

Summary Report

Opportunities for contract changes in recycling collection in the hospitality sector



This project reviews how hospitality businesses procure their waste management services, specifically with respect to how waste is typically dealt with within the different business models in the sector. The research examined the scope for increasing recycling of glass in particular, but also food waste and cardboard, by providing contractual clauses to help businesses to minimise waste and maximise recycling from all their outlets.

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Front cover photography: Glass awaiting collection from The Angel in Witney, taken by Matthew Todd in 2003

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Opportunities for contract changes in recycling collection in the hospitality sector

1. Introduction

This project was commissioned to examine whether and how hospitality businesses can be supported in improving waste minimisation and management practices. The focus of the research was on increasing the proportion of glass recycled into new glass via remelt, and the proportion of food waste recycled by one of a number of methods. A specific area for investigation was the potential for the head office or parent company in corporate hospitality groups to control how individual business units manage their waste, in particular glass and food wastes.

Over the last decade, research in the hospitality sector has shown a relatively low level of awareness of the potential for cost savings and the other benefits of waste management. However, things are now changing. This is due in part to regulation, e.g. the requirement to pre-treat waste, and in part to environmental taxation, i.e. the landfill tax escalator. As a result, recognition of the advantages of resource management within corporate hospitality groups are now extending beyond energy and water efficiency and into waste management.

The key objectives were to:

- conduct in depth interviews with at least 25 leading hospitality organisations and develop a brief overview of each organisation structure;
- understand the operating models and the implications for waste management for each given model;
- investigate and understand where responsibility for the Packaging Waste Regulations lies within the service contract from each operating model, especially with tenanted organisations and franchisees;
- establish the opportunities for introducing contract specifications and clauses that enable the reduction of food

- waste and an increase in closed loop glass recycling and food waste recycling within each hospitality group;
- identify if closed loop waste recycling criteria could be incorporated into contracts and the necessary forms for inclusion for each of the different management arrangements in hospitality chains; and
- demonstrate an approach for effective engagement with the leading hospitality audiences to secure involvement in this work.

2. Context

The majority of around 300,000 businesses in the hospitality sector are small or micro enterprises. Within these businesses, there is a wide range of attitudes towards resource management. The practices of the sector as a whole, however, are dominated by a small number of large businesses, of which about 60 have a dominant market share. These powerful businesses play a crucial role in shaping:

- good practice frameworks for waste minimisation;
- the range of products which are available through mainstream suppliers; and
- the nature and availability of waste and recycling collection services.

3. Sampling methodology for research interviews

The Caterlyst database was used to generate a list of hospitality businesses with at least 10 associated units, which are operating in either the profit or the cost sector. Caterlyst is a database for the 'out of home' food service marketplace. It provides details of around 300,000 hospitality outlets across cost and profit sectors.

The data on the companies that were to be included in the sample was downloaded on 6 January 2011. This produced a population of approximately 1,000 businesses. The list was refined down to 76 companies, by selecting the largest businesses (with reference to a stakeholder review of the hospitality sector which was carried out for WRAP in March 2010, but unpublished – RSC0013). The methodology used ensured that the major subsectors were

represented, along with the full range of business models/ownership patterns, namely fully owned and/or managed, tenanted, leased, franchised. The short list contained details of 76 businesses, including hotel groups, pub groups, restaurant groups, quick service restaurant groups and contract caterers.

The list was used to select businesses to meet the target of 25 interviews by prioritising personal contacts from WRAP's and the consultants' network. 22 out of 38 businesses who were approached via telephone calls and emails to personal contacts agreed to be interviewed, though two subsequently cancelled. Where no personal contacts existed, businesses were cold called from the list of 76 and this method yielded one interview from 16 businesses contacted. 21 interviews were conducted in person but time constraints and logistics dictated the need to conduct two interviews by telephone and one by email.

The final sample selected for interview provides coverage across the hospitality subsectors and management styles, apart from the pub sector, where a higher proportion of interviews was viewed as appropriate, because of the project focus on glass, much of which is produced in the pub sector.

