

FOOD RETAILING IN EUROPE - POST 1992

PROJECT II
THE COCA-COLA RETAILING RESEARCH GROUP
EUROPE

FOOD RETAILING IN A GREENER EUROPE

A study prepared for

THE COCA-COLA RETAILING RESEARCH GROUP
EUROPE

by

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April 1991

The Corporate Intelligence Group Limited



CONTENTS

	<u>Page</u>
SUMMARY OF FINDINGS	1
1. INTRODUCTION	
1.1 Background	3
1.2 Aims	3
1.3 Structure	4
2. ENVIRONMENTAL AND CONSUMER ISSUES	
2.1 EC legislation on food and pesticides	5
2.1.1 Organic labelling	5
2.1.2 Food labelling	5
2.1.3 Food quality	7
2.1.4 Pesticide residues	7
2.1.5 Other measures	7
2.2 Packaging waste - the scale of the problem	8
3. NATIONAL MEASURES AND INDUSTRY INITIATIVES	
3.1 Packaging	11
Country sections	
3.2 Environmental labelling	15
4. EUROPEAN COMMUNITY LEGISLATION PROSPECTS	
4.1 Packaging	17
4.2 Eco-labelling	18
5. IMPLICATIONS FOR RETAILERS	
5.1 Packaging waste	19
5.2 Eco-labelling	20
6. CONCLUSION	21

SUMMARY OF FINDINGS

The main points to emerge from this review of current national and European Community environmentally-oriented measures which are likely directly to affect the operations of retailers are that:

- * Although there are a wide range of legislative proposals and regulations concerned with the environment, two issues at present appear of particular concern.
- * The first is the whole issue of waste management and, in particular, legislation and initiatives relating to packaging. An EC proposal for a Regulation on packaging waste seems likely to emerge in the spring of 1991. A significant element of the proposal is likely to be the recommendation that mandatory deposits on packaging containers of various types are imposed and that recycling targets are established.
- * The second concerns the effort to achieve a Community-wide system for 'ecological' labelling. The process has started. In February 1991, the EC Commission put forward a proposal for a Regulation on an EC-wide Eco-labelling system.
- * The risk for retailers with regard to packaging legislation is that they become what in effect might be termed the 'dumping ground' for waste by being given the primary responsibility for the collection and disposal of packaging materials. Any such moves would increase greatly both the cost and complexity of the retailing operation. It was precisely this threat which prompted the sector in Germany to devise a voluntary private recycling system in which all participants in the packaging supply and usage chain are involved. It still remains to be decided, however, how the costs of the new infra-structure required to deal with this process are to be allocated.
- * A further potential danger of packaging waste legislation is that it goes against the trend towards mass distribution systems seen over the last twenty years. Innovative packaging has formed a vital element of this process and legislation concerned with waste management could harm mass retailers' sales and margins.

- * The Eco-labelling proposal could introduce a form of discrimination between those products or product groups bearing such a label and those without it. Unless retailers are fully involved in the system for awarding such a symbol, there is the danger that certain products which have traditionally been the vehicle for growth in retailing sales volumes will be discriminated against.

- * While it seems unlikely that in the immediate future the above threats will emerge in the form of binding legislation, retailers must remain fully aware of the potential risks facing them and must consider what strategy they need to adopt to cope with these issues. They are certain to affect the ways in which retailers operate during the 1990s and beyond.

1. INTRODUCTION

1.1 Background

During the 1980s public concern has increasingly been focusing on a wide range of issues relating to the environment. This trend towards what might be termed a 'greener Europe' was reflected in the Single Europe Act adopted in 1986, which for the first time provided the Community with a specific legal responsibility to act and legislate on matters relating to the environment by incorporating the objective of protecting and improving the quality of the environment in the Treaty of Rome. Currently there are over 100 EC directives in force in this area, covering a range of diverse subjects, such as car emissions, water purity and noise levels. The guiding principles of legislation at Community level are that it should contribute to the protection of the environment and that, where possible, the polluter should pay. More specifically, in October 1987, when adopting the Community's Action Programme for the Environment for the period 1987-1992, the EC Council of Ministers stated that:

"In the end, the most important factor of all will be the extent to which more environmentally-friendly processes and procedures are, or can be, made to be economically attractive on a long-term basis."

