold by nation should alternatively apply to producers or importers where the direct supply of in-scope products to consumers occurs.

Producers are unlikely to have knowledge of the eventual destinations of their products. It is not always the case that manufacturers know who the final seller of their packaging is and what nation those sellers are based in. For example, manufacturers may supply packaged goods to a chain retailer's distribution centre but would have very little scope for knowing if the retailer subsequently moves goods into other UK nations from that location. We therefore believe it would be most appropriate to obligate retailers for this specific requirement of reporting DRS products placed on the market by nation, however **producers should continue to be responsible for reporting their placed on the market figures under DRS**.

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?

We agree with the proposed for collected container material to be counted as recycled once it has been delivered to a reprocessor and meets end of waste criteria. There will need to fully transparent and auditable reporting on what has been moved from collection point to counting centre, then separately from the counting centre to individual reproducers. This should ensure that any collected material which is rejected from the counting centre is fully accounted for and also helps avoid leakage through fraud.

Scheme Governance

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

- ☐ 3 - 5 years
- ☐ 5 - 7 years
- ☐ 7 - 10 years
- ☐ 10 years +

Valpak do not intend to express a preference to this question.

We believe the contract length should be discussed further within industry to determine what is most appropriate, in the light of more detailed information on the terms of reference for the DMO, as well as the final DRS regulations.

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

☒ **Yes**

☐ **No**

We also suggest that the appointment and administrator monitoring process includes what steps can be taken by Government or regulators in the event that the DMO does not meet target expectations or any other elements of their approval.

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

☒ **Yes**

☐ **No**

Whilst we agree with the Key Performance Indicators outlined in the consultation document, we believe the following should also be considered for inclusion:

- Criteria to determine **how collections are managed** so that return points are serviced by waste collectors before they become full. It may be appropriate for a return point to be considered “full”, triggering a collection request upon the return point passing a **capacity threshold, for example 80% or 90%** of the estimated number of containers the return point/RVM can hold. This threshold may need to be adjusted on a case-by-case basis to take into account the individual circumstances of each return point (e.g. location, footfall). We believe installing such a threshold will best **ensure return points do not become full and unable to accept returned containers during the time it will take for the DMO to notify the transporter to come and collect returned articles from the return point**, which could be a number of days.
- We also believe that a measure of **how long it takes for returned containers collected from return points to be validated as returned by central houses** should be included as a Key Performance Indicator. This will be a crucial measure of the efficiency of the DRS and will be a critical component of efficient cash flow should return point operators only receive deposit amounts and handling fees upon the validation of containers collected from them at central counting houses.

It would also be useful for the DMO to assess and monitor **carbon emissions of the DRS** including both the emissions **created by those transporting collected materials** from return points to counting houses, but also the estimated emissions as a result of DRS causing **additional trips** for consumers to return in-scope containers to return point.

28. Do you agree that the 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?

☐ Yes

☒ No

The creation and ownership of the digital infrastructure underpinning the DRS **should be the responsibility of the DMO** on behalf of industry, acting within guidelines stated by the Government. In order to ensure a smooth transition between approved administrators should such a change be required in the future, we suggest that the terms of reference for the DMO set down by the Government include a requirement for the outgoing body to provide the operating and reporting system to any newly-approved successors.

29. Government will need to understand the needs of users to build digital services for deposit return scheme. Would you like your contact details to be added to a user panel for deposit return scheme 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

☐ No

Financial Flows

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

☒ Yes

☐ No

A **high level of unredeemed deposits funding the scheme means it is ineffective** in driving the correct behaviours by consumers, resulting in the DMO likely being unable to meet its targets.

A scenario where a high level of unredeemed deposits persistently fund the scheme should be a trigger for a Government review as to whether the current DMO is fit for purpose. To this end, defining what a 'high' level of scheme failure actually is will be important.

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

- ☒ Option 1 - allow unredeemed deposits to part-fund the scheme (Gov's preferred option)
- ☐ Option 2 - unredeemed deposits part fund the system but there is a minimum producer fee per annum and excess funds are asked about during tender

The DMO should not aim to raise excess funding, but any **excess funding which is generated by the DMO should be transparently reported and its appropriate use determined through discussion with the industry affected.**

If unredeemed deposits become a significant source of funding for the DMO, then the effectiveness of the scheme should be reviewed by Government.

