

A Deposit Return Scheme for Scotland

Scottish Firms Impact Test



Scottish Government
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Natural Capital Analysis Limited

Zero Waste Scotland

Scottish Firms Impact Test: Deposit Return System

Summary of Responses

April 2018

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Report Information

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Signed	
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1 Background

1.1 Client and Project

The Scottish Government have asked Zero Waste Scotland to lead on the design of a deposit return scheme that will be effective for Scotland. Zero Waste Scotland's role in Phase 1 of the work is to look at the different options in terms of designing a system and working out, via modelling and assessment, the best options for Scotland. This requires working with a range of stakeholders and using research and evidence to build the business case for an innovative system for Scotland that will look to increase recycling rates, improve the quality of recycling and tackle litter.

Zero Waste Scotland appointed Natural Capital Analysis to conduct a Scottish Firms Impact Test, in order to assess the impact of the proposed Deposit Return System for Scotland. NCA was responsible for conducting face-to-face meetings with a number of organisations of varying sizes and from a cross-section of business sectors across Scotland that are likely to be affected by the DRS policy proposal.

1.2 Natural Capital Analysis Limited

Natural Capital Analysis delivers specialised development, data and analysis services to the resource and renewables sector.

We have delivered over 150 discreet commercial development consulting and analysis projects since our inception in 2011, and have supported in excess of £400m of investment.

Our skills are deployed across the development lifecycle for both developers and funders, offering in-depth data and analysis, clarity on contracts and risk, a pragmatic approach to technology and commercial strategy to maximise returns. Our modelling capabilities, unique approach to geo spatial analysis and audit skills gives us the tools to enhance projects, and offer a partnership relationship to clients.

1.3 Overview

Individual responses to the questionnaires are set out in appendices to this summary report. This report summarises responses on a question by question basis and identifies areas of commonality, where they exist between responses.

However, to understand in detail the position of the individual organisations, reference should be made to the detailed responses in appendices.

We would note that there were few examples of consensus on any of the questions, although there was a significant degree of consistency of responses to Question 5 and Question 7. For the most part however, a significant disparity of views was recorded.

Two issues that were not specifically covered in the questions were raised by a number of respondents, namely:

- Insufficient knowledge of DRS to enable informed and detailed responses to be provided in relation to the scheme.
- The preference for a scheme to be introduced on a UK wide basis or the development of similar schemes by the nations of the UK, to be introduced at the same time.

2 Summary of Responses

2.1 Question 1

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

2.1.1 Low or Zero Value

Two organisations (Ardagh and Highland Spring), stated that the rate should be low or zero. Ardagh is concerned that a higher rate will increase the risk of fraud, and potentially negatively impact on demand for products whilst Highland Spring has conducted a survey of consumers which suggests that demand for its products will decrease substantially if the sale price of its products are increased to cover even the lower rate of deposit of 10 pence.

2.1.2 High Value

Conversely, three respondents (Changeworks, Crieff Hydro and the Co-op Group) believe that the rate should be at the higher end: "as high as possible to change behaviour" (Changeworks), and "nearer 30p than 10p" (Crieff Hydro). The Co-op cite their understanding of the experience of AG Barr who secured no more than 50% returns on glass beverage bottles when offering a deposit of 30p as justification for a higher rate.

2.1.3 Specific Value

Costa Coffee and Coca Cola both preferred a rate of circa 10p with Coca Cola suggesting a "sweet spot" of between 5p-10p. The National Federation of Independent Retailers (NFRN) recommended a rate of 20p.

2.1.4 Variable Rates

Two organisations (Coca Cola and Crieff Hydro) believe that consideration should be given to the application of variable rates. Coca Cola suggest a higher rate for "on the go" packaging with a view to minimising littering whilst Crieff Hydro believe that a variable rate should be considered "to take account of established recycling systems".

2.1.5 No Fixed View

Four organisations, the Scottish Environmental Services Association (SESA), the Scotch Whisky Association (SWA), Williams Brothers Brewing Company and the Road Haulage Association (RHA) had no fixed view on the level of deposit that would be appropriate, although SESA, Williams Brothers and the SWA expressed the view that it should be high enough to encourage consumers to use the scheme but not so high as to encourage fraud.

2.2 Question 2

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

2.2.1 Everything/As Inclusive as Possible

Five organisations, Changeworks, Highland Spring, RHA, Williams Brothers and SWA favoured an approach that was as inclusive of as many materials as possible, although Williams Brothers suggested that biodegradable/compostable containers should be exempt.

2.2.2 Limited Range

Coca Cola and NFRN believe that the scheme should be limited to rigid packaging such as glass, plastic and aluminium. Costa Coffee believe that the focus should be on “on the go” packaging and should possibly exclude glass because of its weight. The Co-op Group believe that the scheme should target “on the go” packaging and that which contributes most to littering, although milk and wine bottles should be exempt.

2.2.3 Specific Exclusions

Ardagh believe that glass should be excluded because its inclusion will, in its view, result on pressure by retailers to reduce the use of glass packaging in favour of plastics and laminates. This view is based on the belief that glass is less likely to be accommodated in reverse vending machines and because returned glass packaging will be more problematic to store in retail establishments than other packaging.

Costa Coffee also believe that glass should “possibly” be excluded. Crieff Hydro believe that metals should be excluded because they are well catered for under established DMR collection systems. Williams Brothers suggested that biodegradable/compostable containers should be exempt. NFRN believe that milk containers should be exempt on the grounds of hygiene and that coffee cups should be excluded because they believe there is a lack of facilities to recycle them.

2.3 Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

2.3.1 Space and Logistics

This was raised as a concern by eight organisations (Ardagh, Changeworks, Costa Coffee, Crieff Hydro, The Co-op Group, Highland Spring, NFRN and SESA)

2.3.2 Reduced Sales

Ardagh, Crieff Hydro, the Co-op Group and Highland Spring all raised concerns that small retailers would experience a reduction in sales of products covered by the scheme.

However, two respondents also expressed concern that if small retailers were not included in the scheme or were given the opportunity to opt out, there is risk of a drift off footfall away from them to larger retailers.

2.3.3 Cash Flow

Crieff Hydro expressed concern about potential cash flow challenges for small retailers if there were delays in recovering deposits they may pay out to consumers. Williams Brothers expressed similar concerns, particularly if small traders are required to pay out deposits for containers that are purchased elsewhere, for example supermarkets

2.3.4 Other Concerns

Coca Cola expressed the view that clear criteria needed to be established to determine which, if any organisations, should be excluded from the scheme

The Co-op Group suggested that where feasible, communal reverse vending machines should be provided close to small retail outlets to minimise the impact on this sector.

Costa Coffee are of the view that questions about status of small retailers should include all retail outlets with a small footprint, even if the outlet is part of a larger chain. The Co-op had a not dissimilar concern and are keen to understand the definition of “smaller retailers”.

SESA expressed concerns about potential confusion that the scheme will cause small retailers, many of whom are still coming to terms with their obligations to recycle under the Waste (Scotland) Regulations.

NFRN believes that the space taken up by reverse vending machines should be exempted from the calculation of business rates.

2.3.5 No Fixed View

Neither the SWA nor the RHA have a fixed view on this issue.

2.4 Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

2.4.1 Logistical/Critical Mass Issues/Cost/Cash Flow Issues

Four organisations expressed concerns about logistical and/or critical mass issues, namely, Ardagh, Costa Coffee, NFRN and SESA. The Co-op Group is concerned about the added costs to stores serving island communities where goods have to be delivered by ferry. It suggests that rather than exempting those from the scheme, the body responsible for administering the scheme should make financial provision to island stores to cover the extra cost of back loading returned packaging. Williams Brothers expressed concerns that “out of season” cash flow challenges for small independent retailers in remote areas might be exacerbated.

