THE BIG PAYOFF

The growing problem of packaging litter (land and marine) as well as limited growth in recycling has governments around the world interested in deposit return systems (DRS) as an additional system to collect used beverage containers.[1]

When governments indicate a clear policy decision to move forward with a DRS or to expand an existing system and include new beverages (ie. water, juice, liquor, or small bottles), industries opposed to deposit return consistently deploy a strategy of offering money for increased recycling or litter clean up. These offers are put forward as a condition not to introduce deposit return.

This strategic "payoff" usually comes close to the final days of a deposit campaign and can have a big impact on the outcome, as more often than not, municipalities or regional/provincial governments need the money and agree to postpone, delay or outright change their plans to introduce deposit return. Below are some examples.

VALENCIA, SPAIN

In April 2016, Spain's autonomous region of Valencia's Ministry of Environment announced its intention to introduce a DRS because they estimated that about 5 million beverage containers are littered every day in the region.

Two days later, Ecoembes[2], the industry group that manages the Green Dot system on behalf of brandowners, offered to put €24 million annually in the framework of a brand new plan for recycling which included explicitly removing deposit return as a condition of payment. This was €19 million more than Valencia already received per year from Ecoembes as their obligation to help pay for recycling. The Ministry of Environment made the conditional letter from Ecoembes public[3], informed other Regions of Spain what had happened, and turned down the financial offer. Currently, draft deposit return legislation is written and is held up at the Ministry's office.

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FLANDERS, BELGIUM

Walloon is one of three regional governments of Belgium. In August 2014, Walloon's Minister for Environment acknowledged that Walloon has a litter problem. To help clean up the mess, he proposed a modern DRS for one-way beverage packages, which he hoped to introduce within two years.

Not long after, Flanders' (another Belgium region) Minister for the Environment, Joke Schauvliege came to the same conclusion. A Flemish coalition agreement specified that a study would be undertaken to assess the impact of deposit return in terms of costs, recycling and effectiveness against litter. Drinks associations, retail and the Belgian extended producer responsibility organization, Fost Plus, lobbied heavily against deposit return.

In the second half of 2015, the study was finished and it showed that in Flanders alone, a DRS could result in a reduction of 5,600 tonnes of roadside litter annually, which makes up about 40% of all litter. It also reported that by incentivizing consumers to return empty cans to the store, Flemish municipalities could save approximately 20 million on clean-up costs.[4]

But by early 2016 an alternative deal was struck, which excluded deposit return and included €9.6 million annually to be spent on a comprehensive campaign to fight all types of litter. A goal was set for 2022 – 20% less litter in total – and industry would get until 2018 to prove that their approach was effective and helped to reach the target. After the deal with the Flemish authorities, similar deals were struck with Brussels and the Walloon region.

The money was not just used for posters and clean-up campaigns. The funds also cover the office and salary of the Mooimakers, a group Flemish public officials, industry and municipal representatives who are tasked with monitoring of the litter and assessing the effectiveness of the policy[5].

In January a new report was published stating the amount and the costs of litter. The costs increased to a total of

€161 million of which €155 million was for the Flemish municipalities. The amount of litter was adjusted to 17% more than a previous study showed. The target of 20% litter reduction by 2022 seems difficult to reach. [6]

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NETHERLANDS

Currently, in the Netherlands, soft drinks and water plastic bottles of one litre and more are part of a DRS. With increasing litter from small bottles and cans and limited recycling success, there has been widespread support and pressure to expand the DRS to include small containers as well.

In return for a commitment not to work any further on the expansion of the DRS, the retail and bottling industry offered a series of commitments over the years. Around 1995, an agreement was made by retail and bottling industries which promised to keep the share of small plastic bottles below 2%. This commitment was not met and today more than half of the plastic bottles for soft drinks and water are small bottles (without a deposit). In 2000 it was agreed[7] that at least 50% of all plastic bottles would be recycled. Then, in 2005 there was a new commitment[8] to reduce the amount of littered cans and bottles by at least 80%, but to date, the bottle and can litter problem has not improved.

Throughout this time, there was constant pressure from ENGOs and consumer groups to expand the DRS, which lead to nearly 10 more years of industry commitments of money used to delay expansion and make promises – of which many remain undelivered. For example, in 2007 and 2012, Packaging Agreements from the retail and beverage industry with public authorities were introduced. These agreements specified new commitments to Waste Funds that will make payments for collection and recycling using money from a packaging tax or levies as well as the annual payment of €11 million[9] and €20 million, respectively, for litter projects.

But the results are a growing plastic packaging waste problem, low-value recycling and a continual litter problem. It was also concluded by CPB (central planning agency) that the quality of this plastic recycling is much too low. The annual cost for plastic waste management in the Netherlands is nearly €150 million, and monitoring results[10] did not show a reduction of the litter of bottles and cans.