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?

Such an approach may lead to excess funding, which should not be an aim of the DMO.

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

- ☐ 25% of net costs
- ☐ 33% of net costs
- ☐ 50% of net costs
- ☒ Other

If unredeemed deposits become a significant source of funding for the DMO, then the effectiveness of the scheme should be reviewed by Government.

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

- ☒ Reinvested in the scheme
- ☐ Environmental causes

Any **surplus funding that the DMO does not wish to re-invest should be retained.** The DMO should not aim to raise excess funding, but any excess funding which is generated by the DMO should be transparently reported and its appropriate use determined through discussion with the industry affected.

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

- ☐ 10p

- ☐ 15p
- ☐ 20p
- ☐ Other

Valpak do not wish to express a preference on any legislated minimum deposit level, but we strongly believe that actual **deposit levels should be consistent across UK**. This will best ensure that incentives provided by the scheme to consumers are consistent regardless of national context, which is likely to be a **key factor in delivering a high degree of consumer participation** with the scheme, and **most effectively reduce the likelihood of fraud**. It will also be much more straight forward for producers and retailers to manage.

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

- ☐ Yes
- ☐ No

- ☐ 30p
- ☐ 40p
- ☐ 50p
- ☐ Other

Valpak do not wish to express a preference on any legislated maximum deposit level, but we strongly believe that actual deposit levels should be consistent across UK. This will best **ensure that incentives provided by the scheme to consumers are consistent regardless of national context**, which is likely to be a key factor in delivering a high degree of consumer participation with the scheme, and most effectively reduce the likelihood of fraud. It will also be much more straight forward for producers and retailers to manage.

We would however like to warn Government about installing excessively highly deposit amounts. This may drive the correct behaviours in respect of the DRS but may also negatively impact consumer purchasing behaviour and may regressively impact the poorest in society. They may also lead to unintended consequences such as scavenging empty containers from refuse or theft.

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?

Valpak do not wish to express a preference on this question.

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 multipacks?

☒ Yes

☐ No

Setting of the deposit fee level **should primarily be the responsibility of the DMO**, however we strongly believe that actual deposit levels should be consistent across UK. This will best ensure that incentives provided by the scheme to consumers are consistent regardless of national context in the UK, hopefully delivering a high consumer participation and most effectively reduce the likelihood of fraud.

The deposit should be set at a rate that will ensure the objectives are met, but not so high as to encourage fraud, negatively impact consumer purchasing behaviour or regressively impact the poorest in society. They may also lead to unintended consequences such as scavenging empty containers from refuse or theft.

Return Points

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 (OTG) deposit return scheme?

☐ Yes

☒ No

Applying the mandatory takeback obligation on retailers **needs to be mindful of the particular challenges presented to obligated small premises** in respect of storing collected containers in a safe and hygienic manner. Considerations should also be given to allow small retailers, where appropriate, to share costs of a common return point where this is equally effectively. For example, in train stations and airports where many retailers may be close together.

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?

☒ Yes

☐ No

The extent of any delays or inconveniences consumers experiences as a result of DRS implemented is likely to depend on a huge range of factors, so is difficult to determine in advance. These include, but are not limited to:

- The design and reliability of RVMs

- Frequency of collection of returned material from return points by sub-contracted transporters and how well collections are managed
- The location density of return points and how convenient these are

These factors should be regularly monitored and reported on by the DMO and adjustments to operations made as and when appropriate.

42. Do you have a preference, based on the 3 options described, on what the approach to online takeback obligations should be?

- ☐ Option 1 – obligate all
- ☒ Option 2 – de minimis
- ☐ Option 3 – no obligation

We do not believe that online sellers should have no obligation for takeback, therefore we do not support Option 3.

We believe that an online de minimis may be worth consideration, but the level should consistent with the exemption for physical retailers to offer takeback points.

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

- ☒ Yes
- ☐ No

These appear to be reasonable criteria for the initial calculation, but further factors may be added in future, therefore the criteria setting method must be flexible.