2.4.2 Explicit Support for Full Geographic Coverage/No Concerns

Coca Cola and SWA support full geographic coverage. Changeworks and RHA expressed no concerns about the potential impact in more remote areas

2.4.3 Remote Areas Exemption

Crieff Hydro and SESA recommended that consideration be given to the introduction of Remote Areas Exemptions to exclude specified areas from the scheme.

2.4.4 No Fixed View

Highland Spring has no fixed view on this issue

2.5 Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

2.5.1 Majority View

The majority of organisations interviewed are in favour of the scheme being administered by representatives of stakeholders. However, there is no unanimity of who those stakeholders might be.

2.5.2 Additional Views

Some, like Coca Cola and Ardagh Group take a narrower view than others, with the former suggesting the membership should be limited to organisations that are responsible for funding the scheme, and the latter recommending that membership be limited to retailers, manufacturers and fillers.

Others, including the Co-op Group and SESA are in favour of expanding membership to include organisations representing local authority waste managers and the wider waste management industry. A number of organisations are explicitly of the view that the Administering body should operate on a not for profit basis.

2.5.3 No Fixed View

Two organisations have differing views to the majority; Changeworks have no fixed view on the issue whilst RHA are of the view that the scheme should be administered by the Scottish Government.

2.6 Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

2.6.1 No or Minimal Impact

This was the view of four organisations, Ardagh, Highland Spring, SWA (in relation to packaging used/produced by SWA members) and SESA. A number of these organisations indicated that studies have shown that drinks packaging is not a significant contributor to litter.

The Co-op Group is of the view that its costs for litter management will not reduce although there may be a modest reduction in littering.

2.6.2 Contribution to Social Responsibility/Improved Reputation

Two contributors, Coca Cola and Costa Coffee identified these outcomes from lower levels of litter resulting from the implementation of the scheme.

2.6.3 Other

Crieff Hydro anticipate that reduced levels of litter on their estate will reduce clear up costs. The RHA said that reduced roadside litter would be welcomed. Changeworks said that the scheme may improve attitudes to recycling and managing waste as resource. NFRN advised that they would welcome the benefits that reductions in littering would realise. Williams Brothers expressed no firm view on the matter.

2.7 Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

2.7.1 Positive Impact

The majority of responses were positive. Changeworks, Coca Cola, Costa Coffee, Crieff Hydro, the Co-op Group, Highland Spring and SWA all believe that increased recycling rates, a decrease in contamination and an increase in the quality of secondary materials will result in benefits to their organisations. Williams Brothers advised that if the quality of glass cullet improved as a result of the scheme that in turn would improve the quality of containers available to it.

2.7.2 Negative Impact

Ardagh and SESA are not persuaded that there will any improvement in recycling rates, a decrease in contamination or an increase in the quality of secondary materials as a result of the scheme.

Ardagh have expressed concern that the scheme may even result in a reduction in the quality of glass packaging that is presented for recycling, especially if glass packaging is crushed to reduce its volume.

SESA believes that DRS will, to a great extent, displace existing recycling collection systems and further decrease the quality of DMR that is sent to MRFs for sorting. If so, this will have a negative impact on the waste industry.

2.7.3 No Impact

NFRN's view is that independent retail sector will realise no impact from an increase in the quality of secondary materials.

2.8 Question 8

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

2.8.1 Specific View

Coca Cola had very specific views on fraud. They noted that fraud prevention is critically important in any DRS given that each empty pack has a monetary value and needs to be taken very seriously in any detailed design, especially at the boundaries of any scheme. RVMs provide better fraud control than manual schemes but are more expensive to establish and will not be feasible in all outlets. Return points and counting/clearing centres will need specific controls to detect and manage individual attempts at low scale fraud as well as to reduce risks of more systematic fraud.

Besides potential physical fraud with return, logistics and counting and clearing, potential data fraud also needs to be mitigated. For this reason the role of hardware and logistics service providers will have to be arranged in detail. Typically, well-designed and run Central Deposit Management Organizations operate an anti-fraud program in their operations.

Anti-fraud measures need to be closely monitored to assess their success or otherwise, and updated if they are shown to be less than fully effective

2.8.2 Other Responses

Other responses can be categorised as follows:

a. Theft Concerns

Three organisations, Ardagh, Williams Brothers and Changeworks, expressed concern that the scheme could encourage theft of containers; in the case of Changeworks the concern is that packaging material stored for collection by its customers might be stolen, whilst Ardagh and Williams Brothers are concerned that it might have to introduce measures at its premises to prevent theft by employees and others.

b. Cross Border Fraud

Four organisations, Ardagh, Costa Coffee, NFRN and Highland Spring expressed concerns about the potential for cross border fraud if a scheme is introduced in Scotland but not elsewhere in the UK. Highland Spring advised that in order to minimise this risk for its products it would have to introduce changes to bottle labelling that would reduce operational efficiency and significantly increase costs. This issue is also of concern to the Co-op Group who believe that there is also the potential for reduced consumer choice unless a common UK wide scheme is introduced

c. More Information Required/Not Yet Considered

Crieff Hydro advised that they required more information on the fraud risks and the measures to be considered to prevent it before they could provide a response whilst SESA advised that they had not yet considered the issue in any detail.

d. Other

RHA advised that they had no concerns whilst SWA welcomed the use of tools and technology to manage fraud at reasonable cost. NFRN expressed the view that fraud management measures should not be unduly complex.

2.9 Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

2.9.1 Support/No Objection

Five organisations, Coca Cola, Costa Coffee, the Co-op Group, NFRN and RHA support the gifting of deposits by users at the point of return. Coca Cola believes that charities that benefit should those that are concerned with environmental stewardship, reducing litter or improving local environments. Costa Coffee advised that beneficiaries should be local, community based charities with a positive local environmental impact. The Co-op Group would wish to make use of their existing Community Fund which channels money into local charities and community groups.

Three organisations, viz SESA, Williams Brothers and SWA had no objections to the proposal, although Williams Brothers requested clarity that consumers would be able to decide whether to receive the deposit or gift it to a charity. SESA has no view on the selection process whilst SWA believes that there would be relevance in the beneficiaries being charities operating in the Environment sector. Williams Brothers preference is that beneficiaries should be smaller, local charities.

2.9.2 Oppose

Two organisations, namely Crieff Hydro and Highland Spring, oppose the gifting of deposits to charities. Highland Spring believes that all monies should be used to finance the running of the scheme or invested specifically in projects to meet the aims of the scheme.

2.9.3 No View

Ardagh and Changeworks advise that they have no view on the matter.

2.10 Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

A number of respondents limited their views to forecast impacts in their own industry or sectors, whilst others provided views on impacts for the wider economy. One organisation, the RHA advised that it has no views on the matter.

2.10.1 Own Industry or Sector

5 out of 7 respondents forecast consequences which they regarded as negative and/or would involve significant changes to operational practices. These include the following:

- A reduction in the volume and quality of cullet for glass bottle manufacture, and displacement of glass packaging by plastics and laminate. (Ardagh Group)
- Additional business costs, the need for more space to store used packaging, and confusion about how the scheme will operate in licensed premises (Crieff Hydro)
- Risk to the continued employment of some or all the company's employees and a negative impact on communities in the vicinity of the company's bottling plants (Highland Spring)

- Changes in labelling and bottling for SWA members and need for changes in distribution practises to reflect the fact that the majority of products are sold UK wide (SWA).
- Williams Brothers expressed concern regarding labelling costs, with major concerns about cost implications for different labelling requirements for goods sold outside Scotland

Changeworks regards the scheme as an opportunity for it to capture a significant volume of challenging waste as a resource, whilst NFRN views it as an opportunity for the smaller retail sector to increase footfall and revenue.

