



The waste review – the small business case

The business and environmental potential

Minimising waste and increasing resource efficiency not only benefits the environment but also makes business sense as well. Reduced overhead costs, savings in time and money as well as the business benefits of being seen to be green are all motivating factors for small businesses to manage their waste strategically.

Indeed, research shows that when wasted energy and wasted labour are also included, the true price of waste management for businesses is five to 20 times higher than simply the costs of disposal, typically four per cent of the turnover of a business¹

However, small businesses face acute difficulties in accessing suitable waste and recycling services and facilities.

The small business dilemma

Small businesses want to reap the rewards of the green economy and play their part in a world without waste. FSB survey data shows that 95 per cent of small businesses would recycle more if they had better access to better facilities².

However, small businesses find it extremely difficult to access suitable waste and recycling services due to many local authorities not offering business waste/recycling services or, due to the small volumes of waste they produce, not being able to attract the services of private waste/recycling companies.

Further to this, the FSB believes the Landfill Trading Allowance Scheme (LATS) distorts the market for SME waste and recycling services with small businesses facing uncompetitive regular price increases.

The Department for Environment Food and Rural Affairs (Defra) Review of Waste Policy is an ideal chance for the Government to address these issues and help small businesses to contribute to waste minimisation as well as benefit from the rewards of being resource efficient.

The small business waste/recycling market

Many local authorities do not offer business waste collection or recycling services leaving many small businesses to look for private waste/recycling companies to fill this gap.
In 2010:

- 65 per cent of local authorities in England offered a residual trade waste service
- 43 per cent of local authorities in England offered a trade recycling service

¹ Envirowise figures 2007

² FSB 'Voice of Small Business' Index November 2010



- 37 per cent of local authorities in England that provided a residual trade waste service did not offer a recycling service³

While local authority waste/recycling business service provision is improving in England there are still huge gaps in provision that leave small businesses at the mercy of an uncompetitive market.

Businesses producing small quantities of waste, which are reliant on private waste/recycling companies, are often unable to take advantage of the economies of scale available through waste contracts and are often seen as commercially unattractive by such companies. The FSB is becoming increasingly concerned that many of its members that do not have their waste collected by a local authority can often only attract the services of one private waste/recycling company and are initially offered a competitive price but are then subject to regular uncompetitive price increases.

Furthermore, FSB survey data shows that 26 per cent of small businesses, that are dependent on a private waste/recycling company for their waste needs, have been subjected to unfair price increases⁴.

Landfill Allowance Trading Scheme

The FSB believes the LATS scheme further restricts small businesses' ability to access waste collection services and the FSB believes the LATS should be reformed.

Under LATS, councils face tough allowances for the amount of Biodegradable Municipal Waste (BMW) they are able to send to landfill and even tougher penalties for not meeting these targets. Waste collected from small businesses by a local authority is classed as BMW and counts towards its LATS allowance. Since local authorities face severe financial penalties if they exceed their LATS allowance, the scheme acts a strong incentive not to offer business waste collection services or to offer such a service at a price that is deliberately economically unattractive to small businesses.

Not only does LATS act as a disincentive for local authorities to offer waste collection services to small businesses, it distorts the market price for waste collection services by private companies. If local authorities are not offering business waste collection services, or if they do so at inflated prices, it allows private waste companies to charge higher than market prices for the service they provide.

The combination of lack of local authority provision in some areas and the LATS has created an uncompetitive market place which is harming the environment as well as small businesses.

Solutions

Due to the sheer number and diversity of the UK's 4.9 million small businesses there is no silver bullet solution to helping SMEs access suitable waste/recycling facilities and allow them to contribute to a greener economy.

The FSB is therefore calling for a mixture of short and long-term policy initiatives to help small businesses play their part in a world without waste.

³ Waste & Resources Action Programme survey 2010

⁴ FSB 'Voice of Small Business' Index November 2010



Short term:

- **Access to Household Waste and Recycling Centres**

Local authorities fund Household Waste and Recycling Centres in their areas which provide non-commercial waste and recycling facilities for the public. All too often these facilities are not made accessible to small businesses despite them producing similar amounts and types of waste as domestic consumers.

The FSB believes allowing small businesses to access such services, for a small charge, would be a 'quick win' that would increase access to waste services and help small firms recycle more.

- **Cutting red tape for small amounts of waste**

How businesses handle, transport and dispose of waste is subject to a plethora of domestic and EU regulations. Whilst it is right to regulate how businesses handle their waste, often small businesses deal in very small volumes more similar to domestic household volumes as opposed to those of medium or large businesses. The associated red tape for these small volumes of waste bears no relation to its potential environmental risk and so there is a need for a greater risk based approach in terms of small business waste regulation.

Where appropriate, the Government should remove duty of care⁵ regulation red tape for small firms for small quantities of waste.

- **Food waste**

Local authorities across the UK are proving food waste collections for households to prevent it from going to landfill. Similarly, large commercial producers of food waste arrange to have their food waste collected by private sector providers for recovery purposes.

Small businesses who produce food waste are often constrained from doing more with food waste due to the lack of suitable storage space for it.

The FSB believes government and local authorities should explore the possibility of asking large food retailers, such as supermarkets, who produce significant volumes of food waste, to act as collection centres for food waste from small retailers.

- **Definition of waste**

The FSB also urges the Government to look at the EU definition of waste as it believes it is out of date and serves to hinder more resource efficient practices.

The EU Waste Framework Directive definition of waste takes no account of the advances in waste recovery, reuse and recycling over the last 20 years. Uncertainty as to when waste ceases to be waste remains a significant barrier to achieving a shift in efficient waste resource management.