In addition, the purpose of establishing legislation at Community level is to ensure that differing and sometimes contradictory environmental standards at national level do not constitute barriers to trade in the frontier-free Europe envisaged in the Community programme to complete the internal market.

1.2 Aims

In this report the focus will be on those items of legislation which are likely to have a particular bearing on the operation of retailers. The two major items of concern in this context are legislation relating to packaging and to environmental labelling, although other legislation of more general interest is also discussed briefly. In both cases the legislation already adopted, or in the process of being adopted, at national and Community level is likely to have a profound impact on the manner in which retailers conduct their operations for the remainder of the decade.

1.3 Structure

The report will adopt a three-part structure to discuss the issues of concern. In Section 2 a brief outline of the nature of the consumer protection and food-related legislation is provided and the scale of the packaging waste problem is assessed. In Section 3 a review of national legislation and industry initiatives relating to packaging and Eco-labelling is provided, while in Section 4 an analysis of the likely shape of EC legislation is undertaken. In the concluding section the implications for retailers is discussed.

2. ENVIRONMENTAL AND CONSUMER ISSUES

2.1 EC legislation on food and pesticides

As part of the 1992 programme the European Commission has addressed a number of consumer protection and environmental matters and introduced legislation designed to prevent such issues from becoming barriers to trade. For the most part these measures do not impinge directly on the operation of retailers, either because they are enforceable at the level of food manufacturing or because they are standards which government authorities are required to monitor. They are included here to provide retailers with an overview of legislation already in force or under consideration.

2.1.1 Organic labelling

In December 1989 the EC Commission put forward a draft proposal on the organic production of agricultural products and the labelling required for such products (COM (89) 552 final)¹. This proposal represents the Commission's first step into the area of organic food as part of an overall 'food quality' strategy for 1992. As well as seeking to protect bona-fide biological produce against non-organic imitations, the legislation will lay down precisely which processes may be described as 'organic' and it sets out the conditions for labelling and advertising such products. Member States will be required to set up an inspection system to ensure that products comply with the Regulation. If approved, the products in question will be able to use a new Community label which is to read "Organic Farming - EC Control System". Imports will also be entitled to the label if the Commission is satisfied that the country of origin of the products has an adequate inspection and licensing system.

2.1.2 Food labelling

There is now extensive EC-wide legislation on food labelling, presentation and advertising. The major items of legislation in this field are:

¹ COM (89) 552 final means EC Commission document No. 552 of 1989 in its final form.

Directive 79/112 of 18 December 1978 (OJ L 33, 8.2.1979)² which defines the general principles applicable to the labelling of foodstuffs for sale to final consumers. This has been amended by Directive 89/395 of 14 June 1989 (OJ L 186, 30.6.1989). Taken together the legislation describes the information which is mandatory in labelling:

- * 'use by' date marking or date of minimum durability;
- * ingredient listing;
- * product name;
- * indication of the physical state or treatment foodstuff has been subjected to;
- * special storage conditions or conditions of use;
- * place of origin or provenance;
- * name or business name of manufacturer or packager;
- * instructions for use where necessary.

Member States are obliged to ensure that trade in products which do not comply with this Directive is prohibited from 20.6.1992. In addition to the above general legislation there are other labelling provisions contained in legislation relating to specific products such as cocoa and chocolate, fruit jams and jellies etc. Directive 88/197 of 26 May 1986 (OJ L 144, 29.5.1986) sets out the specific rules for labelling alcoholic beverages.

In 1988 the Commission also presented a proposal on nutrition labelling (COM (88) 489 as amended by COM (89) 420 final), which covers all indications relating to the quantity of proteins, carbohydrates, fats, dietary fibres, vitamins and minerals, as well as energy content of particular foodstuffs. Nutritional labelling becomes compulsory if a nutrition claim is made for a foodstuff.