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

- ☒ Close proximity
- ☒ Breach of safety

Defining how 'extensive' the distribution of return points will be throughout the community will be vital to ensuring appropriate implementation of DRS. There should not be too many return points in dense urban areas to be disproportionately burdensome for producers to fund, whilst there not being too few return points, especially in rural areas, for the scheme to be ineffective achieving target collection rates. To this end, it may be appropriate to legislate for a minimum ratio of return points per number of inhabitants within a stipulated distance of that return point.

In respect of the proximity of return points to one another, we would like to raise the question of who will bear the costs of the strategic mapping projects the DMO will undertake to determine the distribution of return points? Whilst this is not explicitly stated within the consultation document, we perceive the costs of this mapping will be included within the 'set up' costs of the DMO or the ongoing operational costs of the scheme to be funded by obligated producers.

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?

Valpak have no information to provide, however it may be useful for the DMO to establish a line of contact with the Scottish DRS administrator to determine whether there may be value in emulating the Scottish DRS retailer takeback exemptions service.

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?

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

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
- ☐ No

Safety should override other concerns, however we recognise that individual circumstances with regard to providing information on other collection points will vary widely. We suggest that the DMO discusses this area further with stakeholders ahead of providing guidance to affected retailers.

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

- ☐ 1 year
- ☒ 3 years
- ☐ 5 years or longer

We feel that an **annual review of all exemptions would be unnecessarily burdensome** and so recommend a longer period, such as 3 years. However, there should be a requirement for retailers to report changes in key circumstances, for example extension to floor space or number of covers, within that period.

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
- ☐ No

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

Having discussed the value of digitised container return solutions with businesses part of the wider Reconomy group (Valpak's parent company) who operate in this area, we believe that a **digital return solution could offer many advantages whilst incurring costs to industry that we believe will represent good value for money for obligated producer businesses.**

A digital return solution could offer many advantages, including enabling consumers to redeem deposits by placing empty containers into their existing kerbside recycling systems, avoiding DRS-specific trips to return points and their associated carbon emissions. **Such a digitised approach must however not completely replace consumers' ability to redeem deposits physically,** as it may not be suitable for all individuals. It is crucial the DRS is accessible by all in society.

The integration of digitised return solutions into the scheme will be largely dependent on the ability of the DMO to effectively reimburse kerbside waste collectors for the management of the material. It would also likely require all kerbside recycling bins to have scannable identifiers on them so that consumers do not redeem deposits but not recycle DRS articles. As this technology is still being developed and more work needs to be done in trials to prove this approach would deliver benefits if rolled out to scale, we believe the rollout of digital DRS should not be prioritised ahead of the rollout of more traditional DRS containers return methods, especially if the rollout of a purely digital DRS would result in the further delay of the scheme's implementation. Digital DRS should be viewed **as a worthwhile complementary measure, not an entirely alternative approach.**

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

Having discussed Government's preference for Reverse Vending Machines functionality with businesses within the wider Reconomy group (Valpak's parent company) who operate in this area, we believe that DRS **article serialisation represents the most promising innovation that we believe may best mitigate the likelihood of fraudulent activity** under a digital DRS at a potentially justifiable additional cost to industry.

Minimising fraud is a key issue for any DRS as we are aware there have been very large- scale fraudulent activity in DRS systems in other countries. A simple bar code or other easily replicated printed label is unlikely to be sufficient. We are aware of a number of more sophisticated unique identification systems being made available, although this is not an area of our direct expertise. We would therefore encourage further discussion on the part of Government with established market providers.

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?

☒ Yes

☐ No

With the correct application of technology, it should be possible to maintain quality standards. In any event the overall quality of packaging recycling quality across DRS and kerbside systems combined will be the same whether or not drinks containers are collected separately or remain in kerbside.

53. If the digital deposit return scheme system can be integrated into the existing waste collection infrastructure would its implementation and running costs be lower?

Yes.

