Written evidence submitted by the Automatic Vending Association

Introduction to the AVA

The Automatic Vending Association (AVA) is the trade association of the vending industry, representing machine and ingredient manufacturers and suppliers, cup manufacturers and vending machine operating companies throughout the United Kingdom and Eire. Vending operator companies in membership represent approximately 80% of the turnover of the vending industry in the UK.

The UK vending industry has an annual turnover of £1.54bn. It is an industry employing 24,500 people directly in the UK. A figure which is supplemented by those employed within the wider vending channel supply chain. AVA members operate over 420,000 vending machines in the UK (AVA Census 2019), vending snacks, food, soft drinks, water, hot and cold beverages.

Vending operator companies, those who provide, fill and maintain vending machines, are, with one or two exceptions, small or medium sized companies. They tend to operate from small properties with limited warehouse space.

The majority of vending machines are placed in sites where consumers will consume the product within the same premises as the machine. Only a very small proportion of machines are in on-the-go sites such as railway stations. Given this, the Association is responding to the consultation on the basis of those machines placed in “closed” sites; business, academia, hospitals and leisure.

The AVA supports moves to maximise the value obtained from all resources.

One Deposit Return Scheme for the UK

The AVA argues that a fundamental aspect of maximising the benefit of a DRS is to have a uniform and consistent scheme across all Home Nations of the UK. To remove ambiguity for consumer and business it is essential that the same products are in-scope across the whole of the UK.

We argue that the Scottish DRS, to be introduced in June 2022, is in effect establishing the basic context and framework for DRS across the UK.

Were differentials to be allowed to exist in individual Home Nation markets, for both supplier and vending operator members, the logistical cost of maintaining separate individual *stocks* for each market would be significant, potentially prohibitive. This would be especially true for smaller producers, who tend to be the ones attempting to address niche requirements. The trend in manufacturing over the past few years has been to label product in a manner that allows the same product to be sold in the maximum number of countries. It is typical for food products to carry labels in a number of languages. Requiring nation-specific labelling would generate considerable on-cost at many levels of the supply chain. Having different schemes and deposit levels across Home Nations not only significantly increases complexity and costs, but is also an open invitation to consumer fraud.

It is our view that to gain the widest citizen participation the DRS should be “All-In”, to remove any confusion of products in scope in individual market channels, and to maximise the reach of the scheme.

The interaction with Extended Producer Responsibility

The AVA does not consider that a DRS is necessarily the best solution for increasing recycling. Increasing collection and recycling rates for in-scope materials may well be achieved by the introduction of Extended Producer Responsibility and consistency of collection. In that DRS is primarily intended to manage littering of those materials in scope, to achieve more than this must require it to operate seamlessly with EPR. Yet, there is little if any empirical evidence that a DRS will reduce litter. Consistent enforcement of litter regulations is much more likely to be effective than imposing a DRS.

By including DRS items in the EPR system the item is effectively double charged. If an item is included in a DRS then responsibility for the packaging has taken place, exempting any further obligation under EPR

Timing

We believe that new schemes should be introduced separately, with time to examine the effects of one before introducing another. Therefore, sufficient time should be allowed for the settling in of the DRS before introducing EPR.

Materials in scope

Given the scope of materials to be included within the Scottish DRS is already established, for a UK wide system to be consistent there is no further opportunity for material scope to be reviewed.

Nevertheless, we believe that only plastic bottles and aluminium/steel cans should be included and no plastics product categories should be excluded. The scheme should be as simple as possible.

We would argue that compostable plastics, and products containing compostable plastic, should be excluded. In order to obtain maximum value for recycled materials it is important to produce a clean material stream and compostable materials downgrade plastic streams intended for recycling.

The inclusion of plastics and metal in a DRS removes the most valuable waste from household collections and seriously undermine the financial viability of the collection of the remaining packaging materials. We suggest that a proportion of “unredeemed deposits” should be utilised to compensate for this loss of revenue.

Glass

We would highlight that glass bottles are very rarely used in vending, being heavy and prone to breakage. In addition, we believe it complicates the operation of a DRS for businesses. As quoted by the Scottish Retail Consortium in the context of the announcement of a Scottish DRS “The inclusion of glass will add an additional £50 million per annum to the cost of running a DRS; a cost that will end up being paid by consumers. Glass is a difficult, bulky, and heavy material to manage and will be an enormous burden, especially for those operating from smaller stores" This view appears to be universally held throughout the supply chain.

It is critical that products on which the deposit has been reclaimed are held securely to avoid fraud. Storage of significant quantities of glass bottles will pose unique problems, not least for smaller stores.

