



## **ACS Submission – Plastic Packaging Tax**

ACS (the Association of Convenience Stores) welcomes the opportunity to respond to HM Treasury's consultation on a plastic packaging tax. ACS is a trade association which represents over 33,500 convenience stores across the UK. Our members include the Co-Op Spar UK, One Stop, Nisa Retail, Costcutter and thousands of independent retailers. More information about ACS and the convenience sector is available in Annex A.

As set out in our response to HM Treasury's consultation, 'Tackling the Plastic Problem', we acknowledged there may be a role for a plastic packaging tax further up the supply chain which could encourage manufacturers to use more sustainable packaging. The majority (72%) of convenience stores are run by independent retailers, which means that they do not own their supply chain<sup>1</sup>. Independent convenience retailers will purchase their stock through a wholesaler or directly with the manufacturer. Where convenience retailers have own brand products, they still rely on their own brand supplier to instigate change on the packaging of products as they have limited buying power. As such retailers have limited influence in packaging decisions and therefore, we agree that the plastic packaging tax should be applied at the highest point in the supply chain in order to drive change in packaging decisions.

We would welcome more information on how the tax would be administered to minimise the potential of duplicating policies and the costs associated for both businesses and consumers, and particularly how it will interact with proposals to reform to the packaging extended producer responsibility system. Rather than a tax, we would support modulated fees to incentivise producers to use more recyclable packaging, which is proposed in the reforms to the packaging responsibility system. Solely focusing on increasing recycled content rather than looking at the recyclability of the product as a whole could cause material substitution. This could increase the recycled content of the product, but in the process make it unviable for recycling.

There are also other market distortions that could occur if a plastic packaging tax is introduced. For instance, there may not be an increase of recyclate entering the market or an overall increase in the use of recycled content. This would mean that packaging cannot increase in recycled content and therefore the tax must be paid and passed onto the consumer as the packaging cannot be reformulated to avoid the tax. It could also mean that product packaging which has a low recycled content may 'steal' recycled content from packaging which has a higher recycled content. The government must ensure any tax they introduce is viable to drive change to increase the overall recycled content while maintaining the recyclability of the product.

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<sup>1</sup> ACS Local Shop Report 2017

**4. Please provide any further information about your organisation or business activities that you think might help us put your answers in context.**

For information, please see Annex A.

**5. Would you like your response to be confidential? If yes, why?**

No.

**10. Do you think alignment with reformed Packaging Producer Responsibility regulations is important for the purposes of the tax?**

Yes.

The government must consider how all the measures set out in the Resources and Waste Strategy interact with each other to avoid duplicating policies and the costs associated for both businesses and consumers. As part of the consultation process, the government should conduct a study to examine how the measures will work together and whether there is a preferred sequence to introducing the measures. The reforms to the packaging producer responsibility regulations in particular could cross over to the outcomes of the plastic packaging tax, and therefore we urge the government to carefully consider how the two policies will interact together. This could mean that the introduction of the plastic packaging tax may need to be delayed order to understand how it will work after the introduction of the changes to packaging EPR.

**14. Do you agree with the government's preferred approach of a single threshold, and why? If not, what alternative would be better, and what are the risks associated with this? Please explain your answer and provide any supporting information and evidence.**

No.

We have concerns that a single threshold may be difficult to achieve for all material types. As such, an additional tax may be paid on products which may not be able to meet the single threshold despite the product being easy to recycle. The government should consider how recyclability and recycled content will interact when developing the tax.

**16. Are there any products for which it would be very challenging to increase the level of recycled content, and why? If so, please outline the effect of a tax on production decisions and consumption of these items.**

The government must consider how existing policies will interact with the proposed plastic packaging tax, including issues relating to the use of recycled content in food contact packaging. Currently organisations will need approval from the European Food Safety Authority to be able to use recycled plastics in food contact packaging.

**17. Are there any products for which the use of recycled plastic is directly prohibited in packaging? If yes, please provide details on these products stating the relevant legislation and industry standards as well as the effect of a tax on production decisions and consumption of these items.**

There is no established method of recycling polypropylene from existing collection methods into material able to be reused for food grade purposes. If a tax is introduced, the impact of this would mean that producers would continue to use polypropylene and pay the tax which would result in food product price increases or lead to material substitution in a way that is not helpful. For example, switching to cardboard with a plastic coating which will both increase the demand for cardboard to unsustainable levels and reduce the financial viability of cardboard recycling.

**21. Do you agree with the proposed points at which domestic or imported products would be liable for the tax? If not, at what point in the supply chain do you think the tax point should be and why?**

Yes.

The tax should be administered as high up the supply chain as possible to drive change in packaging decisions. The cost of the plastic packaging tax should be applied at the earliest opportunity in the supply chain so that there is visibility of the breakdown of costs of the product.