Under a digital DRS there would seemingly be less reliance on return to retail infrastructure, meaning there would be less reliance on comparatively expensive RVM machines, the costs of which would likely need to be covered by obligated producers. This reduced reliance may result in handling fees charged to producers being lower, reducing the cost burden of the DRS to industry.

With local authorities also expected to collect some DRS containers through their kerbside systems and receive payments to cover the management of costs associated with DRS containers, we believe a digital DRS may also increase collection efficiency and reduce costs of local authority packaging waste collection systems also.

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

☐ No

We suggest that further consideration needs to be given to the situation where retailers operate from premises, for example on high streets, with residential flats above them.

Labelling

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.

☒ A mark to identify the product as part of a deposit return scheme.

☐ The deposit price

Not mandating the deposit price to be put on containers may enable producers more flexibility to place in scope UK DRS containers on the market in other nations should they wish without different labelling requirements.

We are firmly of the belief that labelling and/or digital identification requirements placed on producers of in-scope products should be consistent across UK. This will best ensure that incentives provided by the scheme to consumers are consistent regardless of national context, which is likely to be a key factor in delivering a high degree of consumer participation with the scheme, as well as reducing both the likelihood and incidence of fraudulent behaviour.

56. Are you aware of further measures that can be taken to reduce the incidence and likelihood of fraud in the system?

Having discussed Government's preference for Reverse Vending Machine functionality with businesses of the wider Reconomy group (Valpak's parent company) who operate in this area, we believe that DRS article serialisation represents the most promising innovation that we believe may best mitigate the likelihood of fraudulent activity under a digital DRS at a potentially justifiable additional cost to industry.

Minimising fraud is a key issue for any DRS as we are aware there have been instances of very large-scale fraudulent activity related to DRS systems in other countries. A simple bar code or other easily replicated printed label is unlikely to be sufficient. We are aware of a number of more sophisticated unique identification systems being made available although this is not an area of our direct expertise.

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

☐ No

Mandatory secure labelling is an essential element of any DRS to minimise the risk of fraud. It will be not be effective if there remains a "loop hole" which could be exploited by unscrupulous operators whereby products which do not carry specialised Rest of UK DRS labelling may enter the market in England, Wales or Northern Ireland through being placed on the market in Scotland and it is essential that this be addressed.

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?

☒ Yes

☐ No

Mandatory secure labelling is an essential element of any DRS to minimise the risk of fraud. It will be not be effective if there remains a “loop hole” which could be exploited by unscrupulous operators whereby unlabelled products can enter the market in England, Wales or Northern Ireland through being placed on the market in Scotland and it is essential that this be addressed.

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

☐ Yes

☒ No

A consistent and secure identification and labelling system is essential to an effective DRS and so this should be a centrally determined requirement. We suggest that this be **key responsibility of the DMO rather than legislated directly**.

60. Are you aware of any other solutions for smaller producers who may not currently label their products?

Valpak do not have any expertise in this area and feel other stakeholders will be better placed to offer valuable insights.

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

☐ Yes

☒ No

We have **significant concern over the proposed 18-month time period to be provided**. We would like to raise that Government notes that previous consultation responses highlighted that lead times of 2 to 3 years may apply to them. As a result, we believe the proposed 18-month lead time is **unrealistic and unachievable for some**, especially as new secure technology may need to be developed and rolled out at scale ahead of the implementation of DRS throughout the UK.

Ultimately, the **feasibility of this lead time will depend on the complexity of supply chains and likely the ability of international suppliers to respond effectively to new labelling requirements** the Rest of UK DRS places on them. Further, confirmation of labelling requirements as far in advance as possible will be key in best ensuring industry preparedness, alongside confirmation of the actual implementation date of the DRS as opposed to ‘late 2024’.

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

☐ Yes

☒ No

☐ Don't know

Broadly speaking, there will broadly no direct impact on Valpak. However, there will be significant impacts on some of our members. Some Valpak data collection processes may change to make producer member aware that DRS products must labelled appropriately when reporting packaging data to us.

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

☒ Yes

☐ No

☐ Don't know

Valpak believe this question will be best answered by other stakeholders.

Local authorities and local councils

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?