Food additives are covered by Directive 89/107 of 21.12.1988 (OJ L 40 of 11.2.1989), which sets out the general rules on additives, provides for the development of lists of permitted additives and sets out the conditions for their use.

² Directive 79/112 of 18 December 1978 (OJ L 33, 8.2.1979) means EC Directive 112 of 1979 adopted on 18 December 1978 and published in the Official Journal. Series L, Volume 33 on 8.2.1979.

2.1.3 Food quality

As a general rule the Community does not set 'quality' as opposed to grading or classification standards for foods. The approach is that, if a foodstuff has been legally sold and marketed in one Member State, and, if it is correctly labelled, then it should be freely marketable in another. More recently, however, there has been an effort to promote the idea of quality marks for food of specific character or origin and in January of 1991 two Commission proposals on this subject have emerged. These are:

- the proposal for a Council Regulation on certificates of specific character for foodstuffs (SEC (90) 2414 final);
- the proposal for a Council Regulation on the protection of geographical indications and designations of origin for agricultural products and foodstuffs (SEC (90) 2415 final).

2.1.4 Pesticide residues

In December 1990 the Council adopted a regulation fixing the maximum levels of pesticide residues in and on certain products of plant origin, including fruit and vegetables (OJ L 350, 14.12.1989). The aim of the Regulation is to make maximum residue levels compulsory throughout the Community and The Commission is currently going through the process of establishing the levels for each individual active ingredient. Compliance with the Regulation is the responsibility of individual Member States.

2.1.5 Other measures

Directive 89/108 (OJ L 40, 11.2.1989) specifies the characteristics of materials to be used, and the temperatures to be maintained, for quick-frozen foodstuffs.

Directive 89/109 (OJ L 40, 11.2.1989) specifies the rules governing materials intended to come into contact with foodstuffs and a first detailed implementing measure relating to plastics was adopted in 1990 (Directive 90/128, OJ L 75, 21.3.1990).

While the above issues may have an indirect impact on retailers, the packaging problem which is described below is, however, likely to be of considerably greater direct concern.

2.2 Packaging waste - the scale of the problem

In a recent discussion document on packaging waste the European Commission has provided tentative estimates of the volumes of waste derived from different industries sectors. For basic manufacturing industry waste, such as raw material packaging, plastic industrial bags, cans, drums, flexible intermediate bulk containers, shock absorbing packaging etc, the figures are as follows:

Packaging waste produced by manufacturing industry (million tonnes)

<u>Material</u>	<u>Total</u>	<u>Not recycled</u>	<u>Recycled</u> *
Paper, cardboard	4.2	3.1	1.1
Plastics	1.2	0.9	0.3
Glass	1.2		1.2
Iron	1.4		1.4
Wood	<u>2.0</u>	<u>1.5</u>	<u>0.5</u>
Total	<u>10.0</u>	<u>5.5</u>	<u>4.5</u>

* Recycled in this context means some form of material recovery takes place.

Source: The European Commission

In addition to the above, it is estimated that industrial premises generate an additional 400,000 tonnes of waste from their offices and canteens. Packaging waste thus represents a significant proportion of the total waste from manufacturing industry.

While no accurate figures are available for the retailing, office and service sector packaging waste, such as stretch and shrink wrapping, adhesive tape, boxes, cans etc, the EC estimates the volumes of waste at some 15 million tonnes, of which only 2.5 million tonnes are currently recycled or recovered.