2.10.2 Wider Economy

The views of the 4 organisations who expressed opinions on the wider economy can be summarised as follows:

- Two considered that the main positives would be the potential to increase recycling rates and recover more high quality packaging for recycling
- One expressed the view that there is potential for increased employment in the new activities created by the scheme although this might displace existing employment in waste collection and litter clearance.
- All four expressed concerns about an ill designed scheme resulting in increased costs, with one also expressing concern about possible reduction in consumer choice, especially if the scheme is limited to Scotland.
- SESA expressed a number of additional concerns, including:
 - Disruption to businesses at the outset as they come to term with the scheme and its impact on them.
 - Additional disruption due to new infrastructure
 - Responsibilities that councils had for household and business collections will be displaced, resulting in confusion and reduced revenues for councils
 - Lack of clarity about who will be responsible for collection of materials from storage locations
 - Negative impact on existing collection systems and concern that quality and value of what remains to be collected will deteriorate

2.11 Question 11

Is there anything else you wish to add not covered by the above questions?

There were few common themes in responses to this question. However two themes did emerge:

- The view of a number of organisations that more information was needed about DRS to enable informed and detailed opinions to be given on it.
- The desire for a single UK wide scheme or a significant degree of commonalty between schemes introduced by the different countries of the UK, including a common start date, to avoid confusion and unnecessary cost.

APPENDICES

COMPLETED DETAILED QUESTIONNAIRES

- 1) Ardagh Group
- 2) Changeworks
- 3) Coca Cola
- 4) Co-op
- 5) Costa Coffee
- 6) Crieff Hydro
- 7) Highland Spring Group
- 8) National Federation of Independent Retailers
- 9) Road Haulage Association
- 10) Scottish Environmental Services Association
- 11) Scottish Whisky Association
- 12) Williams Brothers Brewing Company

Scottish Firms Impact Test – Questionnaire

Company/Organisation: The Ardagh Group

Interviewee: Graeme Shepherd, Director of Operations and Robert-Jan ter Morsche, Regulatory Affairs Director Europe

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 20/03/2018

Preamble

Insufficient information has been provided on the proposed scheme to enable Ardagh Group to provide detailed and informed views on it. We have major concerns about the lack of meaningful engagement in the process to date.

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

Ardagh Group has no fixed view on what the rate should be but is concerned that it should not be so high as to encourage fraud.

We also have concerns that the addition of the deposit cost to goods will impact on demand. This risk is particularly relevant to alcohol, which is also about to experience the impact of minimum unit pricing.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

Glass should be excluded. Ardagh Group believes that a DRS will favour plastics and laminates which are likely to be more easily accommodated in reverse vending machines and which will be less unattractive to retailers re on site storage than glass. We have concerns that this could lead to pressures from retailers to reduce the use of glass packaging in favour of plastics and laminates.

Ardagh believes that improvements in the volume and quality of recycled glass can be achieved by concerted action by Zero Waste Scotland, Councils and other stakeholders to develop comprehensive single streamed kerbside glass collections, supported by a network of single stream community bottle banks. We are concerned that delays in providing clear proposals for the DRS are delaying decisions by some Councils in introducing or returning to single stream collections for glass. We would recommend that Zero Waste Scotland engages with stakeholders to agree a recycling target for glass and how that target can be best achieved.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Major concerns about space constraints and logistical issues for this sector. Concerns too that if small retailers are not required or are unable to participate in the scheme there is a risk of drift of footfall away from them to larger retailers.

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

We have concerns about the logistics of servicing remote areas

We also have concerns that tourists, who are significant contributors to the economic well-being of remote areas will not be fully aware of the scheme, and will not use it. If so, sought for improvements to littering will not materialise.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

Administration of the scheme should be conducted by an independent mix of retailers, manufacturers and fillers. Robust governance arrangements will be required to prevent any stakeholder or group of stakeholders obtaining any financial benefit from the scheme.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

Studies have shown that glass packaging is an insignificant contributor to litter. Therefore the scheme will have no impact on litter from this source.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

We do not accept the assertion that the scheme will improve recycling rates, especially for glass. No evidence has been presented that suggests there will be a reduction in contamination or increase in quality with respect to glass.

We have concerns that if machines are used to accept returned glass packaging that quality may decrease, especially if glass is collected as a single stream or is crushed as a space saving measure.

We also have concerns that there is no clarity as to how glass returned to retail and other outlets under the scheme will find its way back to market.

Ardagh Group believes that a closed loop system needs to be developed specifically for glass if there is to be an increase in recycling.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

The higher the deposit rate, the greater is the risk of fraud. Ardagh Group is concerned that it will have to implement internal measures to prevent theft/leakage from its factories. We also have concerns about the risk of cross border fraud.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

We have no fixed view on this

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

For the glass sector, we believe that the scheme will have a detrimental impact because we believe that it will result in a reduction in quality and volume of cullet.

We are also concerned that the scheme will favour plastics and laminates with reduced demand for glass packaging as a result of a reduced appetite by major retailers to stock glass.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

There is an opportunity to increase high quality glass recycling by the development of a well-designed single stream kerbside collection scheme supported by a network of single stream community bottle banks. Ardagh is keen to work with Zero Waste Scotland and other stakeholders to take this forward.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Changeworks Recycling

Interviewee: Ken McLean, General Manager

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 22/03/2018

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

From our perspective, as high a deposit as achievable to drive behaviours as strongly as possible.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

Any 3d beverage/drinks containers should be included. There will be significant lobbying within the industry to remove their particular product from the requirement and I expect that bending to this will compromise the scheme – make it confusing for the consumer, produce unfair market advantage for non-participating products.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Businesses in this sector should have the option for an opt out. An opt in/out for smaller retailers will allow commercial decisions to be made by them. Space is a concern, however a well-designed and efficiently managed recycling collection business can address this.

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

No.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

No fixed view at the moment. However, some concerns that the body should be subject to robust governance arrangements to ensure that it is operated on sound business grounds with proper accountability.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

Anecdotally, this may improve attitudes towards recycling and managing waste as a resource.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

The scheme will result in increased recycling rates – only because the traditional waste management industry and very few local authorities in Scotland do not comply with the Waste (Scotland) Regulations or deliver 'high quality recycling' services. If the waste management industry did, then recycling rates would not be improved. Changeworks Recycling delivers high quality recycling, and this initiative will reduce our capture rate, but maintain the recycling rate for clients. It will reduce our operational costs and simplify our ability to achieve high quality recycling from clients.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

At present, there is a lack of transparency regarding the movement of materials from Scotland, this system will reduce fraud at this level. The question refers to consumer fraud, we would have concerns around theft of a now valuable product from client premises, vehicles, and our premises.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

No professional opinion.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

Capture of a significant volume of challenging wastes as a resource. Containers are challenging to collect as a high quality product, expensive to transport, and currently close to unsaleable. The introduction of the scheme will help to address these challenges

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

The costs of collection to waste management companies and local authorities will reduce by a significant factor by removing containers from the waste stream. This will significantly change the way that waste is managed in Scotland, and deliver some of the outcomes the Waste (Scotland) Regulations have failed to deliver. The remaining waste stream will be much simpler to manage as a resource, which will stimulate greater capture of these materials.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Coca Cola

Interviewee: Nick Brown, Head of Sustainability

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 12/03/2018

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

Should be set and adjusted by the operating organisation to ensure the required targets are met. Studies have shown that there is a level beyond which a higher deposit will not raise return rates and is likely to encourage more fraud and abuse of the system. A sweet spot of between 5 and 10 pence per unit would be a good starting point for GB, especially given the impact of a 5p charge on single use plastic carrier bags.

Consideration should be given to having different levels of deposit for different format/sources; eg a higher deposit for "on the go" containers to minimise littering.

The system needs to be sufficiently flexible to enable deposit rates to change over time to ensure that recovery targets are achieved.

Need to ensure that consumers receive the full value of the deposit in place at any time, and that none of it is diverted elsewhere.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

The DRS should be limited to rigid beverage packing such as Glass, Plastic and Aluminium

Flexible beverage packaging such as cartons and pouches should not be included because do so will increase costs of the scheme as a result of the need to employ more sophisticated Reverse Vending equipment and/or more manual collection points.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

There should be a clear set of criteria for exemptions based on factors such as minimum throughput; minimum size outlet; security or hygiene concerns.