☐ Yes

☒ No

Whilst we believe this question will be best answered by local authorities and waste management companies, we would not be surprised if separating containers to ensure the correct payments are received by local authorities for the management of DRS containers would be likely to lead to **considerable operational difficulties and additional costs**. This would be particularly true for an “all in” DRS system where a large number of containers are in scope and therefore at risk of being disposed of via the traditional kerbside collection system.

It is crucial that a suitable approach to determining payments to local authorities is developed. If **digital DRS becomes feasible then this technology may provide a solution in time, however in the meantime we suggest that suitable protocols or sampling may need to be undertaken** to provide representative data on which to base payments.

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?

☐ Yes

☒ No

Separating containers to ensure the correct payments are received by local authorities or their MRF contractors would be likely to lead to considerable operational difficulties and additional costs. This would be particularly true for an “all in” DRS system where a large number of containers are in scope and therefore at risk of being disposed of via the traditional kerbside collection system.

As there are bound to be some DRS containers still arising in kerbside systems, a suitable approach to determining these payments need to be developed. If digital DRS becomes feasible then this technology may provide a solution but otherwise, we suggest that suitable protocols or sampling needs to be undertaken to provide representative data on which to base payments.

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?

Data should be collected **at the first bulking or sorting point following kerbside collection rounds**. The rate of return of DRS containers into kerbside systems is likely to vary across authorities and geographies and so this **sampling should be done in sufficiently granular fashion to reflect different Local Authority situations** such as housing types and the local economies. This should be the responsibility of the DMO to determine.

It is essential to minimise any risk of producers being required to pay twice for the management of in-scope containers they place onto the market, once to the DRS Scheme Administrator and another to Local Authorities. We suggest local authorities are given the choice either to accept payments determined through a sampling and protocol arrangement as described above, or to “opt out” and directly record their actual kerbside DRS container collections supported by appropriate data reports.

67. How difficult do you think option 3 (DMO pays a deposit value and an additional rate determined by a funding formula for the management in DRS material arising in the local authority kerbside stream) would be to administer, given the need to have robust compositional analysis in place?

We believe that this would be difficult to administer as described, as mixing payment based on sampling whilst still making payments based on actual container collections could lead to confusion and double counting. We suggest that instead the system should be limited to either local authorities choosing to receive payments based on a suitable sampling and protocol system (as described in our answer the Q66) or allowing them to separate, count and report their actual DRS containers collected, but not mixing both in the same authority.

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 – Do nothing – LA redeems deposits from containers arising in kerbside**

☐ Option 2 – DMO makes payments to LAs for DRS containers arising in kerbside waste (Government's preferred options).

☒ Option 3 – DMO pays LAs deposit and price for managing kerbside arising containers according to a funding formula.

We believe **a modified version of Option 3 should be adopted**, whereby local authorities either choose to receive payments based on a suitable sampling and protocol system (as described previously) or undertake the effort to separate, count and report their actual DRS containers collected, but not mixing both in the same authority.

Compliance Monitoring and Enforcement

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

Yes. These include monitoring both the DMO and producers in respect of the accuracy of their reporting of containers placed on the market, collections and recycling rates and ensuring that robust processes are in place.

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

☒ Yes

☐ No

We do believe in certain circumstances local authorities may be best placed, however we would like to question to what extent will local authorities be able to add on monitoring and enforcement work for the deposit return scheme to existing duties they carry out with retailers?

71. In addition to those in the table, are there any other types of breaches not on this list that you think should be?

Yes.

- DMO not meeting required recycling targets.
- DMO not ensuring recycling is being properly undertaken, particularly for containers which are exported for recycling in other countries.
- Return point accepting containers that are excessively contaminated.
- Return points persistently not notifying the DMO (or sub-contracted collector) that they are near to their capacity of returned containers. Not doing so may render the return point unable to collect any more containers as a result of being full.

We also suggest that further consideration be given to ensuring proper regulation and monitoring of DRS material reprocessors and particularly exporters, to ensure that these activities are being properly managed and controlled.

72. Are there any other vulnerable points in the system?

Most vulnerable point in the system will be ensuring deposits are only refunded back to consumers or collection points, for legitimately returned containers, once.

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

Yes.

