

The Producer Responsibility Obligations  
(Packaging Waste) Regulations 1997

# **Betapack**

**A report by the Director General of Fair  
Trading to the Secretary of State for Trade  
and Industry on the competition scrutiny of  
the Betapack scheme**

**January 2000**  
OFT 292

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# **1 GENERAL SUMMARY**

- 1.1 I am authorised by the Director General of Fair Trading under paragraph 7 of Schedule 1 to the Fair Trading Act 1973 to carry out a competition scrutiny of the Betashred scheme as required by regulation 31 of the Producer Responsibility Obligations (Packaging Waste) Regulations 1997 ('the Regulations'). This is my report on that scrutiny.
- 1.2 Betapack is a proposed scheme to be operated by Betashred Ltd, a joint venture between M&B Haulage & Waste Paper Co Ltd (trading as M&B Waste Management & Transport Logistics) and Grove Environmental (Recycling) Ltd ('M&B' and 'Grove' respectively).
- 1.3 This advice has been prepared on the basis of the current draft membership agreement that will form the constitution of the Betapack scheme. This assessment is based on the broad terms of the membership agreement and additional information that has been provided by the scheme operator.
- 1.4 I am content that the Betapack scheme meets the requirements of competition scrutiny under the Regulations: that is to say, it does not have, and is not likely to have, the effect of restricting, distorting or preventing competition, and it does not lead, and is not likely to lead, to an abuse of market power.
- 1.5 I therefore recommend that you should advise the Environment Agency, and Betashred Limited as operator of the proposed scheme, in accordance with regulation 31(5), that you are satisfied that the Betapack scheme meets the requirements of competition scrutiny.

## **2 THE BETAPACK SCHEME**

- 2.1 The Betapack scheme will be operated by Betashred Ltd ('Betashred'). M&B and Grove are involved in waste management, primarily the collection of waste paper. The companies are accredited reprocessors under the Regulations.
- 2.2 Betashred intends to operate on the basis that it will primarily be for existing customers of M&B and Grove. There will not be a limit on size and numbers who can join the Scheme. However, the Office anticipates that it will be a small scale Scheme. It is estimated that two hundred tonnes will approximately represent the estimated aggregate tonnage of each member's obligations. It is intended that membership of the Scheme will discharge members' legal obligations under the Regulations to recover and recycle packaging waste material. Betashred as operator of the scheme will provide the Environment Agency with details of the scheme members' aggregate obligations.
- 2.3 Any Packaging Waste Recovery Notes ('PRNs') generated by members from the recycling of materials will be used to offset that member's obligation. The members will be offered the present day market value for their PRNs, which they intend to bring to the Scheme. Betapack will operate on the basis that it will meet the remaining aggregated obligations of its members by obtaining PRN through the recovery and recycling of packaging waste. This recovery and recycling will be achieved by:
- the receipt of PRNs by the operator in exchange for the recovery and recycling of members' packaging waste;
  - the collection activities performed by M&B and Grove where these companies will use the material collected from non-obligated companies (and others) to procure PRNs to meet its members' obligations;
  - the purchase of PRNs, or packaging material which could be exchanged for PRNs. The costs for purchase of such evidence would be charged pro rata to members according to the outstanding liability of each member.
- 2.4 At the end of the calendar year, this evidence will be made available to the Environment Agency to demonstrate that the overall recovery and recycling obligations have been met.
- 2.5 Betashred states that scheme members will join the scheme for a period of one year. Members will be able to leave the scheme from January 2001 on giving three months notice in writing.

### **3 ASSESSMENT AND RECOMMENDATION**

#### **Existing competition**

- 3.1 The most direct competition Betapack will face will be from other schemes, primarily the large-scale cross-sectoral national schemes, such as Biffpack, Cleanapack, Recycle UK, Valpak and Wastepack. Obligated companies also have the option of arranging to discharge their obligations themselves or they may be able to arrange for a waste management company to obtain evidence to offset their obligations on their behalf.

#### **Barriers to entry**

- 3.2 As stated in previous reports, regulatory barriers to entry to setting up a properly constituted scheme are not considered to be significant; there are unlikely to be any significant sunk costs involved in setting up a scheme. A potentially more significant barrier to entry relates to exclusive contracts, in particular with the reprocessing industry. All schemes so far approved have assured the Office that they are unlikely to enter into such contracts, and Betashred, as operator of Betapack, has similarly said that it does not envisage entering into any exclusive arrangements with reprocessors on behalf of the scheme.
- 3.3 Another possible barrier to entry to the scheme market is the difficulty which members may have in leaving existing schemes. Members will join the scheme for a period of one year, and will be able to leave from 1 January 2001 by giving three months' notice. It is unlikely that this membership requirement will have a significant impact on competition between schemes for members.
- 3.4 Given the estimated aggregate and material, specific obligations for the scheme's members and the nature and level of existing and potential competition, it is unlikely that a scheme on the scale of the Betapack proposal could lead to an appreciable restriction, distortion or prevention of competition, or to an abuse of market power.
- 3.5 Consultation notices were placed on 18 and 19 November respectively in *Packaging Magazine* and *Materials Recycling Week* (see Annexe A). Letters inviting comment upon the proposed scheme were also sent to a number of interested parties

#### **Conclusions**

- 3.6 After considering the scheme, I have concluded that the Betapack scheme does not have, and is not likely to have, the effect of restricting, distorting or preventing competition, and it does not lead, and is not likely to lead, to an abuse of market power.

#### **Recommendation**

- 3.7 I recommend that you should advise the Environment Agency, and Betashred as operator of the draft scheme, in accordance with regulation 31(5), that you are satisfied that the Betapack scheme meets the requirements of competition scrutiny.

**January 2000**  
**Margaret Bloom**  
**Director, Competition Policy**  
**Office of Fair Trading**

## **4 ANNEXE A: OFT NOTICE SEEKING COMMENTS FROM THIRD PARTIES**

The following notice was placed in editions of *Packaging week* and *Materials Recycling Week* on 18 and 19 November respectively.

### **OFFICE OF FAIR TRADING**

Impact and Betapack - notifications of compliance schemes

#### **The Producer Responsibility Obligations (Packaging Waste) Regulations 1997 ('the Regulations')**

Under these Regulations, certain businesses have obligations regarding the recovery and recycling of packaging. They can either act alone to meet the requirements of the Regulations, or join a registered scheme, which will assume this responsibility for its members.

The Director General of Fair Trading has a duty to undertake a competition scrutiny of all Schemes prior to their registration with the Environment Agency or the Scottish Environment Protection Agency.

The Director General has received submissions concerning the operation of two separate schemes. These are:

- (i) Impact, a scheme to be operated by Biffa Waste Services Ltd; and
- (ii) Betapack, a scheme to be operated by Betashred Ltd a joint venture between Grove Environmental (Recycling) Ltd and M & B Haulage & Waste Paper Co Ltd (trading as M & B Waste Management & Transport Logistics).

The Director General invites comments from interested third parties on the schemes to be operated by Impact and Betapack. They should be addressed to:

Neil Stoessel  
Office of Fair Trading  
Competition Branch 6  
Chancery House  
53/64 Chancery Lane  
London  
WC2A 1SP

Email: [neil.stoesel@oft.gov.uk](mailto:neil.stoesel@oft.gov.uk)

Please contact Mr Stoessel if you require a summary of the proposed schemes. To ensure your comments are considered as part of our consultation process, they should arrive at the Office by 3 December 1999.