Question 4

Does your organization have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

The Scheme should include all geographical areas but may require different collection mechanisms in more remote areas

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

The scheme should be owned by those companies which have the obligation to fund the scheme, typically beverage producers, importers and retailers. This could be direct although it may work better through an arms-length organisation such as a trade association as it further reduces the risk of any commercial tensions or perceptions of misusing the scheme to further commercial benefits.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

Coca Cola wants all of its packaging to be recovered and none of it becoming litter. This will be a benefit with respect to the organisation's Corporate and Social Responsibility goals and will help to demonstrate the benefits of the circular economy.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

More material of better quality will improve the quality of secondary materials which will be a benefit to our organisation and others. However, it has to be borne in mind that a number of reprocessors have invested heavily in technology and infrastructure to deal with lower grade material; these operators need to be kept on board.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

Fraud prevention is critically important in any DRS given that each empty pack has a monetary value and needs to be taken very seriously in any detailed design, especially at the boundaries of any scheme. RVMs provide better fraud control than manual schemes but are more expensive to establish and will not be feasible in all outlets. Return points and counting/clearing centres will need specific controls to

detect and manage individual attempts at low scale fraud as well as to reduce risks of more systematic fraud.

Besides potential physical fraud with return, logistics and counting and clearing, potential data fraud also needs to be mitigated. For this reason the role of hardware and logistics service providers will have to be arranged in detail. Typically, well-designed and run Central Deposit Management Organizations operate an anti-fraud program in their operations.

Anti fraud measures need to be closely monitored to assess their success or otherwise, and updated if they are shown to be less than fully effective

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

We support the principle on the basis is that is a mechanism that may encourage people to participate in the scheme who might not otherwise do so. If adopted, the use of bone fide registered environmental charities would make sense, covering activities such as improving environmental stewardship, reducing littering and improving the environment in local areas.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

A well designed scheme will require return points, back haulage, administration, audit etc, all of which have the potential to create new jobs. This could however be offset by reductions in employment in Councils and others if it results in significant packaging being removed from Council waste and recycling services and/or litter collection.

The introduction of a poorly designed scheme introduces risks around excessive cost to the organisations running the scheme.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

Financing Model

The obligated companies in the DRS should be responsible for the establishment, running and ownership of a single Central Deposit Management Organisation which delivers and operates the scheme. There should only be one organisation to avoid confusion with the public and it should be run as a not-for-profit organization. It should be accredited by government and operate on a national scale. This ensures all parties are aligned with the objective of achieving the agreed outcomes at the lowest total cost. In virtually all EU countries with a DRS in place, this Central Deposit Management Organisation is run by the obliged beverage and retail industry collectively.

The investment needed for setting up the Central Deposit Management Organisation and its initial operations is often covered by interest bearing loans from obliged industry and paid back in the first few years of operation of the DRS. Investments needed in retail space, return vending machines to handle the returned packages etc. are covered by retailers. Those running collection points (retailers, store owners etc.) should receive a Retail Handling Fee to cover the cost of providing that service,

based on a fixed cost per package and defined by the Central Deposit Management Organisation. It should be based on the principles of efficient working methods and space utilization, typically derived from the best one third of performing retailers, to keep costs low and encourage efficiency in the system. Companies providing Reverse Vending Machines or logistics services should be awarded the work based on a competitive tender process. Proven DRS models in other countries use the value of the unredeemed deposits and the value of the collected and sorted materials sold to cover the running cost of the Central Deposit Management Organization, Retail Handling Fees and the logistical and sorting costs. Any balancing payment required comes by way of a producer fee charged to obligated companies. This producer fee should be based on the volume and specific materials used by the producers.

Consumer Information

Marketing the DRS and its functioning is one of the key responsibilities of the Central Deposit Management Organisation. The proven schemes clearly communicate to consumers how the scheme is designed and works. Schemes should be easy for the public to accept and use.

To further drive understanding of the deposit concept and public acceptance of the scheme the deposit amount should be clearly indicated as a separate line on the consumers' receipt at check-out. This to avoid the deposit being seen as a price element and increase.

In addition, there should be no VAT charged on the deposit so there can be no accusations of profiteering made against the Government; the scheme and its operators.

Infrastructure and Logistics

Should be established by the Central Deposit Management Organisation in order to achieve the required targets in the most efficient way possible. The Services required by the Central Deposit Management Organisation should be procured through a competitive tender giving the CDMO the ability to innovate and control costs. This way an over-coverage of Reverse Vending Machines is avoided.

Backhauling by obliged industry and retail should be considered in order to reduce costs. The materials in scope of a scheme and the mix between manual and automated collections will determine the number of, and optimum locations for, clearing/counting centres.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Co-operative Group

Interviewee: Iain Ferguson, Environmental Manager, Commercial Team – Food Policy

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 27/03/2018

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

The Co-op Group is not convinced that 30p would be high enough to encourage a high levels of participation by consumers. This is based on the Co-op's understanding of the AG Barr experience who achieved a 50% return on bottles for a 30p deposit. The Co-op recommends that the experience of countries that have recently introduced DRS should be reviewed to gain a better understanding of the impact of deposit rates on scheme participation by consumers

Another approach that has been suggested is to task the administration body with achieving a set percentage of container return, and allow them to set the deposit rate annually to meet that. That would have the benefit of the deposit rate not being a political decision but purely an economic decision. However, both approaches have the disadvantage of being influenced by purely political motivations rather than pragmatic and technical reasons.

Our organisation has the same aims as the Scottish government; to have a DRS system that increases recycling and reduced littering.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation

hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

Our view is that excluding containers might result in the market responding by moving into a non-deposit container to hit a price point. We believe that the aim should be to target as many on-the-go containers as possible while avoiding targeting containers that are unlikely to be consumed on-the-go. That would mean that milk, especially in larger containers should be outside of the deposit system, milk-based beverages consumed on the go should be included. It also means that something like a pouch drink should be in the system despite the fact that it would be challenging to include. However, it might be just as important to consider what reverse vending machines are capable of handling, and look for ways to discourage industry from switching to non-deposit containers.

Another consideration should be the aim to increase the collection of high-quality materials to recycle. That would suggest that adding large PET bottles would be desirable.

We are also concerned about the impact adding deposits might have on wine from small producers; it may be sensible to exclude wine, despite the likely objections from other alcoholic beverage industry sectors.

Perhaps the best data to use as a starting point for what should definitely be in the scheme would be litter analysis, coupled with the high-quality recyclate aim.

The scheme should target “On the Go” containers and those that contribute most to litter. However, “On the Go” containers used for milk and wine should not be included. Pouch containers, “tetrapacks” and glass containers will be problematic for reverse vending machines. Glass will also be a problem in relation to on site storage and back haulage. Measures should be introduced to discourage the use of glass for “On the Go” products via PRN loading or industry agreement.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Our concerns are to do with the cost of manually handling containers linked to the loss of selling space in store if a reverse vending machine were to be installed and the related issue of finding storage space for manually handled returned containers. This would be of particular concern where space, including car park

space, is limited, ie in an inner city environment. We believe that some type of community provision of reverse vending machines would be the best solution. This would help to mitigate the impact on Scottish high streets.