Generally, we would hope and expect that in most situations where DRS-related practices fall short of those expected they could be raised and addressed by the DMO, primarily through the DMO providing suitable guidance and information to the party in question and reminding them of their responsibilities. Instances of malpractice should only be escalated to the regulator where they are persistent or deemed deliberate.

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

☒ Yes

☐ No

Implementation Timeline

75. Do you have any comments on the delivery timeline for deposit return scheme?

We agree with the Government that the implementation of Rest of UK DRS in January 2023 is now unfeasible. However, we have strong concerns over the feasibility of the proposed 'late 2024' implementation of Rest of UK DRS. We believe it would be far preferable to implement the proposed DRS at the start of a calendar year consistent with the new of a new producer responsibility compliance period, with our preference being 1st January 2025.

We believe implementing DRS at a point in the year that is not consistent with the start of a new packaging producer responsibility compliance period will mean businesses placing in-scope DRS products onto the market will face significant and unnecessary confusion as to when to record, report and pay for placing in-scope DRS products onto the market in the applicable UK nation(s).

In practice, should late 2024 be confirmed as the implementation date for the Rest of UK DRS, producers would need to pay to place the in-scope containers onto the market in England, Wales and Northern Ireland under the PRN system across 2023, then under the EPR system at the start of 2024 and then the under Rest of UK DRS in late 2024. We believe this in unnecessarily complex and greatly diminishes the ability of obligated businesses to effectively prepare for the implementation of the scheme.

Further, we foresee a number of issues arising with the proposed mid-compliance year implementation of the Scottish DRS that we believe justifies our position that the Rest of UK DRS should not be implemented mid-year also. We believe the mid-year implementation of the Scottish DRS requires the Packaging Waste Regulations to be amended to ensure that those placing Scottish DRS in-scope products onto the market do not pay twice for placing in-scope containers onto the market in Scotland. In addition, the UK Regulations need to be amended to adjust liable producers' PRN obligations mid-year, as well as ensure that the Regulations effectively prevent material reproprocessors and exporters from generating PRNs from in-scope DRS container material that continues to arise from kerbside collections system. We believe these necessary legislative changes are likely to entail a great deal of work on the part of regulators and industry advisors and we believe similar efforts would be required should the English, Welsh and Northern Irish Governments opt to implement the Rest of UK DRS in late 2024.

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?

- ☐ 12 months
- ☐ 14 months
- ☒ 18 months
- ☐ Any other (please specify)

At minimum 18 months will be required, as this is a significant undertaking and needs sufficient time to properly develop the necessary systems, resources and operations.

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?

Per our response to Question 75, we believe implementing DRS on an inconsistent basis across the nations of the UK as well as at a time other than the start of a new packaging producer responsibility compliance year represents significant timetable challenges. We believe the proposed mid-year implementation of DRS will mean a great deal of legislative work will need to be undertaken to separate DRS material from the rest of the packaging placed onto the market throughout the UK part way through a compliance period, akin to the work we believe the Scottish Government needs to undertake to separate Scottish DRS from the PRN system ahead of that scheme's July 2022 implementation. Should England and Northern Ireland have a different DRS in comparison to Wales, the time it will take to carry out this legal work may put a strain on the proposed timeline.

Summary Approach to Impact Assessment

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

☐ Yes

☒ No

The impact assessment takes no account of the economic, or environmental costs attached to inconvenience to consumer of separate sorting, storage and return.

We have particular concerns over the potential for DRS to cause consumers to make DRS-specific trips to return points to redeem deposits and the **associated carbon impacts of these additional trips**. Whilst it is clearly Government's intention for there to be a wide distribution of return points, which it uses as justification for saying additional trips and their associated carbon impacts would both be negligible, we believe it will be inevitable that some consumers will make some DRS-specific trips to return points and this should be factored into assessing the impacts of both all-in and on-the-go schemes.

We also do not agree with the assessment of the benefits concerning **litter disamenity**. Whilst we agree there will inevitably be some benefits to litter reduction of in scope containers, these projections seem to be **hugely exaggerated and are not based on any analysis of real financial benefits** to consumers.