**25. Would you support extending joint and several liability for UK production, and for imports?**

No.

We do not support extending joint and several liability for UK production and imports. There are existing regulations which can be used to sanction businesses if they commit tax evasion by not paying for the plastic packaging tax.

If the government proceed with these proposals, we would welcome more information on how HMRC plans to identify businesses which knew or reasonable ground to suspect the tax had not been accounted for. How would a business, especially one further down the supply chain to where the tax was administered, know they the tax had not been accounted for? It is currently unclear, even if there was a disparity on price, how a retailer would be able to determine tax was paid on that product.

**40. Is our approach regarding assuring the accuracy of declared recycled content appropriate? If not, please share any other suggestions you may have.**

It is still unclear how producers would demonstrate the level of recycled content.

**56. Unless already covered in your responses to other questions within this document, is there anything else you would like us to note about the impact of the tax, especially any potentially adverse impacts on groups with protected characteristics?**

If the plastic packaging tax is to be introduced, it should be introduced as a levy. Funds could be ringfenced to extended producer responsibility, including local authority recycling services or other environmental initiatives as determined by the consultation on reforming the UK packaging producer responsibility system.

For more information about this submission, please contact Julie Byers, ACS Public Affairs Manager by emailing [Julie.Byers@acs.org.uk](mailto:Julie.Byers@acs.org.uk) or calling 01252 515001

ABOUT ACS

The Association of Convenience Stores lobbies on behalf of over 46,000 convenience stores across mainland UK on public policy issues that affect their businesses. ACS' membership is comprised of a diverse group of retailers, from small independent family businesses running a single store to large multiple convenience retailers running thousands of stores.

Convenience stores trade in a wide variety of locations, meeting the needs of customers from all backgrounds. These locations range from city centres and high streets, suburban areas such as estates and secondary parades, rural villages and isolated areas, as well as on petrol forecourts and at travel points such as airports and train stations.



WHO WE REPRESENT

INDEPENDENT RETAILERS



ACS represents over 19,000 independent retailers, polling them quarterly to hear their views and experiences which are used to feed in to Government policy discussions.

These stores are not affiliated to any group, and are often family businesses with low staff and property costs. Independent forecourt operators are included in this category.

SYMBOL GROUPS AND FRANCHISES



ACS represents over 14,000 retailers affiliated with symbol groups. Symbol groups like SPAR, Nisa, Costcutter, Londis, Premier and others provide independent retailers with stock agreements, wholesale deliveries, logistical support and marketing benefits.

Symbol group forecourt operators and franchise providers like One Stop are also included in this category.

MULTIPLE AND CO-OPERATIVE BUSINESSES



ACS represents over 12,000 stores that are owned by multiple and co-operative retailers. These businesses include the Co-Operative, regional co-operative societies, McColls and others.

Unlike symbol group stores, these stores are owned and run centrally by the business. Forecourt multiples and commission operated stores are included in this category.

THE CONVENIENCE SECTOR



In 2018, the total value of sales in the convenience sector was £39.1bn.

The average spend in a typical convenience store transaction is £6.50.



There are 46,262 convenience stores in mainland UK. 72% of stores are operated by independent retailers, either unaffiliated or as part of a symbol group.



The convenience sector provides flexible employment for around 365,000 people.

24% of independent/symbol stores employ family members only.



24% of shop owners work more than 70 hours per week, while 19% take no holiday throughout the year.

70% of business owners are first time investors in the sector.



Convenience stores and Post Offices poll as the two services that have the most positive impact on their local area according to consumers and local councillors.

81% of independent/symbol retailers have engaged in some form of community activity over the last year.



Between August 2017 and May 2018, the convenience sector invested over £814m in stores.

The most popular form of investment in stores is refrigeration.

OUR RESEARCH

ACS polls the views and experiences of the convenience sector regularly to provide up-to-date, robust information on the pressures being faced by retailers of all sizes and ownership types. Our research includes the following regular surveys:

ACS VOICE OF LOCAL SHOPS SURVEY

Regular quarterly survey of over 1,200 retailers, split evenly between independent retailers, symbol group retailers and forecourt retailers. The survey consists of tracker questions and a number of questions that differ each time to help inform ACS' policy work.

ACS INVESTMENT TRACKER

Regular quarterly survey of over 1,200 independent and symbol retailers which is combined with responses from multiple businesses representing over 3,000 stores.

ACS LOCAL SHOP REPORT

Annual survey of over 2,400 independent, symbol and forecourt retailers combined with responses from multiple businesses representing 7,669 stores. The Local Shop Report also draws on data from HIM, IGD, Nielsen and William Reed.

BESPOKE POLLING ON POLICY ISSUES

ACS conducts bespoke polling of its members on a range of policy issues, from crime and responsible retailing to low pay and taxation. This polling is conducted with retailers from all areas of the convenience sector.