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

One of our biggest concerns is the impact on our and other Co-operative businesses on Scottish islands. All of the goods to these island stores are transported by ferry, often in third party vehicles to minimise cost. Backhauling returned containers from the islands would impact on the flexibility of using these vehicles and the related cost. It's important to bear in mind that we operate a single price system across our estate, including on these islands, and the wrong solution would impact the financial viability of these businesses. Although some of these businesses are badged as Co-op, they are independent small businesses buying goods from us.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

We believe that the scheme administration should be industry led and owned with representative make-up from retail, manufacturing and waste management sectors. Its remit might be to achieve a set return rate for containers, to maximise the environmental and financial value of the containers returned, to influence design of containers for recyclability, to compensate businesses for handling containers, and to compensate businesses for returning containers from remote/challenging locations.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

We face costs for cleaning up litter around our stores. However, although the amount of litter will almost certainly reduce, we don't think that it will be totally eliminated, and the costs are therefore likely to be largely unchanged. The cost of collecting litter is related more to the time required rather than the quantity to be collected.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

We would welcome the increase in availability of high quality recyclate so that we could use it in the manufacture of new containers. We would like to see the recyclate used preferentially in UK production, and probably in Scottish production. Failing that, EU production would be good. It would be a shame to invest money into a DRS system only to use the materials collected in supporting overseas jobs.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

Our main concern would be over marking containers differently for Scotland than for other parts of the UK. Scotland is a relatively small part of the UK market, and differential marking would come at a cost. Any scheme that is introduced needs to be UK-wide, at least in the longer term. A situation where there are different schemes for different UK administrations would add cost and confuse customers crossing borders. It could also lead to reduced consumer choice. It could even lead to problems in stores with unhappy customers.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

The Co-op operates a community fund where a proportion of the price of Co-op brand goods bought goes to fund community initiatives. This would be our preferred option, and it would give the flexibility to meet local needs and sentiments.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

Delivered well, DRS will increase recycling, making high quality material available within the national economy. Delivered carelessly, DRS could increase product cost, reduce customer choice, and drive business away from the high street to out of town stores with a resultant increase in car traffic.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

We would raise the question of what is meant by a small retailer. In many of our locations, we face exactly the same challenges as a small independent retailer, so employee numbers is not a good measure. Using that measure will simply drive custom from one small shop in a large chain to one small independent business. If the community-based reverse vending model is used, there is no reason why all outlets couldn't be included.

We would also reiterate the need for any system to be designed to be UK-wide, even if it is to be introduced in Scotland first. That means that firm agreements are needed with other UK administrations.

We would advocate the following as being useful principals to work towards:

- Run by industry

- Not for profit operator
- National (UK-wide) scale
- Specific packaging types
- Cost control – produces the most benefit at the lowest cost
- Focused on customer needs and customer behaviours
- Good governance and fraud control
- Operationally workable (this is the issue with including pouches and glass)
- Inclusive of the whole sector
- Compatible with other initiatives, eg PRN system
- System promotes improved design for recyclability

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Costa Coffee (Whitbread)

Interviewee: Oliver Rosevear, Environment Manager

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 16/03/2018

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

Should be set at or around 10 pence. There is a need to ensure that the rate is sufficient to encourage consumers to return containers to recover their deposit but not too high to impact negatively on demand for the product. Costa believes that 10 pence should provide that balance.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

The DRS should focus on the "On the Go" sector rather than the household sector, which is well catered for at the moment via Council recycling collections. Drinks containers in scope should include plastics and cans but possibly exclude glass because of weight. Consideration should also be given to include coffee/tea cups and other beverage containers; this could have potentially significant impact on "On the Go" containers.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

We have concerns about the application of the scheme to small **format** retailers, i.e. outlets with a small footprint. This can include larger organisations which have multiple small format outlets. Main concerns include space constraints for deposit return machines and lack of storage space where machines are not available or suitable, hygiene implications in food/drinks outlets where staff handling returned containers will need to wash their hands after handling returns, and potential for “leakage” of returned containers after deposits have been paid in non-machine led locations (ie containers returned to the retailer are not passed up the chain as a result of accidental disposal, negligence or fraud).

Question 4

Does your organization have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

Logistical issues may be a significant issue for smaller, independent retailers.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

Stakeholders should include retailers, manufacturers, reprocesses and representatives from the local authority waste management sector. Representation from the latter is necessary to minimise the negative impact of the scheme on established local authority collection services and income streams. Governance arrangements should include the establishment of a Board that draws its membership from the stakeholders in a way that is representative of the membership of the organisation. The organisation should operate on a not for profit basis.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

Positively, especially if coffee/tea cups are included in the scheme. Inclusion of these products will create value, which may be expected consumers to return empty containers to recover deposits, thereby reducing the risk of litter. Even if littering does occur, there is an expectation that other people or groups (eg voluntary organisations looking for income) will collect containers to recover the deposit and thereby reduce the impact of littering. Reduced littering of Costa branded containers will enhance the reputation of the Costa brand.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

Positively. A big challenge at present for "On the Go" containers is that they do not have easy access to recycling markets. A major benefit of the scheme will be to ensure the segregation of "On the Go" recyclates, enhancing value and increasing the likelihood that they will be recovered or recycled.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

Main concerns are as follows:

- Potential for losses/leakage from non-machine led collection systems
- Risk of "import" of used containers from England to claim recovery of deposits on a large scale. Therefore the scheme needs to have a system in place that

identifies Scotland as the retail source of all in scope containers sold here. A uniform, UK wide scheme would be preferred.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

We see no reason why consumers should be prevented from gifting deposits to charities at the point of return. If implemented, we believe that such an arrangement should focus on local, community based charities; ideally those that have a positive local environmental impact.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

The greatest potential negative impact is the cost to businesses. Therefore it is essential that the widest possible agreement is secured with in scope organisations in relation to the design of the scheme.

Positive impacts should include, increases in recycling rates, and improved quality especially for "On the Go" containers. We believe that the scheme's prime focus should be on this sector.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

There is a need for collaboration across all of the UK legislatures to promote consistency, and a uniform UK wide service.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Crieff Hydro

Interviewee: Alexandra MacDonald, Environment Manager

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 23/03/2018

Preamble

Crieff Hydro has been aware that there is an intention to bring in a scheme but has not been aware of any detail, timescale and how it might affect her employer. Feels that more information is required on the proposed mechanics and administration of the scheme to understand how it might impact on their business.

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

We feel that a higher deposit on the single use containers would make a stronger impact and encourage organisations to comply with the requirements of the DRS scheme and make it more worthwhile - So more 30p than 10p. Consideration should be given to examining the pros and cons of different charges for different types of containers taking into account established recycling collection systems

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

Should apply to glass and plastics only since there is already a mature and effective system in place for collecting cans as part of DMR.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Key concerns are the impact on demand for products that are in scope and space for storing returns. Also concerns about cash flow issues re reclaim of deposits via the system administration.

Question 4

Does your organization have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

If the DRS scheme is implemented they may have to apply some exemptions for remote areas so they do not have to comply.... like what they did with the food waste legislation as exemptions are in place for remote post code areas.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

We feel that the administration of the scheme should include all stakeholders as you have stated – primarily drink manufacturers, importers and retailers and they should all have their areas of responsibility and requirements defined and stated for each sector. An arms length company comprised of these stakeholders should be established to administer the scheme.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

If the scheme was to reduce litter for our organisation it would mean that we would have less litter on our estate and our waste disposal costs of plastic and glass would reduce. It would also reduce on man hours doing litter picks and emptying bin son the estate also it should mean less man hours of dealing with our glass recycling bottle store procedures.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

Raising recycling rates and a decrease in contamination would benefit our organisation towards credits in our green credentials and also avoiding contamination charges from our waste management companies. Increasing the quality of the secondary materials available to recycle would mean less going to our general waste and landfill.

Crieff Hydro would want to be supplied with data on the volume of packaging that is returned from their activities.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

More information is required on proposed anti-fraud measures before the Crieff Hydro is in a position to comment on this matter.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

Because of the high volume of drinks packaging used by Crieff Hydro and the potential deposit return value on this, the business would need to ensure that deposits due to it under the scheme are recovered for the business .