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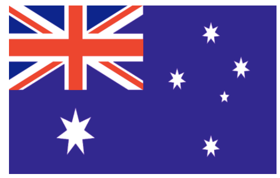
AUSTRALIA



Australia has a long history of industry offering money in lieu of the introduction of DRSs. Since 1995 there has been a National Australian Packaging Covenant, which was a voluntary agreement to improve recycling involving funds from industry and government and grants for recycling and litter programs. It went through various iterations over the years as it failed to make a concrete difference.

Performance figures were inflated using the weight of imported packaging and the weight of paper-based materials (also part of the recycling system) to cover up the low recycling rate of the lighter plastic bottles and cans. With little progress in terms of reduced litter or improved recycling, DRSs were being considered once again by local and state governments.

The “National Bin Network” was introduced and funded by the beverage industry. It intended to place public-space recycling bins to reduce litter. The initiative got a lot of traction as an alternative to DRS. However it had no chance of covering the landscape where litter occurs, and contamination in those bins made recycling difficult, so the initiative failed to deliver the promised results. With the failures of the past, NSW State government began to seriously pursue the idea of introducing legislation for a DRS in the State, calling it “Cash for Containers”.

“Thirst for Good”, in 2015, was the last industry attempt to quash deposit return. The program was worth $15 million and funded by the beverage companies late in the NSW process to legislate a DRS. It involved funding charities to pick up litter alongside roads as well as recycling trailers, and a public communication campaign. Official government investigation showed it would have minimal impact, so the State went ahead with its deposit legislation, and on December 1, 2017 the new “Return and Earn” DRS was introduced in the State of NSW.

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QUEBEC, CANADA

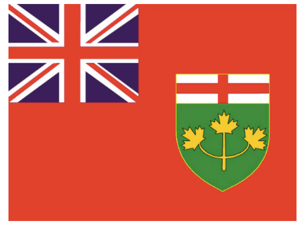
In the Canadian province of Quebec, there is both a green dot-style residential separate "curbside" collection system as well as a DRS for beer and soft drink containers for refill and recycling. Curbside collection is offered province-wide by municipalities but paid for by the industry brandowners and retailers through Eco Entreprises Quebec (EEQ). EEQ is the agency responsible for discharging producers' legal stewardship obligations to help offset recycling costs. For years, stakeholders like municipalities and ENGOs lobbied hard to have the deposit system expanded to include wine and spirit glass bottles and plastic water bottles (among others). In particular, municipalities did not want to handle glass, which was hard on equipment, costly and difficult to market for recycling because the quality was so poor. Quebec's own big bottle glass factory, Owens Illinois, was front and centre in favour of deposits for wine and spirits bottles, as they recognized the improved quantities and quality glass that a DRS could offer them.

In 2014-15, the government stated on numerous occasions that it was in favour of an expansion of the deposit system, including wine and spirit bottles.

On June 5th, 2015, EEQ announced an investment of $40 million over 5 years in order to improve glass sorting equipment in the province's sorting centers. The press release clearly mentioned that it was to maintain the integrity of the curbside collection system and to avoid the expansion of the deposit system (on glass wine and spirit bottles)[11].

With so much pressure from industry opposed to expansion the government decided to give EEQ's plan a chance (plan "Verre l'innovation") and to put aside the idea of expanding the DRS on glass wine and spirit bottles. The big payoff worked to block the expansion of the deposit program, but solved no problems. Today, a whopping 86% of the glass collected through the curbside collection system goes to landfills as it is too contaminated.[12]

ONTARIO, CANADA



In 1985 there was a landfill crisis looming in Ontario, just as the soft drink, grocery and packaging producers decided to switch from refillable bottles to non-refillable, single-use containers. Until 1985, the industry operated a traditional return-to-retail DRS for their refillable bottles.

In an effort to move away from the refillable bottle, the Ontario Soft Drink Association (OSDA) established Ontario Multi-Material Recycling Inc. (OMMRI), which included Coca-Cola, Pepsi-Cola, Cott Beverages and representatives from Reynolds and Twinpak, the aluminum and plastic beverage packaging suppliers.

From 1987-1989 OMMRI exchanged CAD$20 million of funding for the establishment of the Blue Box (municipal curbside recycling) in exchange for a reduction on the legislated refillable bottle quota from 75% to 40% (share of total beverages sold). The Provincial government took the deal and launched Ontario's Blue box program.[13]

By the early 1990s, municipal recycling costs were increasing, recycling rates were still low and the refillable quota declined to 2%.[14] In response, the new left-leaning NDP government proposed broad-based deposit return. In response, in early 1993, the grocery industry (afraid they would have to take back bottles and cans in their stores), convened the Canadian Industry Packaging Stewardship Initiative (CIPSI) for funding of the Blue Box as an alternative to deposit return. CIPSI offered "top-up" funding to municipalities (the difference in the cost of recycling over disposal per tonne). But by June 1995 the government changed from the NDP to Conservatives with a "business friendly" agenda and CIPSI died.