Total domestic waste volumes are calculated to amount to a total of 100 million tonnes of which packaging accounts for some 25 per cent. The compositional make-up of this packaging waste is thought to be roughly as follows:

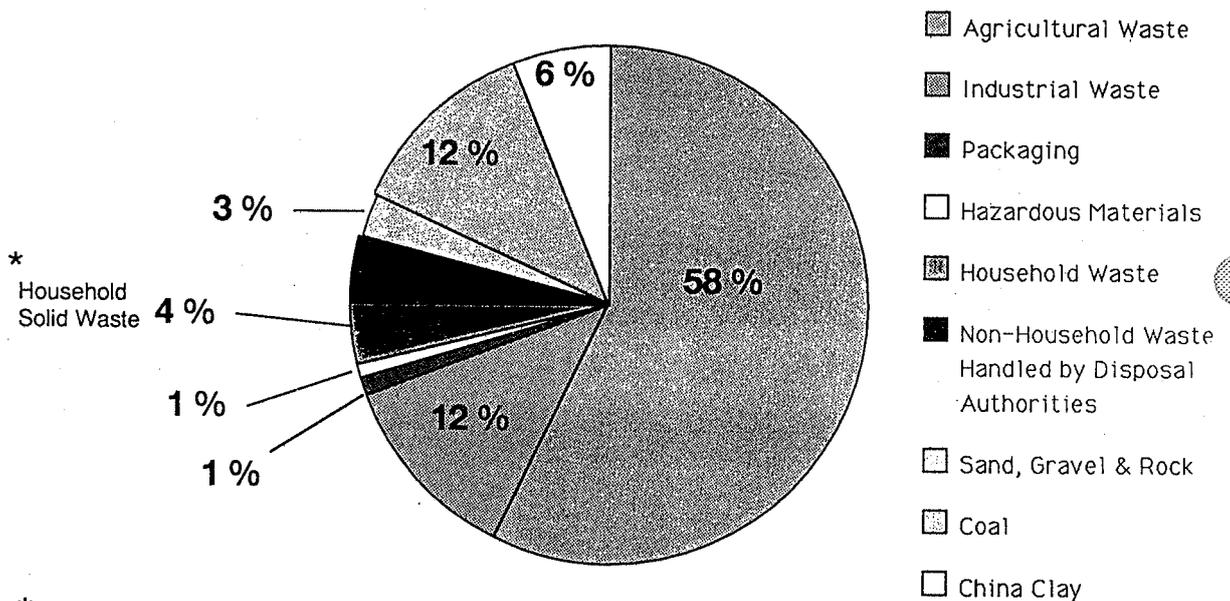
	(%)
Paper/board	20
Plastics	20
Glass	50
Ferrous & non-ferrous metals	10

Some 6 per cent of household packaging waste is estimated to derive from one-way beverage containers, although light-weighting and recycling have meant that they are a decreasing proportion of total packaging waste. In total, currently some 2.5 million tonnes or 10 per cent of the 25 million tonnes of domestic packaging waste produced per year are thought to be recycled.

It is clear from the above that domestic packaging waste accounts for only a relatively small, albeit highly visible, proportion of total household waste and approximately half total packaging waste. In terms of solid waste generated in the economy as a whole the proportion is even less significant as is seen in the findings of the United Kingdom Royal Commission on the Environment, which showed that household packaging waste accounts for only about 1.3 per cent of total solid waste generated (see diagram below). The key point about packaging waste is that it is such a highly visible element in the total volume.

Diagram 1

Solid Waste In UK



* Household Solid Waste

* Packaging Represents approximately 30% of Household Solid Waste

Source : The Royal Commission on Environmental Pollution - U.K.

At present these wastes are disposed of by means of a combination of landfill (estimated to be used for 60 per cent of packaging waste), incineration (estimated to be used for 20 per cent of packaging waste), and recycling (20 per cent). The problem arises with regard to what is to be done to dispose of this stream of waste in future. As was indicated in the memorable words of the then mayor of New York, Ed Koch:

"You can do four things with garbage. You can burn it. You can bury it. You can recycle it. Or you can send it on a Caribbean cruise."

In reality the scope for landfill, which has traditionally been the cheapest form of disposal in most EC Member States, is limited both by an absolute shortage of sites and by an imposed shortage deriving from the so-called 'NIMBY' (Not in my backyard) syndrome. Even where landfill sites exist, their viability may be constrained by the prohibitive cost of actually transporting waste to them. Incineration poses problems both because of the difficulty of preventing the release of unwanted substances into the atmosphere and because there is an absolute shortage of plants of the required standard. Indeed, some Member States of the Community have no such plants at all. The cost of building and bringing plants to the required standard is often regarded as prohibitive by government authorities, who are therefore unwilling to make the required investment. This leaves recycling as a solution. Even here there are problems, in the sense that some recycling schemes use more energy to carry them out than is saved by the collection and re-use process. In order to cope with these problems, one of the professed aims of the Commission is to seek to reduce overall packaging waste volumes.