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

Potential biggest impacts to Scottish business –

- Limited space for holding bulk amounts of single drinks containers for a period of time before they are uplifted would be a significant concern.
- Inconsistent uplifts of bulk amounts of single use containers that have been collected by us.
- Added workload for staff and business costs.
- Additional outlay of costs of the deposit payment before any return has been credited to the company.
- Additional administrative work involved means added workload and costs.
- Fraudulent use by main stakeholders in the network could have a knock on affect to our company.
- Concerns that application of the scheme in hospitality sector requires more examination, especially for responsibility for drinks sold in packaging in bars, restaurants etc. Concern too about potential responses from guests/customers who may be charged for the value of the deposit. Also concerned about implications for the complexity and cost of administration within hospitality sector, especially in larger and busier hotels.
- Hotel currently disposes of up to 20 x 240 litre bins of glass bottles per week. Understanding is that scheme will require that bottles must be stored in tagged bas and must not be broken. This will result in a significant change to operational practises and costs

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

Significantly more detailed information is required on the proposed scheme or options to be able to understand more fully what the legal, operational and financial implications are for the business to enable a more informed and detailed opinions to be offered.

Need to understand what opportunities if any there will be for opting in or out of the scheme and what the implications of that would be for the business.

Existing recycling services: how will the proposed scheme impact on these and what communications strategy will be employed to avoid confusions on the part of consumers and householders

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Highland Spring

Interviewee: Alex Haken, Head of Technical and Kevin Giudici, Group Financial Controller

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 23/03/2018

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

Highland Spring Group does not believe that a DRS alone will tackle the issue of littering and in particular marine litter and it is currently unproven how it will work or how effective it would be in increasing recycling rates. We believe that any deposit amount could have a negative financial effect on the Bottled Water category and on our business and therefore we recommend a zero deposit should be introduced.

In 2017, Highland Spring conducted consumer research into the effect of a Deposit Return on consumers. Of more than 1000 consumers of Bottled Water surveyed, the question "If a deposit of 10p, 15p or 20p had been added per item, how many of these 10 bottles of water do you think you would still have bought?" The impact of lost sales on the Bottled Water category ranged from a - 33.4% (negative) impact for a 10p deposit, -37.7% (negative) impact for a 15p deposit and a -42.5% (negative) impact for a 20p deposit.

Such impacts would have a significant impact on Highland Spring's financial position, the full extent of which was shared in confidence with ZWS in October 2016 as part of DRS Call for Evidence.

The Group employs over 400 staff in Scotland and some or all of these jobs may be put in jeopardy as a result of this loss of revenue.

For this reason, Highland Spring's favoured option is for a zero deposit.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

In order to not create a competitive disadvantage to suppliers of one (or more) material type, all types of returnable single use containers should be included in the scheme i.e. plastic, metal, cardboard (Tetra-style), pouches and glass. The scheme should include all returnable single use containers including soft-drinks, milk-based drinks and alcohol.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

We are concerned on the negative impact of the introduction of a DRS on sales of Bottled Water in small retailers and therefore the negative financial effect on our business.

The recent report by the Environmental Sub Group committee in the Scottish Parliament identified one of the central barriers to such a scheme is the "lack of space for DRS collection facilities in smaller shops or independent retailers". Our concern on this is further backed by the Association of Convenience Stores, "Our most recent polling has suggested 71% either simply do not have space in their stores for a deposit return scheme or would have to make changes to their stores to make space"

Question 4

Does your organization have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

Highland Spring has no specific views on this

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

The central DRS Administration Authority should be made up of independent Trade Bodies and associations with its own board of governance, with representation across the supply chain of returnable single use containers. A new regulator and competition authority should be created to ensure independence, transparency and compliance of the DRS, potentially within the remit of SEPA or another relevant government body

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

Lower litter levels within Scotland would not specifically impact Highland Spring Group however, DRS is a recycling and packaging recovery system and there is no international evidence that the introduction of a DRS has impact on any other items of litter other than cans or bottles – ie. people do not change their littering behaviour as a result of a DRS

Countries across Europe that have a DRS still have a chronic litter problem – clean costs across Europe are estimated at €13billion and this includes all the countries with a DRS. DRS therefore should not be considered as a tool to stop littering

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

This would have a potentially positive affect on Highland Spring due to the potential for sourcing greater amounts of a higher quality of recycled food-grade PET. We believe that the materials (such as PET) collected and recycled through and DRS in Scotland should only be used for recycling back into the products covered by the scheme and by those companies impacted. This will help drive the quality and availability of recycled material and help to develop a circular economy in Scotland.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

The assumption that the scheme would be Scottish only and that Scottish specific SKU's would have to be created in order to prevent fraudulent reclaiming of deposits on containers purchased outside of Scotland would have substantial cost and productivity implications for Highland Spring as previously notified to ZWS in October 2016 as part of DRS Call for Evidence.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

No. All monies raised within the DRS scheme should be used to a) finance the running of the scheme or b) Invested specifically in projects to meet the aims of the scheme i.e. to increase recycling/reduce litter. We would only support the scheme gifting to charities if their projects could be proved to meet the above criteria, and the scheme was self-funding.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

Highland Spring Group employs over 400 staff in Scotland and some or all of these jobs could be put at risk as a result of this loss of revenue. Several of our large suppliers are also based in Scotland, with the potential for jobs also being affected. Highland Spring is a local employer and the economy of local communities to our bottling plants could be adversely affected if sites were to downsize/close.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

The core purpose of Highland Spring Group is 'To provide healthy hydration in an environmentally sustainable way'

Natural source bottled water is considered to be one of the healthiest drinks available and the potential impact of the introduction of a DRS is likely to be that consumption of water decreases and/or the consumption of other less-healthy soft drinks increases. This is contradictory to the Scottish Governments diet and obesity strategy.

In 2017, Highland Spring conducted consumer research into the effect of a Deposit Return on consumers. Of more than 1000 consumers of Bottled Water surveyed, questioned firstly with no mention of the amount of deposit and then again with a deposit, 1 in 3 said they would be unlikely to increase the amount of drinks containers that they recycled. The survey showed that a DRS is less likely to positively impact behaviour of consumers who currently recycle infrequently or not at all.

Highland Spring Group asks that the Scottish Government considers, in conjunction with industry, alternative methods to reach the shared aims of increasing recycling and reducing litter, in the following areas:

Business Change:

Reforming business systems and operations to encourage recycling/sustainability

Structural Change:

Reforming/improving compliance systems and investment in waste infrastructure, including reform of the Packaging Waste Recovery Note (PRN) and Packaging Export Waste Recovery Note (PERN) system

Behavioural Change:

Discouraging littering and encouraging recycling, with focus in on-the-go areas

Scottish Firms Impact Test – Questionnaire

Company/Organisation: National Federation of Independent Retailers (NFRN)

Response provided by Adrian Roper on behalf of NFRN

Date: 12/04/2018

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 2.

The NFRN is concerned that the deposit is set at a rate that is sufficient to encourage customers returning the container but not set so high that they are deterred from purchasing the item in the first place. Also, it has been suggested in some quarters that the deposit rate to differ depending on the style and / or size of container. The NFRN would oppose such a move as it would overly complicate a system, creating more work for retailers and increasing the potential for mistakes.

The NFRN would support a flat rate of 20p.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2.

The NFRN believes that glass, plastic and aluminium containers should be in scope. Of these, plastic is the main driver of the scheme, while the recycle value of aluminium will be key to the economic viability of the scheme. At this point in time, the NFRN would oppose the inclusion of milk containers, on the grounds of hygiene

and that as predominately domestically used items they are already covered by kerbside collections, and coffee cups for the reason that there presently is a lack of facilities to recycle this type of product.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Whether operated through reverse vending machines or a system of manual collection into sacks, the operation of DRS will take up both time and space in any shop. In the small convenience stores, this presents more of a challenge. Staff are fewer in number and floor space is at even more of a premium, both in front and particularly behind the counter.

It is therefore important for smaller retailers that the system is simple to administer, to minimise staff time, that the logistics and repayment of retailers is regular and reliable and shops that lack the space to operate the scheme are able to opt in /out.

The NFRN strongly believes that the space occupied by a reverse vending machine should be exempted from the calculation of business rates, increasing the incentive and economic viability of involvement in the scheme.