It was decided to expand the scope of the research to include the corporate clients or landlords of those businesses that cannot always influence the fate of their waste, such as contract caterers working in Business and Industry (B & I) and the public sector, and also restaurant and QSR outlets located in retail centres. In some cases, facilities management companies undertake the client role. The following organisations were therefore approached to participate:

- three organisations that commission catering services (two from the public and one from the Business and Industry sector);
- six facilities management companies.

One of the trade associations (The Foodservice Packaging Association) was also contacted, and an interview conducted with the Chairman, to represent the supply chain upstream of the hospitality operators.

Interviews were held with individuals responsible for waste management, environmental management or corporate social responsibility, though some worked in procurement or broader supply chain roles.

The final sample achieved from the interviews is broadly in line with the range of hospitality operators. However it proved very difficult to recruit from hotels, where a number of contacts claimed that other work commitments prevented them from participating. For this reason, the three major hotel groups are absent from the sample.

4. Findings and Recommendations

A number of barriers to waste minimisation and recycling were identified from the research, many of which are familiar from previous projects. Specifically, where businesses are doing their best to recycle everything possible, they may need more information about the best environmental option for different methods of disposal, especially for food waste, and also what constitutes contamination (e.g. are used sandwich boxes contaminated for the purposes of recycling).

However businesses who have discovered for themselves the benefits of waste minimisation and recycling or have sustainable behaviour as part of their brand, have overcome these barriers and are reaping the benefits, both in terms of cost savings and their image with their customers.

Barriers that prevent hospitality businesses from minimising waste, doing more recycling or closing the recycling loop

All business types

- Lack of space for recycling within premises and lack of kerbside storage for recycling collections, especially in city centres with security provisions in place – this is particularly an issue for bulky materials like glass and cardboard.
- Some of the businesses that we spoke to have business models that are inherently wasteful because of a combination of

unpredictable business volumes and lack of access to good quality and cost effective food recycling.

- Confusion about what constitutes 'contamination', especially as regards food packaging.
- The cost of recycling food in particular. A number of the businesses that we talked to were trialling food waste recycling systems. For many, however, costs were a deterrent. Most businesses work on a payback of two years or less and it is currently difficult to justify food waste collection schemes on this basis.
- The fact that waste is not generally seen as a priority.
- Staff awareness, although many of the companies we interviewed now offer staff training and experience very little resistance to waste separation processes.
- The use of compactor skips especially in hotels, even when recycling bins are available.
- Lack of awareness about the best environmental option for disposal of specific wastes, especially food.
- Limited access to consistent recycling provision across the UK. It was noted that the purchasing power of the businesses that we interviewed has played a significant role in extending the reach of some services and has encouraged some waste collection agents to extend beyond their conventional role, to operate as a waste broker and provide apparently integrated waste collection and recycling services over large geographical areas.
- Confusion about the overlap of health and safety and recycling responsibilities.

Businesses based on lease, franchise or tenancy arrangements

In addition to the barriers above, these businesses also note:

- Lack of financial incentive to recycle. Large companies with multiple units can negotiate favourable deals for recycling which deliver increasing cost savings. Smaller individual units rarely have access to these arrangements and for these units there are few or no financial imperatives to recycle.
- Relatively low knowledge base about the imperative to recycle/costs of recycling in the sector.
- The lack of time and range of responsibilities carried by many managers, which make waste recycling a relatively low priority.

- Lack of access to consistent waste management infrastructure, especially for food waste, and the relative inertia on the part of waste management companies in offering services that match individual business needs. A few waste management contractors are apparently proactive in ensuring that businesses can get access to consistent recycling infrastructure, by taking on a broker role to provide UK/England coverage. This is, however, the exception rather than the rule, with many businesses finding that they are unable to get access to unified recycling services across the UK, because their waste volumes from individual units are insufficiently large and/or valuable to be of interest to waste management contractors.
- In the case of QSR and contract catering outlets, the lack of ability to control wastes which are removed from the premises.