3. NATIONAL MEASURES AND INDUSTRY INITIATIVES

3.1 Packaging

In 1985 the Community adopted a Directive on containers of liquids for human consumption (Directive 85/339 of 27 June 1985). This Directive, which governs measures to be taken with respect to the production, marketing, use, recycling and refilling of liquid containers destined for human consumption, called on EC Member States to draw up programmes for reducing the tonnage or volume of such containers. The choice of the type of measure to be adopted was left largely to the Member States themselves, with the inevitable consequence that there is now a wide variety of measures relating to drink containers and other types of packaging. These in themselves constitute a barrier to free trade within the Community. The range of measures currently in force, or planned, in the major European Community and other European countries is presented below.

Germany

In the summer of 1990, the German Environment Ministry published a proposal which would make retailers and other distributors wholly responsible for the re-use or recycling of primary and secondary packaging outside the public waste disposal system. The sector responded by establishing the so-called 'Dual System' whereby a sector-funded organisation guarantees to collect and ensure recycling or disposal of the packaging, as well as itself bearing the cost of this operation. The organisation established incorporated the whole chain in the packaging process from raw material suppliers, packaging manufacturers, fillers of containers and retailers through to waste management and recycling companies. All material which can be sorted or recycled in this way will in future be labelled with a 'Green Dot' symbol. The German Government had indicated that the Dual System participants would be exempted from mandatory deposits and compulsory acceptance back by retailers, but in October 1990 it published a new draft regulation which set out high recycling targets for July 1992 and 1995. These aims include the requirement that at least 72 per cent of beverage container volume, including wines and spirits, should be sold in refillable containers. More specifically, the recycling targets established by the draft legislation are as follows:

Recycling Targets
(%)

<u>Material</u>	By Jan <u>1993</u> (%)	By Jan <u>1995</u> (%)
Glass	70	90
Tin plate	65	90
Aluminium	60	90
Paper/board	60	80
Plastics	30	80
Laminates	30	80

Belgium

Industry and government authorities in the Flemish region have recently concluded a 'voluntary agreement' covering all packaging waste. The action programme agreed requires industry to:

- * develop lightweight packaging;
- * stimulate environmentally friendly production processes;
- * design materials suitable for recycling (not incineration);
- * remove pollution-causing components from packaging;
- * establish a packaging database.

Italy

Italy has introduced the following measures:

- * separate collection of containers, by material;
- * efforts to be made to establish a recycling scheme where operating costs are covered by material specific consortia of manufacturers, users, importers and local authorities. The aim is to achieve a 40 per cent recycling target for plastic containers and laminated cartons and a 60 per cent recycling target for glass and metals by 1992. Where this target is not achieved taxes will be imposed;
- * a 10 per cent levy on PET containers to be charged at the point where the container supplier invoices the filler. Recovery by incineration is to be allowed.

- * a tax which trebles the price of non-biodegradable plastic bags is imposed. It is reported that this has already reduced consumption by 40 per cent.

Denmark

In the mid-1980s Denmark adopted legislation which made it compulsory for beer and soft drinks to be sold in re-usable containers approved by the National Environment Protection Agency. Retailers are required to accept empty bottles and taxes are charged on containers of still drinks. All use of cans is banned and PVC containers are subject to voluntary delisting. The European Court of Justice has ruled that these restrictions on trade are legitimate until such time as there is EC-wide legislation on the subject.

France

While there is a free market at present, the Government has concluded a series of voluntary agreements with operators producing and using glass, plastic, tin plate, aluminium and cardboard to reduce environmental impacts. It is understood that industry is being asked to introduce a national recycling scheme and that failure to achieve this will result in a compulsory scheme. The Government has also raised the cost of using landfill by means of a tax.