In 1997-1998, municipalities, having spent at least $375 million on the new Blue Box program, began to investigate costs. They saw a strong correlation of costs being directly linked to beverage containers, in particular glass. In 1998, 85% of municipalities (by population) passed motions for the Provincial government to implement a DRS, particularly for wine and spirit glass bottles sold through the Province's liquor store network – Liquor Control Board of Ontario (LCBO).

Toronto's Mayor Mel Lastman in September 1998 even wrote to the Premier informing him that Toronto had voted to institute a by-law that mandated deposit return on wine and spirit bottles within city limits, and banned those bottles from the curbside recycling system by Jan 1, 1999.

With this massive pressure led by Ontario's biggest city, in November 1998, the Provincial government announced the creation of Waste Diversion Organization[15] and offered municipalities $8M (from LCBO) to manage glass over two years (Toronto got $1M/year)[16]. OMMRI, now called Corporations Supporting Recycling, contributed an additional $4.5M and acted as the secretariat to the organization[17].

The issues associated with glass recycling in the Blue Box went unresolved, and in 2007 the Premier announced a DRS[18] for all alcohol containers.

Today, municipalities continue to manage non-alcohol beverage containers in their Blue Box. The overall packaging costs of the program are more than $200M[19] (net of material revenues) per year, of which industry pays 45%. Glass is still very difficult to market due to its poor quality. There has been little improvement in the last 10 years to the recycling rates in Ontario.

Non-alcohol aluminum cans have a 42% collection rate and PET bottles, 57% (based on weight). In the Province's deposit return program, alcohol glass is recycled at a rate of 82% and aluminum beer cans 79% (based on units). [20]

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Conclusion

These case studies illustrate the classic pattern of bottlers and retailers offering money as a means to delay or terminate government's initiative to deliver deposit return legislation. These examples are useful for national, state and local authorities as well as anti litter charities, as they offer important insight into how retailers and bottlers attempt to control the litter agenda to prevent effective measures. They also clearly demonstrate that these "big payoffs" do not work to improve recycling or reduce litter.

ENDNOTES & SOURCES

1 From 2016-present, governments of Malta, Serbia, Scotland, Valencia, Catalunya, New South Wales, Queensland, Western Australia and Quebec governments have announced their intention to introduce DRS.
2 Letter available upon request as .pdf. contact: clarissa@cmconsultinginc.com
3 http://www.eldiario.es/cv/Ecoembes-plantea-Consell-alternativo-retorno_0_527748153.html
4 page 43, https://www.ovam.be/sites/default/files/atoms/files/DEF-Eindrapport%20impactanalyse%20SGS%20eenmalige%20drankverpakkingen-06.05.2015.pdf
5 Mooimakers is made up of 10 people in total. There are 7 people working for the Flemish authorities, 2 people working for Fost Plus and 1 person working for the municipalities. They work in the building of the Flemish public waste authorities including access passes. Industry has direct access to lobby the public waste authorities. There is also a steering group in charge of Mooimakers, made up of 6 representatives: 1 on behalf of the minister of environment, 1 on behalf of the waste authorities, 1 on behalf of the municipalities, 1 on behalf of food and drinks federation Fevia, 1 on behalf of supermarket federation Comeos and 1 on behalf of Fost Plus. This group of 6 people out of which 3 are from industry, determine what those 7 public officials should do and other staff of Mooimakers do.
6 https://www.ovam.be/sites/default/files/atoms/files/Zwerfvuil_Studie_2015-DEF-1.pdf
7 Convenant Verpakkingen; art. 10.3.c
8 Convenant Verpakkingen III – Deelconvenant Zwerfafval; art. 3.1.
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[statements on quality and costs (150 M€) in chapter 3]
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13 Canadian Institute for Environmental Law and Policy (CIELAP). November 2008. "A Brief History of Waste Diversion in Ontario: A background paper on the review of the *Waste Diversion Act.*" Available at http://www.cielap.org/pdf/WDA_BriefHistory.pdf
14 In spite of the near-non-existent refillables in Ontario, the 40% refillable market share mandate is a current law, but not enforced. Ontario Regulation 340: https://www.ontario.ca/laws/regulation/900340
15 Canadian Institute for Environmental Law and Policy (CIELAP). November 2008. "A Brief History of Waste Diversion in Ontario: A background paper on the review of the *Waste Diversion Act.*" Available at http://www.cielap.org/pdf/WDA_BriefHistory.pdf
16 "Waste Diversion Organization and Blue Box Funding." Available at https://www.toronto.ca/legdocs/1999/agendas/council/cc/cc991214/wks6rpt/cl003.pdf
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18 Wikipedia. "Ontario Deposit Return Program." Available at https://en.wikipedia.org/wiki/Ontario_Deposit_Return_Program
19 Stewardship Ontario. "Fees and Payments." Available at http://stewardshipontario.ca/stewards-bluebox/fees-and-payments/
20 Data from ODRP Sales and Recovery, Fiscal 2016, *Advancing the Circular Economy, One Container at a Time, The Beer Store, Responsible Stewardship 2016.*