Businesses operating out of premises owned by others (e.g. contract caterers)

In addition to the barriers above, businesses that operate out of premises owned by others also note very specific difficulties associated with encouraging the facilities managers/owners of those sites to actively engage in recycling. In the case of some corporate clients, there is a high level of awareness, but this is not the norm. In many instances, hospitality businesses are seeking to engage customers in recycling and separating their own waste, only to find it is disposed of to landfill by the client business.

Opportunities for hospitality businesses to increase waste minimisation and recycling

For many of the businesses that that participated in the research, waste minimisation was creeping up the corporate agenda and is a key indicator to customers about the seriousness with which businesses take their environmental claims. Many barriers remain, but the cost advantages of recycling, combined with consumer pressure, are gradually tipping the balance. Hospitality businesses are increasingly becoming aware that they need to work in partnership with suppliers and waste disposal contractors to overcome the barriers and improve their image and recycling rates, and there are some excellent examples of innovation and best practice amongst leading operators.

The experience of large companies is that there is a need to move away from viewing waste in isolation from the supply chain. Those businesses that have achieved the greatest waste and cost benefits have done so by working in collaboration with their suppliers, logistics companies, purchasing teams and waste disposal agents. Even within apparently similar companies there are very different approaches.

The lesson is that waste minimisation/management considerations need to operate within a flexible framework that enables hospitality businesses to choose from a menu of options, alongside targets for total waste reduction that can be passed on throughout the supply chain, to suppliers, waste disposal agents, and managers in wholly owned/managed units. Compliance with these targets can be rewarded via the normal bonus structure within the sector.

Hospitality businesses can reduce waste volumes significantly by using (a) preferred suppliers who can minimise waste at source and (b) contractors, including brokers, who can offer a full range of recycling services, including to tenanted, franchised and leased businesses throughout the UK. Corporate clients can convey market advantage via pre-qualification clauses in contracts to those contractors that actively minimise waste. Taking each subsector in turn and drawing upon examples of best practice revealed by the research, there are opportunities for operators as set out below.

In wholly owned units in the profit sector – restaurants (not franchised), managed pubs, hotels under management control, independent hotel groups

- Engage managers in the process of measuring and monitoring waste and targeting reductions, on the same basis as the processes that are now well established for energy and water management. Some businesses now have polished systems for weighing the volume of food waste from kitchen preparation processes and use this data to inform stock control, purchasing and staff training procedures.
- Provide managers with waste minimisation and management guidelines (using existing tools such as the Green Tourism Business Scheme, where this is appropriate).

- Specify in national supplier contracts that waste should be in minimised at point of production ('designing out' waste in packaging), and set company specific targets for recycling of different types of waste materials., including a requirement that glass should be sent for remelt, thereby closing the loop.

In leased, tenanted and franchised units in the profit sector – pubs, (quick service) restaurants, hotel groups

- Develop simple tools that help managers identify the scale of savings that can be accrued from effective waste minimisation, especially in view of landfill tax increases.
- Confer 'preferred supplier' status on suppliers, including waste contractors, who can offer cost effective waste minimisation, for example delivering products on reusable pallets, or in minimal packaging, and waste disposal options including glass waste recycling to remelt and food waste recycling.

In contract catering businesses

- Promote to client organisations the value for their image and the potential cost benefits of inserting information relating to waste minimisation and management as a part of the pre-qualification process for tendering of contract catering services.
- Ensure purchasing executives consider the waste implications of their product choices within a total cost management framework.
- Where they are not already in place, implement processes for tracking and recording kitchen waste and use this data to support procurement decisions.

5. Summary of Recommendations and trial supplier clauses

A number of trial clauses have been developed for use in contracts with suppliers, including waste contractors. These include requirements at pre-qualification or tender stage for waste contractors to provide a recycling service which ensures that a targeted proportion of glass is sent for remelt, and food waste is diverted from landfill. Most of the businesses interviewed were willing to try out these clauses, which reflected the level of motivation to improve waste management practices and accrue the cost savings which should result from best practice.

A summary of the recommendations resulting from the research is set out in Table 1, alongside the contract clauses which have been developed.