Question 4

Does your organization have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

Independent retailers in rural areas will be an important part of the return network. However, it will be particularly important for them that the logistics of the scheme are robust enough to cope with the challenges that they will face. It may be possible and even desirable to use existing infrastructure, such as the news wholesalers to up lift returns as their vans are currently returning vitually empty to their depots or for cash and carries to have uplift facilities. Either way, whoever is employed to carry out the collections must be able to collect regularly and reliably all year.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your

organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

It is important that the scheme is run for the benefit of all the interested parties and that no participant is in a position to skew the operation of the scheme to advantage one group of stakeholders over another. Therefore the scheme should be run by an independent, not for profit body subject to government oversight but run by a board comprising of equal representation from the soft drink manufacturers, alcohol manufacturers, wholesalers / importers and retailers, with the retail representation split between large and small stores.

While it is preferable for all decision to be made by this group, a system of outside arbitration needs to be in place in case the four groups cannot come to agreement.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

The NFRN's members would welcome the benefits of a cleaner environment and less clearing up having to be done that a reduction in litter would bring.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

While the collection of material through a DRS scheme will benefit independent retailers through the footfall returns generate and through the payment of a handling fee on returned items, the quality and quantity of the material available for recycling has no impact on the independent retail trade.

However, looking at the larger picture, the Scottish Government need to ensure that there is investment to build sufficient capacity in Scotland to efficiently process all of the recycled material.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would .

Answer 8

It is essential that the scheme has robust procedures against both customer and retailer fraud, the latter having proved to have been the greater problem in other return schemes.

This can in part be achieved by ensuring that the system is not unduly complex. The more complicated the system is the greater the opportunity for fraud (or for genuine mistakes) that would leave the retailer out of pocket. Additionally, the fear of fraud could lead to retailers who handle material manually refusing returns that are actually legitimate.

The operation of a common scheme across the UK would limit some of the complexity and reduce the possibility of “cross border” fraud, for example.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

The independent retail sector prides itself on being part of the communities that they serve, donating the proceeds of the carrier bag levy to local good causes and supporting community groups. The NFRN is sure that retailers would welcome the facility for deposits to be donated to a local good cause of their choice, with information about the recipients and how much has been collected displayed in the shop.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

The NFRN hopes that the introduction of DRS will lead to an increase in footfall in member’s shops as customers return their bottles locally, taking the opportunity for

some top up or impulse shopping while they are there. To achieve this goal a comprehensive engagement strategy will need to be targeted at both retailers and at customers to ensure that both groups engage fully with the scheme. The Scottish Government should take the lead on this campaign.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

The NFRN feels that there must be a sufficiently long lead in time to allow retailers to decide how they want to engage, make any necessary changes to their shop and train their staff to process returns accurately. The Scottish Government should encourage and support / facilitate the provision of reverse vending machines to allow access in all shops where their operation is a practical option.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Road Haulage Association

Interviewee: Chris Little, Regional Policy Adviser

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 21/03/2018

Preamble

Insufficient information has been provided on the proposed scheme to date to enable the Road Haulage Association to provide considered and informed views on it. Our responses to the questionnaire should be considered in this context.

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

The RHA has no fixed view at this time on what the rate should be.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

The type of containers in scope should be as inclusive as possible with the minimum of exemptions or inclusions to promote the greatest possible participation by consumers.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

The RHA has no specific concerns at this stage.

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

We have no significant concerns about the ability of the road haulage industry to collect and transport returned packaging from remote areas.

There may, however, be difficulties on the part of some consumers in very remote areas to access deposit return locations

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

The RHA has concerns about the capacity of stakeholders to become directly involved in the administration of the scheme. A preferred option would be for Scottish Government to administer the scheme with contribution from and consultation with key stakeholders.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

Any reduction in road side litter as a result of the implementation of the scheme would be welcomed by the RHA. Consideration should be given to the provision of return points at recognised driver rest areas.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

The RHA does not envisage any significant impact on the road haulage industry at this stage.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would .

Answer 8

The RHA has no significant concerns at this stage.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

The RHA would support the option of consumers gifting deposits to registered charities but has no firm view on how those charities should be selected.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

The RHA has no significant views on this at this stage

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

Insufficient information has been provided on the proposed scheme to date to enable the Road Haulage Association to provide considered and informed views on it. Our responses to the questionnaire should be considered in this context.

Clarification is required on the applicability of Waste Carriers' legislation to hauliers who are back hauling returned packaging from retail outlets to distributions centres etc.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: SESA

Interviewee: Stephen Freeland, Policy Adviser

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 20/03/2018

Preamble

SESA has yet to develop an official view on DRS. It look forward to receiving more information on the Scottish Government's intentions and proposals to inform its decision making process on matter. Consequently, the views expressed below are those of the interviewee only, and not those of SESA.

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

SESA has no fixed view on what the rate should be at the moment. However it should be high enough to encourage consumers to claim it but not so high as to encourage fraud.

Question 2.

The type of returnable single use containers that will be will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

This depends on what the main objective of the scheme is. From a litter perspective, including plastics in scope may be important. However, drinks containers constitute a minority of litter and accordingly the overall impact of the scheme on litter may not be significant

Metals and glass already have high capture rates via existing recycle collection systems and are not significant contributors to littering. We would welcome the opportunity to review evidence, should it exist, that the inclusion of metals and glass in DRS where existing collection systems exist would result in additional benefits. We would also welcome sight of cost benefit analyses in relation to the inclusion of metals and glass in the scheme.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Space to house deposit return machines (which may displace much needed retail shelf space) and/or hold returns in store is likely to be a major issue for many small retailers.

The waste industry has experienced significant challenges and expended energy and investment in getting small retailers to understand and discharge their responsibilities under the Waste (Scotland) Regulations. Adding additional responsibilities to small retailers at this stage may be confusing and very challenging for many.

Will small retailers be responsible and held accountable for any fraudulent activity in relation to the use of the scheme in their premises?

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

Critical mass, and haulage will be major issues, and significant costs in remote areas. Consideration should be given to a Remote Areas Exemption.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

Membership of the body should include representatives of every point in the supply chain, including the waste management industry.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

This premise has not been proven. Material that is likely to be in scope is a small fraction of litter and accordingly the impact on littering is not likely to be significant.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

Do not agree that the scheme will significantly increase recycling since it will, to a great extent, displace existing recycle collection systems that are operated by councils and the waste management industry.

There is likely to be a negative impact on the waste industry since there will be a reduction in materials flow through MRFs as DMR, and that which is collected as DMR will be of reduced quality. This material will still require to be sorted and

processed, but will the outputs will attract reduced revenues, to the detriment of MRF operators, waste collection businesses, and waste producers. Detriment to MRF operators might be mitigated if the operators of the scheme are prepared to pay them the full cost for sorting materials collected under the scheme. This would require the scheme operators to take full risk on product sales.

There is a concern that the waste industry will have no role in the collection and transporting of in scope materials, most of which are currently collected by the industry and councils under existing waste and recycle collection arrangements. The potential effects of this are reductions in employment and increased unit costs for remaining services.

There is also concern that unit costs of providing DMR collection services for out of scope materials will increase, at the expense of the waste industry and its customers.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would .

