

Copies of meeting notes for the month of January 2023 attended by the Minister for Green Skills, Circular Economy and Biodiversity:

Meeting with Innis & Gunn

12 January 2023, 10:45-11:30

Participants

Minister for Green Skills, Circular Economy, and Biodiversity – Lorna Slater
Dougal Sharp – Innis & Gunn
Redacted – Scottish Government

Introductions

1. DS introduced himself as master brewer at Innis & Gunn, medium-sized brewing business serving Scottish market and export.

Summary of concerns

2. DS outlined main concerns with DRS:
3. Business impact. Additional costs to business that will disproportionately affect Scottish businesses.
4. Consumer impact. DS outlined there would be a substantial consumer price shock. Estimated increase of 40p per container. Alcohol price the second strongest driver of consumer behaviour. Would have knock-on impact on sales. Very likely to be a reduction in consumer choice, with all but main product lines being withdrawn. Would also be an impact on alcohol-related harm.
5. Scheme administrator impact. Risk to business model if lower number of scheme articles than anticipated due to 'grey market sales'. Would require increased producer fees, resulting in knock-on impact to businesses. Raised concern that elements of producer fee and fraud management approaches could breach UK law.
6. DS stated that grey market sales account for 35% of market in Sweden for alcohol. Consumers drive 7.5 hours to buy alcohol cross-border. Expected this to happen for Scottish-English border due to price differential. CSL had so far focused on trade rather than grey-market sales.

Proposed solutions

7. DS proposed that a solution that levied the deposit at the till (rather than on the solution) as in Sweden would simplify the scheme. Also sought removal of hospitality from the scheme and alignment with UKG, including a pause to the scheme and removal of glass.
8. LS assured that SG were working with UKG on interoperability, and have evidence base on recycling and alcohol harm impacts. LS agreed to speak to CSL regarding concerns about the producer agreement.

Note of Ministerial meeting with the Scottish Grocers' Federation (SGF) to discuss the Deposit and Return Scheme (DRS) – 17 January 2023

Federation House

Present

Minister for Green Skills, Circular Economy and Biodiversity

Pete Cheema (PC) - SGF

Paul Stirling (PS) – SGF

Luke McGarty (LM) - SGF

Redacted – Scottish Government DRS policy unit

Discussion and action points

Meeting minutes – PC expressed disappointment that SGF had not received the previous meeting minute until 11 January, and was of the view it was not an accurate reflection of the discussion.

ACTION – SG agreed to seek to share meeting notes within 10 working days.

Return point exemptions – The Minister confirmed that updated exemptions guidance was not a change to Regulations. PS and PC expressed concerns that the approach could isolate local communities from DRS, and that it would lead to a 'supermarket scheme'. There was also a lack of clarity over how blackspots would be managed where multiple businesses were eligible for an exemption.

ACTION – SGF to share list of information needed by small retailers.

ACTION – SG to follow-up with CSL on communicating information to retailers.

Online takeback – The Minister confirmed her intention to propose amendments to remove online takeback obligations from all but the largest grocery retailers, and delay full implementation until 2025. However, some form of service must be in place from Day 1 to protect vulnerable groups. Any change to Regulations must be approved by Parliament.

PS expressed the view that protection would be best achieved on a voluntary basis, based on local authority information on vulnerable people. PS offered to meet to discuss proposals. The lack of information from CSL on an online handling fee would need to be addressed.

ACTION – SG and PS to meet to discuss online takeback proposals.

Planning – PS confirmed that Glasgow City Council had agreed to a 8-10 store trial of outdoor RVMs. His view was that targeted action was needed to create a nationwide set of planning rules and remove fees. Redacted confirmed he was in discussions with planning officials and would bring the issue to the February meeting of local authority Heads of Planning. PS noted this was too late, and would be willing to meet with planning officials at any time.

ACTION – PS to share planning slides with SG to inform discussions [completed]

ACTION – SG to follow up with SGF following planning discussions

Cost concerns – PC highlighted ongoing concerns over the handling fee, which was preventing investment in certain elements of the scheme. There were additional cost impacts resulting from cash flow. PS was of the view consumers would see a minimum price increase of 30p per container (20p deposit, 10p additional cost pass through); PC suggested this could be as much as 50p.

Collections - Key information had not been communicated by CSL to enable small retailers and the hospitality sector to make decisions about whether to apply for an exemption, or how to operate a return point. PC noted concerns that CSL would not commit to a collection schedule, and retailer contracts would not be available until March. Although Biffa's mapping exercise was underway, this had focused on supermarkets and did not properly incorporate the convenience sector.

CSL transparency – PC emphasised that CSL had not provided the necessary information or transparency into their operations and governance. SGF had strong concerns that CSL was not abiding by DRS Regulations or its own internal governance rules. For example, members had been appointed to the strategic advisory group without the required votes. There was a lack of an arbitration process for decisions. The Minister noted that as a private company this was not for her to comment, but that she would raise the issue with CSL.

ACTION – Minister to raise concerns regarding transparency and arbitration with CSL.

Hospitality – PS noted concerns that the hospitality sector was not prepared for DRS and faced a number of challenges including dealing with glass, and secure storage of materials.