Table 1 – Recommendations and trial supplier clauses

Recommendation	Trial clause(s) where applicable
1. Ensure waste monitoring is a formal responsibility of the manager in each outlet (with obligations for monitoring waste volumes/weights that match those for water and energy)	
2. Promote integrated waste collection services where they exist. These are defined as a service offer which includes a full range of materials collections for recycling, often via a range of subcontractors. The main contractor may be a traditional waste management company, a broker or an agent. Collections may be undertaken by either the main contractor, who then sells the material on, or by specialist subcontractors. The client enters into one comprehensive contract.	
3. Specify the best environmental option for waste disposal	<ul style="list-style-type: none"> <li data-bbox="794 1144 1417 1576">■ “As a part of our commitment to reducing carbon emissions and landfill waste, we require that glass from our estate is collected and sent for remelt rather than being directed to aggregate. We require that a minimum of XX% of the total glass arisings from our estate are sent for remelt in year 1 of this contract. This percentage should increase by XX for each subsequent year of the contract.” [N.B. the target needs to be flexible so that businesses can set it at an appropriate level, depending on what they are currently achieving] <li data-bbox="794 1753 1417 2020">■ “As a part of our environmental commitment, we aim to increase the volume of food waste sent for composting. Tenderers that can provide nationwide and cost effective access to food waste collection services that direct food waste into anaerobic

Recommendation	Trial clause(s) where applicable
	<p>digestion or compost within their proposals, will be prioritised in our selection process. We require that a minimum of XX% of the total food waste arisings from our estate are sent to anaerobic digestion/for composting in year 1 of this contract. This percentage should increase by XX for each subsequent year of the contract.”</p>
<p>4. Link purchasing and waste disposal responsibilities</p>	<p>Pass environmental criteria onto suppliers either:</p> <ul style="list-style-type: none"> ■ As a general pre-qualification condition of contract “We prefer to buy from suppliers that are working to reduce their environmental footprint. An environmental policy statement is a core requirement to do business with us”; <p>and/or</p> <ul style="list-style-type: none"> ■ As specifications for individual products: <ul style="list-style-type: none"> “Drinks bottles that are made of glass should be of lightweight construction and/or contain a high recycled content”. “Plastic drink containers should be made of PET or HDPE and/or contain a high recycled content”. “Products that are compostable should comply with and bear the symbol EN13432”. “Shrink wrap should be recyclable”. ■ As a target to reduce packaging waste overall. For example, “We are working to reduce the CO₂ equivalent impact of packaging passing through our business. Suppliers are asked to help us where possible by:

Recommendation	Trial clause(s) where applicable
	<ul style="list-style-type: none"> • limiting packaging on all products to that required for health and safety, and to prevent product damage; • delivering bakery and fresh produce in returnable transit packaging; • providing options to deliver in bulk; • offering packaging with a high recycled content wherever possible; • offering packaging that is easy to reuse or recycle; • ensuring that the disposal options for all packaging materials are clearly marked; • trialling reverse haul procedures to remove/reuse packaging; • demonstrating that they are minimising and recycling their own waste materials.
5. Communicate success	<p>Encourage client businesses to include clauses on waste minimisation in pre-qualification tender documents. Such clauses may include:</p> <p>“To qualify for this contract, catering service providers must demonstrate rigorous processes to reduce waste arisings. Initiatives to reduce packaging waste and food waste should be listed as a core component of the tender submission.”</p>

6. The way forward

There is a considerable appetite within the sector for a unified but flexible approach to reducing waste. Such an approach would set an umbrella target for overall reduction in waste volumes and establish a series of menu options that businesses can use to meet that target. Any such approach should take on board the range of initiatives that have already been implemented by the wholesalers and others in the supply chain, as well as the activities of those businesses that are heavily involved in waste minimisation. Businesses are keen for action to be taken.

In wholly owned units in the profit sector – restaurants (not franchised), managed pubs, hotels under management control, independent hotel groups

When considering setting targets for waste minimisation, or directing specific wastes into alternative uses, the logical starting point should be those businesses that have a large estate of wholly owned and/or managed properties. Most of the businesses who were interviewed are enthusiastic about a standardised waste minimisation approach across the sector, and it is expected that most would sign up to some form of agreement, provided that the waste minimisation infrastructure is in place to support their commitments and there is sufficient flexibility within the agreement.