United Kingdom

The Government is committed to achieving a recycling rate of 50 per cent for household waste by the year 2000. Credits for cost saving resulting from the reduction in waste disposal may be passed on to recyclables. It is understood that industry has launched its own initiatives to encourage recycling. There is, for example, one large retailer now encouraging plastic bags to be re-used, while Coca-Cola has launched a scheme to encourage can recycling.

Netherlands

Industry in the Netherlands is at present under considerable pressure to introduce a comprehensive recycling scheme and in particular there is a major initiative in favour of refillable glass containers. Currently PET containers are allowed, subject to the establishment of a return and recycling system.

Non-refillable containers carry a 10 per cent recycling premium. Retailers have agreed to a voluntary delisting of PVC and are encouraging their suppliers to switch to recyclables.

Other EC countries

It is understood that Spain, Portugal, Greece and Luxembourg are likely to introduce voluntary waste management schemes in the near future. Ireland had put forward a draft measure which banned the sale of beer in metal cans, but the European Commission rejected the proposal because the measure was largely restricted to imported cans.

OTHER EUROPEAN COUNTRIES

Austria

Austria has now adopted a law which specifies the following recovery (i.e. recycling and refilling) rates for glass containers and cans:

	By <u>1992</u> (%)	By <u>1994</u> (%)
Beer	90	90
Carbonates	60	80
Juices	25	40

From April of this year all one-way glass, plastic and metal beverage containers (other than for wine or milk) will be subject to a levy of between ASh 0.5 (for containers up to 1 litre) and ASh 1.0 (over 1 litre). Refillable PET containers are subject to a mandatory deposit of ASh 4.0.

Sweden

The Swedish Government is currently considering a Waste Bill which would make producers responsible for all waste derived from their activities. This responsibility would include the cost of disposal and the R & D required to develop new, alternative products. Currently all cans are subject to a mandatory deposit, which is redeemable for aluminium only. From 1994 onwards domestic waste must be sorted at source and a target of 90 per cent refillable and returnable containers will be set. Economic incentives are likely to be provided to achieve this target. Swedish manufacturers have already agreed to a voluntary ban on the use of PVC as a packaging material and it is hoped to eliminate imports of this material as well. From June 1991 one-way PET containers will be banned.

Switzerland

The Federal Government has established waste reduction targets for each type of packaging material for the period 1991-1993. If these targets are not achieved, mandatory deposits on non-refillable containers will be imposed. Currently deposits are required for all refillable containers and a voluntary levy has been applied to plastic containers and cans to fund the development of a recycling infra-structure. It is reported also that Switzerland has recently banned the use of PVC.

Norway and Finland

Norway and Finland currently apply a tax on all non-refillable packaging and in Norway a reverse vending scheme is being introduced for PET containers.

3.2 Environmental labelling

In order to raise environmental protection and awareness a number of governments and the EC Commission are currently considering the introduction of environmental labelling schemes. The position in the different EC countries is described below:

Germany

In the European Community the only national scheme for environmental labelling currently in operation is the 'Blue Angel' scheme which has operated in the Federal Republic of Germany since 1978. Originally the German scheme awarded the label on the basis of a single criterion, but this has now been extended to cover all aspects of environmental protection through the whole life-cycle of a product. It now covers the use of hazardous substances, noise, waste, non-renewable energy usage and disposal, to give but a few examples.

The award is given to categories of product rather than particular brands. This means that there are now 66 product groups and some 3.600 products which carry the label. The product groups are fairly broad and varied, ranging from retread tyres and returnable bottles to solar energy products and mechanical watches. The number of products in a category may range from one product (for example, re-usable crates for food products) to 891 (low pollutant coatings). It is interesting that only some 10 per cent of applications for the label have come from foreign companies.