Exclusion of Single Use Beverage Cups

Disposable cups in any format should not be included in a DRS. It would be very simple to purchase paper cups in volume from a wholesaler and then return to retailers and receive the deposit amount on each one. As an example the deposit cost on a single case of cups would be £200 versus the cost of cups at c£27. There is considerable opportunity for fraud resulting from the purchase of empty cups from wholesale sources and direct imports being redeemed through the DRS system. These empty cups, plastic and paper costing a few pence each, could be redeemed without being used.

What must also be borne in mind is that in vending almost 50% of hot beverage vends are free-vend (AVA 2019 Census). With no actual mechanism to charge or impose a point of consumption/consumer levy on each cup used.

Paper cups are fully recyclable and there is sufficient capacity to recycle them in the UK today. The challenge is collection; ensuring that cups are captured and taken to the recycling facilities.

A DRS scheme which includes cups is the not the best way to help with collection, and consultation with trade bodies and retailers highlights concerns that there is an absence of reverse vending machines or return points which could take paper cups alongside glass, plastic bottles and cans. There is also the potential for contamination in a system which includes cups alongside glass, and other materials.

The Scottish Government, which is currently consulting on the introduction of a DRS, has published an analysis of responses to its consultation which highlights that a DRS including paper cups would "increase the complexity and the cost of the scheme, and the risk that it might fail.

Furthermore, the Scottish Government found that "there was a widespread view that there would be significant challenges to overcome if a DRS were to collect cartons and disposable cups."

Perhaps most significantly, the Scottish Government's analysis pointed to the risk of fraud arising from the inclusion of paper cups in a DRS as "cups are very inexpensive; there would be difficulties in preventing fraud."

We argue that the Government are right instead to focus on reform of producer responsibility, and that this a better way of helping to encourage higher levels of recycling. We are thus concerned that the inclusion of cups in a DRS would amount to double charging which would unfairly target producers whilst delivering little extra in the way of benefits for the environment.

As highlighted in the consultation, as there are few, if any, successful examples from overseas of a

DRS including paper coffee cups, there would be enormous infrastructure challenges and cost implications for government, local authorities and business to successful implement such a scheme from scratch.

We also believe that wax coated paper cups, used for dispensed cold water, should be excluded as they cannot be reprocessed through the same channels as normal paper cups, if at all. The industry has established collection and recycling streams for both the plastic and paper cups used in vending and these provide a clean source of recyclate which is reprocessed. This is available in the major conurbations. The industry is working with the waste management industry to ensure that, wherever waste is collected, vending cups can be collected separately for reprocessing. Wax coated cups would contaminate this waste stream.

The Deposit Charge

The AVA has a number of concerns in relation to the timings of the introduction of the 20p charge, acknowledging that it is already the established initial deposit rate for the Scottish DRS and any variation could lead to “cross-border waste tourism”.

For Operator members – there will be a significant ‘lag’ between taking on stock with a 20p charge and this being redeemed through sales. This negative impact on cashflow will be considerable. Given that the majority of our members are SME’s, we would be looking for support for members to cover this impact.

We would also propose that the deposit level should actually reflect the a cost associated with each pack size as opposed to a fixed deposit per item in order not to distort the market unduly.

Evidence shows that small multi packs are disproportionately impacted by a DRS (German Neilson sales data 2002 to 2003 and NSW Coca Cola small pack/Large pack sales).

The perceived cost difference between 33cl cans and a 2lt PET bottle (6 cans = 6 times deposit – 1 PET 2lt bottle = 1 times deposit) is 5 times greater. On a 20p deposit this could mean an extra £1 at the till! This could impact sales and distort the market.

Provided the deposit amount steps are clearly and consistent consumer confusion should not occur. Variation in deposit amounts is common in many other schemes and works successfully.

The AVA supports the inclusion of all retailers above a specified size selling drinks in single use PET or metal containers as in the very successful German model DRS which excludes retail space of less than 200m^2.

EXCEPTIONS

The AVA endorses the exclusion from the scheme of those who sell drinks for on-site consumption, including business, leisure and transport sites where drinks are provided for staff, clients and visitors under the provision of Section 19 (2)c of The Deposit and Return Scheme for Scotland Regulations 2020 which excludes sites where vending is the only source of qualifying products. The sale of all articles under DRS through vending machines will carry the 20p deposit in their price to the consumer, but this deposit is to be redeemed at a retail point of sale for which instructions must be displayed on the vending machine.

March 2021