The FSB firmly believes that the current Waste Framework Directive definition of waste needs to be clarified – particularly in relation to when a material is waste and when it is a resource. This is significant for small businesses because when an item is defined as waste, the full administration burden must be applied to its disposal. If the item can be considered as a process material then

⁵ Businesses have a legal responsibility to ensure the waste they produce, store, transport and dispose of does not harm the environment. This is known as their duty of care.



smaller firms would have a significantly reduced level of administrative burden as well as giving greater scope for the potential sustainable reuse of materials.

- **Duty of waste companies to work with small businesses and provide clearer contract terms**

As mentioned earlier, small businesses whose local authority does not offer business waste/recycling facilities are reliant on private waste/recycling companies for their waste and recycling needs.

The FSB believes there is greater scope for waste management companies to help business do the right thing when it comes to managing their waste and recycling.

The FSB urges Defra to encourage waste management companies to promote the waste hierarchy to their smaller clients to help them understand the environmental and economic benefits of reducing waste and being more resource efficient. This aims to encourage the management of waste materials in order to reduce the amount of waste materials produced and to recover maximum value from the wastes that are produced.

Due to the number and diversity of the SME sector there is also a real need for waste management companies to innovate and work with smaller businesses to offer tailored waste and recycling collection solutions where possible, that take account of the characteristics and needs of these firms.

- **Contract terms**

There are many examples of good practice by private waste/recycling companies in their relations with small businesses. However, the lack of transparency in contract terms by some waste management companies has led to SMEs being treated unfairly.

The FSB is concerned that its members are not being offered clear and transparent contract terms and are being automatically rolled over onto subsequent fixed-term waste/recycling contracts without their knowledge. This is a practice commonly used by utility providers and OFGEM, the energy regulator, has taken steps to end unclear contract terms and conditions and limit the use of rolling over contracts from one year to the next without adequate notification. The FSB would like to see similar regulation for waste/recycling contracts. It is essential that consumers have adequate time to consider new terms toward the end of a fixed-term contract and to inform their supplier of their intentions.

- **SME education – online localised help**

Official waste regulation guidance can be bewildering for small businesses and more needs to be done to provide practical and easily accessible guidance for small businesses. Learning how to properly recover, recycle or dispose of a specific waste material is essential for small businesses to enjoy the benefits of being more resource efficient but, due to the highly technical nature of official waste guidance, it can be time consuming for a resource constrained small business.

The FSB believes there is huge scope for the rollout of tailored waste and resource efficiency guidance for small businesses a single online platform. This should allow a small business to input the nature of the waste they are dealing with to find out how they could reuse, recycle or dispose of the waste but also what facilities or organisations are in their local area that could help achieve this.

- **Enforcement – a different approach**

The FSB believes enforcement bodies, such as the Environment Agency, can also play a role in helping small businesses increase their resource efficiency and minimise waste. Given the small volumes of waste produced the FSB believes that the Environment Agency should adopt a lighter



touch approach to small businesses that unknowingly fail to comply with waste regulation, and focus on targeting larger companies that flout the law. The FSB also called for the Environment Agency to work with small businesses in a constructive way to show them how to better comply with waste regulation and understand how minimising waste and increasing resource efficiency can help boost their economic performance.

- **Awareness raising**

Another crucial element that is missing from waste policy is the lack of complementary awareness raising measures. The FSB is concerned that new legislation and regulations are often introduced with little effort to explain their meaning and implications to the small business sector. For example, earlier this year the UK transposed the revised EU Waste Framework Directive which has a number of wide ranging implications for small businesses. However, there has been no publicity or attempt to prepare the business community for the transposition of the directive and its implications.

The FSB believes that Defra has often failed to raise the awareness of waste policies and their implications to small businesses and this is something the FSB is urging the Government to address.

Long term

- **Planning**

The FSB believes the planning system has a role to play in helping SMEs gain adequate access to waste/recycling facilities.

One of the key barriers that stop small businesses from recycling more is the lack of suitable storage space for recyclates. The FSB believes the planning process can be used to ensure there is adequate storage space in new and refurbished commercial premises.

Further to this, we believes that planning permission for new business parks should only be granted if suitable provision has been made for recycling facilities.

We would also like to see Defra work with local authorities to help change negative public perceptions of locating waste and recycling facilities in their areas.

- **Upstream waste minimisation**

While providing small businesses with access to adequate waste and recycling services is a crucial step in greening the economy, there also needs to be a focus on 'upstream' initiatives that can design waste out of products during the manufacturing stage.

The FSB believes there is a real opportunity for small business to respond to changing consumer demand for more sustainable goods by modifying manufacturing processes and product ranges. The FSB also urges the Government to explore the potential for upstream incentives to encourage businesses to 'design out'⁶ waste and 'design in'⁷ recovery of materials during the manufacturing stage. This could be done through reforming the SME R&D tax credit scheme to allow it to support businesses that need support to remanufacture and modify existing products.

⁶ Designing out waste means using resources efficiently as possible to minimise the amount used for production. This helps reduce the quantity of waste produced during the production process.

⁷ Designing in recovery means designing products that can easily be reused or recycled at the of their product life.



Conclusion

Small businesses want to manage their waste in a way that allows them to enjoy reduced overheads, be seen to be green and play their part in a greener economy.

Yet they are faced with uncompetitive market place due to the reluctance of local authorities to offer business waste/recycling services and the inability to attract competitive tenders from the private waste management companies.

Resolving small business access to suitable waste/recycling services and infrastructure will take time but Defra's Review of Waste Policy offers the chance to implement some quick wins that can offer tangible results both for small firms and the environment tomorrow.