ACTION – SG to speak to CSL about hospitality concerns and targeted communications for the hospitality sector.

AOB – PC invited the Minister to speak at an SGF event on 18 May.

ACTION – PC to confirm details of SGF event.

Meeting with the British Retail Consortium (BRC) and chief executives of major grocery retailers

31 January 2023

15:00 – 16:00

By MS Teams

Introduction

Lorna Slater (LS) welcomed participants and thanked participants for the on-going commitment, and significant investment and progress has been made on Scotland's Deposit Return Scheme (DRS). The purpose of the meeting was to discuss what the remaining challenges are and what is needed to overcome them.

Helen Dickinson (HD) opened discussions. There is concern from the group about the current timetable. While everyone's focus is on moving forward, there was a feeling across businesses that implementation is behind schedule, and this could lead to customer confusion and higher prices.

Discussions were based on four main themes:

1. Retail handling fee
2. Operational guidance
3. Online takeback
4. Customer experience

1. Retail handling fee

While there had been developments over recent days, HD expressed the view that the model for retail handling fees was not transparent.

David Harris (DH) summarised that Circularity Scotland (CSL) has been created through agreement between many organisations – this contract set out how the fee will be set. Following the change to exemptions guidance, PWC was asked to look again at fees, and these were updated, in a way which aimed to respond to concerns heard from businesses. When international comparisons are looked at, Scottish fees are the highest in the world. The published fee is for the first 12 months, and will be re-examined in light of future events.

Several points were raised in discussion:

- There must be clear high level engagement to get to one version of the truth.
- Transparency of data is necessary - this will give organisations more confidence about costs.
- A transparent cost model was requested

DH confirmed that he wished to have commercial level discussions, and offered to talk directly to any participant.

2. Operational guidance

HD commented that a number of partners are involved in delivery. There was a question about how project management sits across organisations and whether timetables can be met. Several points were raised in discussion:

- Retailers require to know how information should be displayed. Not having full operational guidance will create a bad customer experience. Retailers had asked for information 12 months ahead of time.
- It would not be possible to build IT systems to support the scheme with an incomplete model.
- More effort was required across SG, CSL and SEPA to get information out.
- Decisions on IT systems are being made without information on VAT.
- It was thought that of 19 different outstanding issues, 4 had been answered.

3. Online takeback

LS summarised that she had agreed to delay implementation of most online takeback requirements until 2025, to allow retailers to focus on physical launch in August. However, there must be a mechanism for getting returns from vulnerable people.

In discussion:

- Because of other outstanding issues, some retailers have no capacity to stand up an online solution.
- It was not possible to resolve this additional challenge without the core operational model.

It was suggested that a further discussion of this type focussed on what is in place and on outstanding actions, including on online takeback, would be welcomed. This idea was supported.

4. Customer experience

It was noted that customer experience would be a challenge, particularly over the cutover period and that communications would need carefully managed.

In discussion:

- It was noted that all retailers wished to make the scheme work, but it is being seen differently by different organisations. It would be important to agree an aligned view on what needs to be done.
- If issues are not resolved by the end of February, then it would not be possible to deliver in August.
- Fee structures need more discussion.
- A softer launch was suggested – the system will have to ‘learn as we go’, with a supportive compliance approach. An enforcement grace period was requested.
- There was concern about investment in kit. Implementation is not an administrative exercise, but understanding the data, insights etc that make the scheme a success.

It was agreed to move forward on an intense working period on remaining issues, with a follow up call with Chief Executives in two weeks.

DH commented on previous points made, that on fees CSL is following a process that is set out in contract. There is a collective communications challenge connected to a soft launch. It may be useful to think about specific retail and CSL comms group to make sure things are consistent.

Actions

- HD and DH to discuss how best to follow up on fee structure transparency.
- SG team to set up follow up meeting in two weeks.
- SG to coordinate summary of operational issues, their status and a RAG rating.

Attendees

Lorna Slater	Minister for Green Skills, Circular Economy & Biodiversity	
Helen Dickinson	Chief Executive	BRC
Hayley Tatum	Chief People and Corporate Affairs Officer	Asda
Richard Walker	Managing Director	Iceland

Ryan McDonnell	Chief Executive Lidl UK	Lidl
Simon Roberts	Chief Executive Officer	Sainsburys
Kevin Plant	Head of Food	Scotmid
Jason Tarry	Chief Executive Officer - UK & ROI	Tesco
Matt Hood	Managing Director Coop Food	Coop
David Potts	Chief Executive Officer	Morrisons
Giles Hurley	Chief Executive Officer - Aldi UK	Aldi
Sacha Berendji	Operations Director	Marks and Spencer
Andrew Opie	Director of Food and Sustainability	BRC
Ewan MacDonald-Russell	Deputy Head	SRC
David Harris	Chief Executive	Circularity Scotland
Vicki White	Head of Materials	SEPA
Kath McDowall	DRS Unit Manager	SEPA
Kevin Quinlan	Director, Environment and Forestry	SG
Katriona Carmichael	Deputy Director, Circular Economy	SG
Redacted	Circular Economy	SG