If food is to be embraced under such an agreement, it would need to be underpinned by a commitment within the food waste collection industry to expand service provision and manage costs. Any such agreement would require a certain level of flexibility, enabling businesses to meet a target, by selecting options that fit their own business models and contribute towards the achievement of eco-labels, where this is a business priority. Many of the large QSR and restaurant businesses are exemplars of good practice when it comes to minimising food waste in particular, and some form of public awareness of the campaign may be essential to secure their participation.

In total, it is estimated that some 15 group operations who participated in the research would be willing to engage in the

development of such a programme, either for the wholly owned/managed estate alone or across the whole business.

In leased, tenanted and franchised units in the profit sector – pubs, (quick service) restaurants, hotel groups – and contract caterers

Businesses with leased, franchised or managed estates, or that operate in the contract catering sector, will find it harder to sign up to an agreement with binding waste minimisation targets. The former can influence the practices of the independent business people that manage their units at the margins, but are unlikely to enforce binding contractual clauses in the foreseeable future. Such businesses may be engaged in signing up to a different type of agreement, that commits them to providing individual managers with information on waste management, and access to waste disposal and or supply contracts at preferential rates. Of course, most tenants, lessees and franchisees are required to purchase at least some products from approved product lists and here, there is scope to minimise waste if the group purchasing team negotiate with suppliers to design out unnecessary packaging or reduce its weight. Purchasing consortia may also be willing to participate in such an agreement. For contract caterers trying to reduce 'avoidable' food waste, there may be scope to influence consumer behaviour by explaining why it is wasteful to offer the full range of menu options at all times of day, rather than simply during times of peak service. After all, customers in pubs and particularly premises which offer 'blackboard' menus are used to having restricted choice if they arrive towards the end of service.

The corporate clients of some contract caterers and landlords of multiple retail operations such as shopping malls can also be engaged in setting waste minimisation targets or, for catering contractors, insisting that it is a necessary pre-qualification criterion to be a signatory to a voluntary waste minimisation agreement. This research has not been able to estimate the likely impact of such targets.

The key factor that will dictate the level of participation in the development of any of the aforementioned recommendations will be the cost of participation. As is the case for energy and water management, waste minimisation and recycling initiatives are

expected to be at the very least cost neutral. Experience in the sector has shown that very large businesses have the power to negotiate waste contracts and influence supplier practices without a penalty cost, indeed the expectation is that there will be cost savings from such deals. The extension into food waste collection has the potential to tip the balance and it unlikely in the current climate that businesses will commit to an initiative that is likely to significantly increase waste costs; unless the PR benefits of participation can be proven to outweigh the costs. Thus, the recommendation is that any approach within the sector regarding waste minimisation should be flexible and allow businesses to participate in a manner which is at the very least cost neutral.

The research undertaken for this work was designed to collect qualitative data. However, by applying the findings to a recently completed piece of work by Enviro for WRAP "The nature and scale of waste produced by the UK hospitality industry", it is possible to develop some estimates of the impact if the recommendations were adopted. These indicate that around 25 – 37% of all waste within hospitality businesses is packaging related. The corresponding data for food waste (based on avoidable wastes only)¹ is 23 – 36%. It is likely that most hospitality businesses working within a framework agreement and with existing infrastructure provision would be able to deliver some reductions on these totals, using a combination of the measures described above. Blanket targets, however, are unlikely to be useful for specific companies, given the relatively advanced nature of some programmes and the relative 'newness' of the issue to other major hospitality businesses.

¹ Defined by Enviro as packaged avoidable kitchen waste: food waste which could be avoided and was contained inside packaging, e.g. a packet of frozen beef burgers, a packet of frozen peas and a bag of whole potatoes; or non-packaged avoidable: food waste which could be avoided and was not contained inside any packaging, e.g. food scrapings from a half-finished meal or a half-eaten pizza.

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