Three agencies are involved in the procedure for awarding the label. These are the Federal Environmental Agency, the German Institute for Quality Control and Labelling and the Environmental Label Jury. The Jury contains representatives of industry, government, consumer and environmental groups. Applications are received by the Federal Environmental Agency and passed on to the Jury for an initial examination. Once a product group has passed this stage and specific criteria have been established, individual products are tested by the Quality Control and Labelling Institute and submitted to the Jury for final approval. Currently between eight and fifteen new product groups are accepted each year. After initial industry resistance, it appears the system operates effectively and the sign is reported to be recognised by some 80 per cent of German households.

Other EC countries

Denmark, France, the Netherlands, Ireland and the UK are all in the process of considering, or preparing, legislation to provide for environmental labelling.

4. EUROPEAN COMMUNITY LEGISLATION PROSPECTS

4.1 Packaging

At the time of writing the EC Commission had not yet prepared the draft legislation promised on the subject of packaging waste. It is understood that this is due to emerge formally later in the spring of 1991. Nevertheless, some of the elements likely to be contained in such a proposal have already become apparent. The indications are that:

- i. the Commission is likely to emphasise that it seeks a global and harmonised EC-wide approach to waste, of which household packaging waste represents a small proportion;
- ii. so far as household packaging waste is concerned, the Commission is likely to emphasise the consumer 'education' value of mandatory deposit schemes. These could in theory be applied not only to rigid containers and bags, but also to flexible wrappings made from plastics, paper and plastic coated paper.

Broadly speaking, the Commission proposals are likely to bear a significant resemblance to those put forward in 1990 by the German Environment Minister Toepfer. It does, however, seem likely that the scope will be wider, in that it will cover the entire range of waste and not just packaging waste and there will probably be a greater emphasis on fiscal incentives to achieve the objectives. In addition, in line with the thinking in its recent Green Paper on the Urban Environment, the Commission will probably attach a greater importance to the role of the municipal authorities in the solution of the waste problem.

Clearly the Commission is becoming more demanding so far as packaging waste is concerned. In 1985 the attention was on the packaging of liquids. In 1989 it turned to food packaging. Now the likelihood is that a much wider range of packaging will be covered. The concept is still evolving.

It is likely that the Commission will determine the objectives and the general framework within which Member States will have to develop their own systems. There must, however, be the danger that these systems will vary from country to country, which would go against the concept of a single market and make international trading more difficult.

4.2 Eco-labelling

On 11 February 1991, The Commission put forward a proposal for a Council Regulation on a Community Award Scheme for an Eco-label (COM (91) 37 final). The purpose of the proposal is to establish an EC-wide designation, which will be used to encourage the production and use of environmentally-friendly products. The criteria for the product categories to be covered, which exclude food, drink and pharmaceuticals at least at this stage, will be defined by the newly-created European Environment Agency. The purpose of the awards will be to promote products which minimise adverse environmental impacts during their whole life cycle from manufacturing to end-use, as well as in their disposal after use: it is truly a 'cradle-to-grave' approach. The reduction of environmental impacts will be achieved by minimising:

- * use of natural resources and energy;
- * emissions into air, water and soil;
- * generation of waste and noise;

as well as by maximising product life.

It is thought that initially the system will be applied to products, such as detergents, paints and other chemical products used domestically. Label awards will be granted for a fixed period by a jury consisting of representatives of all sectors involved in the product's life cycle.

5. IMPLICATIONS FOR RETAILERS

5.1 Packaging waste

For retailers the implications of any measures, which are designed to alter the current usage and disposal patterns for packaging, are certain to be profound. Packaging is an essential component of modern mass retailing and the development of new materials and new types of containers have played an important role in the development of the sector as a whole.

While the twin aims of reducing the volumes of packaging waste and increasing the amount of material recycled are in themselves desirable, there is a serious risk that partial solutions will be developed to cope with more fundamental issues. One such partial solution would be the introduction of mandatory deposits. This would in effect make retailers into the 'dumping ground' for the wide range of packaging currently in use. The logistics and costs of both collecting and returning the deposits, and subsequently of disposing of the materials collected, would be very substantial. Retailers would also have to be concerned with matters of hygiene arising from the collection and return of the empty containers and smaller retailers in particular might find it particularly difficult to cope with the requirements.

