

# Association of Accounting Technicians response to the Environmental Audit Committee call for evidence, “Next steps for Deposit Return Schemes”

**Association of Accounting Technicians (AAT) welcomes the opportunity to provide a short response to this consultation on the next steps for deposit return schemes.**

AAT members are strongly committed to reducing their carbon emissions and those of their clients and have consistently demonstrated a keen interest in environmental issues. For example, in September 2019, AAT surveyed its Assembly and Council members, as well as AAT Licensed Accountants, on the issue of reaching net zero by 2050 and found that 100% of AAT Council and Assembly members think it is important, as do 88% of AAT Licensed Accountants. There are very few issues that can achieve such high levels of agreement.

## **A deposit return scheme for England, Wales & Northern Ireland**

### Retailers

AAT licensed accountants provide tax and accountancy services to approximately 500,000 small businesses in the UK, including many newsagents and small retailers. A DRS scheme could have a significant impact on small newsagents and the like due to a lack of storage space and similarly if significant numbers of cans and bottles are returned, this could potentially impact the effective running of their business given queues and the time taken to deal with returned items.

However, it could also lead to increased business through increased footfall and the handling fee would represent an extra revenue stream. Furthermore, as a key source of the sale of many of these items, it is important that newsagents and convenience stores play some part in the successful operation of the scheme. One potential solution to the need to balance these competing issues would be to grant an exemption if the small store can demonstrate that an alternative collection point is available within a certain short distance of their store, say 400 metres.

Obliging online-only retailers to participate in the scheme may initially appear impractical but several countries already do this.

Indeed, AAT notes that Scotland will include online only retailers when it launches its scheme next year, although unlike all other sellers, online sellers will only be required to take back containers they sell directly to the consumer.

Given customers will still be able to return their empty containers to any other return point, it is understandable that the Scottish Government believe most customers will utilise a local return point, rather than the online retailer's takeback service.

### “All in” or “on the go”

AAT recognises merits in both of these approaches but in the interests of simplicity, user convenience and the overall effectiveness of a DRS, believes that an “all in” approach is the best option.

As AAT stated in its response to the Government consultation on this issue in 2019, a phased approach commencing with “on the go” and moving to “all in” is not favoured either as this is likely to lead to unnecessary consumer confusion and uncertainty.

An “on the go” system would needlessly exclude millions of containers from the scheme and therefore undermine the policy objectives of achieving substantial reductions in pollution/litter and reduce the likely increase in recycling rates.

### Level & scale of deposit charges

Whether the deposit should be a flat rate or variable is a difficult question. International evidence on this is mixed with some countries opting for a single deposit irrespective of size and others opting for a differential.

Some argue that a flat rate represents a significant percentage increase on the price of the smallest drinks and so it becomes more economical for consumers to buy larger bottles of drink. This argument is somewhat overstated given the whole purpose of a DRS is that the deposit, whether large or small, is returned to the consumer in full.

A flat rate has the benefit of being easily and widely understood and is favoured by AAT, but it is worth considering the arguments of the packaging industry who have frequently stated that a variable rate would be more beneficial<sup>1</sup>.

With regard to the actual sum charged, the higher the amount, the higher the level of returns are likely to be. Conversely, the higher the price, the more likely the consumer may decline to purchase the item in the first place. As a result, it is clear that a balance needs to be struck.

In Norway 10p (small bottles) and 25p (large bottles) is paid and appears to be successful whereas in Germany a flat rate of 25CT per item is paid and this appears to work equally well.

Iceland (the retailer not the country) trialled a deposit return scheme in 2018-19, which recycled over 1m bottles and paid out tens of thousands of pounds to its customers in the form of a 10p money off voucher. They subsequently surveyed their customers and found that three quarters said they would support a national deposit return scheme for plastic drinks bottles if the deposit was set at 20p per container - the same rate due to come into force in Scotland next year.

In setting a fixed, national rate for deposits it should be sufficiently high to encourage behaviour change in all sectors of society. A 20p deposit does not appear unreasonable and would likely reduce litter and increase recycling rates. This deposit could of course be increased or decreased based on effectiveness in future years and so flexibility needs to be built into any DRS system.

#### The impact of DRS on local authorities

Many of the items subject to a DRS currently represent an income stream for local authorities. That said, some of this is actually residual waste i.e. non-hazardous material that cannot be re-used or recycled and needs to be sent to energy recovery or disposal (at considerable cost to local authorities). There is also the likely reduction in littering, and consequent savings for local authorities, to consider. It is also important to acknowledge that despite the introduction of a DRS, there will continue to be a need for kerbside collection and that whilst DRS use should be high, (if set at the right level and operated effectively) some consumers will continue to dispose of their bottles and cans in their weekly/fortnightly kerbside collections.

#### Scotland

AAT notes that some critics have suggested the decision to proceed with a DRS in Scotland two years before such a scheme becomes operational in England, Wales & Northern Ireland is problematical and that a two-tier system is undesirable.

However, in reality this situation presents a solid learning opportunity for the rest of the UK, whereby any particularly successful or unsuccessful aspects of the Scottish scheme can be factored into the operation of the scheme in England, Wales, and Northern Ireland.

#### **Further information**

If you have any queries, require any further information, or would like to discuss any of the above points in more detail, please contact Phil Hall, AAT Head of Public Affairs & Public Policy:

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<sup>1</sup> Packaging News, February 2021:

<https://www.packagingnews.co.uk/news/environment/recycling/variable-rate-drs-result-higher-return-rates-lower-costs-03-02-2021>