Answer 8

We have not had the opportunity to consider this detail thus far

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

We have no objection to such a proposal but have no firm view about it at this stage.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

These include the following:

- Disruption to businesses at the outset as they come to term with the scheme and its impact on them
- Additional disruption due to new infrastructure
- Additional business costs
- Responsibilities that councils had for household and business collections will be displaced, resulting in confusion and reduced revenues for councils
- Lack of clarity about who will be responsible for collection of materials from storage locations.
- Negative impact on existing collection systems and concern that quality and value of what remains to be collected will deteriorate

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

- Insufficient time has been allowed to bed in systems that spring from the Waste (Scotland) Regulations prior to the introduction of another significant system that will impact on householders, waste producers and the waste industry. It may have been more prudent to make these more effective before considering such a major change.
- There is a significant risk of confusion for businesses and householder about how recyclable materials are to be dealt with. This will require significant, ongoing awareness raising campaigns at national and local level.
- The new scheme is predicted to increase recycling rates by a very small amount. A detailed analysis of the costs and benefits of such a predicted increase is needed
- The new scheme will not address the lack of reprocessing infrastructure in Scotland. This is a significantly greater priority for Scotland than the introduction of a Deposit Return Scheme that is likely to result in marginal improvements in recycling and littering.
- We would welcome sight of evidence that there are sustainable markets for potentially targeted materials such as hot drinks containers
- We would welcome evidence that the scheme will result in improved quality of steel and aluminium drinks containers which may be in scope, and which are already collected, with high capture rates, under existing services

- There is a need for collaboration across all of the UK legislatures to promote consistency, and a uniform UK wide service.

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Scotch Whisky Association

Interviewee: Morag Garden, Head of Sustainability

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 20/03/2018

Preamble

- a. The SWA has not consulted its member companies in relation to this questionnaire so the undernoted responses should be regarded as the views of the SWA and not its members
- b. SWA would want to review and approve any communications/publicity in relation to the undernoted responses that directly attributes comments to the SWA.

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

SWA has no fixed view on what the rate should be at the moment other than it needs to be fit for purpose. However it should be high enough to encourage consumers to claim it but not so high as to encourage fraud.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

The type and range of containers needs to be as inclusive as possible, so long that the stated outcomes of the scheme are achieved. Reverse vending technology should not dictate or limit the design or manufacture of packaging. It needs to meet the needs of packaging in use rather than vice versa

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

SWA does not have a specific view on this

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

The system that is adopted needs to add value to existing services. A number of SWA members' facilities in remote and rural areas are not currently provided with recycling services. The SWA has a Zero Waste to Landfill objective, and therefore hopes that the proposed scheme will facilitate the recycling of waste where it does not currently exist, including remote areas to enable its members to meet this objective.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

Membership of the body should include representatives of every point in the supply chain and other appropriate stakeholders. The scheme should meet the following criteria:

- It should be self-financing
- It should be simple in structure and operation
- It should operate on a not for profit basis
- It should be governed by a Board that reflects the supply chain and other key stakeholders.
- It should be fair and equitable and should promote behaviours that are consistent with the desired outcomes.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

The SWA supports all reasonable measures to reduce littering at reasonable costs. However, litter surveys do not suggest that SWA members products contribute significantly to litter.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

The Scotch Whisky industry has a strategy that provides for the increase of recycle content in packaging material. A scheme that increases recovery of packaging for use in the manufacture of new packaging will help to deliver that strategy.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

The SWA welcomes the use of tools and technology to manage fraud in a cost effective manner.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

The SWA has no fixed views on this but has no objections in principle. If such a proposal were adopted, there would be a relevance in beneficiary charities being ones operating in the Environment sector.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

- Changing in labelling and bottling for SWA members
- Need for SWA members to implement changes in distribution practises to reflect the fact that the majority of products are distributed UK wide.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

SWA regard this consultation as the beginning of the conversation on DPS. It is keen to provide more information/opinions on the scheme once it has become further developed. Only when this has happened will the SWA be in a position to provide a detailed and informed analysis of the pros and cons of the scheme insofar as it impacts on SWA members

Scottish Firms Impact Test – Questionnaire

Company/Organisation: Williams Brothers Brewing Company

Interviewee: Robin Tindle, General Manager

Interviewer: Chris Ewing, on behalf of Natural Capital Analysis

Date: 19/04/2018

Preamble

Williams Brothers has not had any previous engagement with or prior information from Zero Waste Scotland on a possible Deposit Return Scheme, and accordingly we have very limited information on which to base our responses to this questionnaire.

Question 1.

The value of the deposit that will be placed on returnable single use containers by the scheme will be decided partly by economic modelling, and partly as a result of engagement with industry and stakeholders more generally. It is expected that the deposit will range from 10p to 30p per item. Does your organisation hold a view on the level of deposit that would be appropriate to achieve the preferred outcome for your organization and, if different, the level required to meet the Scottish Government's ambitions for a DRS scheme in Scotland?

Answer 1

It should be set at a level that is high enough to encourage consumers to participate but not so high as to encourage fraud. We are concerned that in many cases the value of the container could be less than the value of the deposit. If this occurs, the risk of fraud will increase.

Question 2.

The type of returnable single use containers that will be included in the scheme will be decided partly by economic modelling and partly as a result of engagement with industry and stakeholders more generally. Does your organisation hold a view on what containers should be included or excluded in the scheme and why?

Answer 2

Should cover all types of single use drinks containers except those that are manufactured from materials that are naturally biodegradable/compostable.

Clarity is required as to whether the scheme will apply to drinks containers that are manufactured to be re-fillable.

Question 3

Does your organisation have specific concerns on how the scheme might impact smaller retailers if it is rolled out across this segment of the market?

Answer 3

Concern about the cash flow implications for small retailers, especially if consumers claim deposits from them for containers purchased elsewhere, eg from supermarkets.

Concern too about the impact of deposits on the profit margins of small traders.

Question 4

Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?

Answer 4

Remote areas have a larger proportion of smaller independent retailers. Concerned that they could be disproportionately disadvantaged by local consumers claiming deposits for containers purchased in more distant supermarkets or from on line purchases.

Concern that out of season cash flow challenges for small retailers in remote areas could be exacerbated.

Question 5

Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organization hold a view on what this body should look like including its remit and what groups should be represented?

Answer 5

Should include representation from key stakeholders, including manufacturers, importers and retailers. Consideration should be given to inclusion of SEPA to assist in data collection and monitoring of the environmental impact of the scheme. However more detail on the scheme is required before a more informed view can be taken on the nature and form of the body.

Question 6

It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?

Answer 6

We have no firm view on this at the moment.

Question 7

It is expected that the scheme will result in higher recycling rates, a decrease in contamination and an increase in the quality of secondary materials available to the recycling industry. How will this impact your organisation?

Answer 7

If the quality of recycled cullet improves as result of the scheme, this will improve the quality of glass containers available to the organisation.

Question 8.

The proposed scheme will include a range of measures and safeguards that will deter fraudulent transactions. Does your organisation have any concerns regarding potential misuse of the system? Are there specific issues in this area that you would like to raise?

Answer 8

Concerned that there will be an increased risk of fraud if the value of the deposit is greater than the value of the container.

Concerned that there will be an increased risk of theft of containers by employees and others from manufacturers and fillers.

Safeguards to prevent fraud will have to take the above issues into account.

Question 9

One option under consideration for the scheme is for deposits to be gifted by users at the point of return directly to local and national charities. Is this something your organisation would support? Do you have a view on the selection process for appropriate charities?

Answer 9

Donation to charities should be at optional; ie the customer must have the choice to take the deposit from him/herself or to donate to charity.

Where the option to give to charities is exercised, the beneficiaries should be local charities.

Question 10

What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?

Answer 10

Concerned about potential additional labelling costs in general and major concern about the potential financial and operational efficiency implications of different labelling requirements for products sold outwith Scotland.

Question 11

Is there anything else you wish to add not covered by the above questions?

Answer 11

Clarity is required as to the point in the supply chain that deposit value is added to the container

Concerned about the impact on the viability of kerbside recycling services, especially in remote areas if single use drinks containers are displaced as a result of the scheme.

Consideration should be given to payment of deposits by methods other than cash, eg vouchers or electronic payments.

Clarity is required about the application or otherwise of VAT to the deposit value.

Clarity is required about the use to which any financial surplus from the administration of the scheme might be put

It may be that the objectives of the scheme could be better pursued by improving, standardising and simplifying existing kerbside recycling services.

Consideration should be given to extending the scheme to single use food packaging.