More specifically, by externalising the cost of the convenience offered to consumers by large retailers, such a move would tend to go against the trend towards mass distribution systems which has developed over recent years, making use of course of packaging innovations. Likewise a return to doorstep delivery systems for products, such as milk, would also threaten retail sales volumes.

If the process went further and the demand was, for example, for mandatory refillable bottles rather than mandatory deposits, the consumer could actually suffer. The likelihood would be that retailers would go for a more limited brand offering. They would obviously keep their own brands and presumably the market leaders, while it would be the smaller or lesser known brands that would not be stocked. At the moment this is mere speculation, but the possibility does exist.

Ultimately the aim of legislation for the management of waste is to reduce overall volumes and increase efficiency in the use of resources. Wide sections of industry argue that recycling is only one measure of resource efficiency and that what is required is the so-called 'cradle-to-grave' approach to legislative initiatives. Partial solutions, such as

the setting of recycling targets, overlook the fundamental fact that at current raw material and energy costs it is in fact more expensive to recycle secondary products (i.e. convert packaging back to its original raw form) until return rates are increased beyond the current average of 12-15 returns for most deposit-based schemes. The 'cradle-to-grave' approach seeks to assess the merits of different raw materials and packaging types in terms of their overall impact on the environment (for example, in terms of resource use, impact on water and air etc). This approach stresses the need to define environmental and resource efficiency objectives and to alter correspondingly the basic cost relationships to provide both industry and consumers with the right incentives. Thus, if the objective is defined as reducing the amount of landfill, the cost of this option must be increased. If the objective is to reduce energy consumption, then the cost of energy intensive products needs to be raised or concerted efforts made to encourage energy recovery, for example, through incineration. Furthermore, the operators concerned argue that it is necessary to ensure that solutions appropriate to different manufacturing and retailing systems in the different EC countries are adopted. Thus, for example, if refillable containers are to be encouraged and for glass such systems work within a radius of 200 km of the filling point, they are likely to operate more efficiently and more easily in Germany with 1,200 breweries than in France with 25.

Recycling clearly has a role to play in this process, but the collection sites need to be defined. It is almost certainly more effective to have collection take place at household rather than retail level and markets for the recycled material have to be developed. The European Recovery and Recycling Association (ERRA), a grouping of 24 large packaging users and producers, has launched a number of pilot schemes throughout the EC to encourage this development. These differ from the retailer collection schemes now being launched in some countries in that they are household based and thus do not encourage the belief that retailers are best suited to undertake direct responsibility for collection of packaging waste. ERRA has participated in kerbside or household collection schemes in Sheffield and in the Adur district in the UK, as well as in Dunkirk and Chambéry in France. Ultimately it will be up to the entire supply chain to ensure that markets for recycled materials are developed through their own procurement policies and a number of major companies have started to launch initiatives in this direction.

5.2 Eco-labelling

The Eco-labelling system will introduce a form of discrimination between products and it will clearly be necessary for retailers to become involved fully in the system for awarding such labels, if they are not to be disadvantaged. In addition, there would be a potential risk to retailers if the award schemes were to be applied to individual brands, rather than product categories, or if the awards were to be graded. Such changes, if they were to occur, could possibly operate to the disadvantage of retailers' own brands.

6. CONCLUSION

From the preceding review it is evident that the most significant issue likely to affect retailers directly as a consequence of the emergence of environmental concern in Europe is the subject of the disposal of packaging waste. It seems likely that, in its initial form at least, the draft legislation being produced at EC level will contain elements which will cause retailers considerable concern, in that they tend to be seen as the focus for the waste collection process. Undoubtedly any legislation which emerges will undergo a number of modifications before adoption and it seems unlikely that the Community will, in the short term at least, adopt mandatory measures.

Nevertheless, it seems essential that retailers remain well informed and fully involved in the decision-making process, considering carefully what strategies are required to deal with an issue which will certainly continue to be significant throughout the decade.