

A Deposit Return Scheme for Scotland

Islands Communities Impact Assessment



March 2020



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Scotland's Deposit Return Scheme: Summary

1. The Scottish Government announced the design of its Deposit Return Scheme (DRS) on 8 May 2019. This was followed by the laying of draft Regulations to establish the scheme on 10 September 2019. The scheme design and Regulations have been informed by extensive public consultation, international best practice and engagement with a broad range of stakeholders.
2. The scheme design enables consumers to take single-use containers back and redeem a 20p deposit from any retailer selling drinks covered by the scheme.
3. Businesses that sell drinks to be opened and consumed onsite, such as pubs and restaurants, do not have to charge the deposit to the public and will only be required to return the containers they sell on their own premises.
4. A take-back service will be provided by online retailers and other distance sellers as part of the scheme. This means that those customers who are dependent on delivery, because for any reason they are unable to travel to shops, will be able to easily get back the deposits paid on containers.
5. Non-retail spaces will be able to act as voluntary return points. These could include recycling centres, schools or other community hubs. While retailers will be required by legislation to provide a return service, non-retail spaces will operate on an opt-in basis.
6. Retailers can choose to install reverse vending machines (RVMs) to collect the bottles and cans and return deposits. Alternatively, they will have the option to return deposits over the counter, collecting the containers manually.
7. The scheme will include drinks containers made of PET plastic (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium, steel and glass.
8. Scotland's DRS will target a return rate of 90%. This is significantly higher than the current capture rates for the materials that are in scope of the scheme.
9. Having a deposit level that provides a sufficient incentive to return containers, together with provision of high coverage of return points, means that this target is ambitious but achievable. This target has been written into legislation for the scheme to deliver.

Islands Communities Impact Assessment

Introduction

10. The Islands (Scotland) Act 2018 places a duty on the Scottish Ministers and other relevant authorities, including a number of public authorities, to have regard to island communities in exercising their functions. For the Scottish Ministers, this includes the development of legislation. This duty is often referred to as ‘island-proofing’.

11. The Scottish Government published an Islands Communities Screening Assessment¹ in September 2019 accompanying the draft of ‘The Deposit and Return Scheme for Scotland Regulations 2020’.

12. This screening assessment identified one unique impact on island communities, in relation to the availability of transport infrastructure to support the movement of Deposit Return Scheme (DRS) materials for processing. It therefore committed the Scottish Government to undertake further engagement with island communities, providing an opportunity for them to input into the policy development process. This work was led by Zero Waste Scotland on the Scottish Government’s behalf.

13. The output from this engagement is this Islands Communities Impact Assessment, which, aligning with requirements of the Islands Act, must:

- (i) describe the likely significantly different effect of the policy, strategy or service (as the case may be) on island communities, and
- (ii) assess the extent to which the authority considers that the policy, strategy or service (as the case may be) can be developed or delivered in such a manner as to improve or mitigate, for island communities, the outcomes resulting from it.

Engagement process

14. Since the publication of the screening assessment, Zero Waste Scotland has undertaken a series of events across all of the island local authorities:

- Argyll and Bute Council: Islay, 22 October 2019 and Bute, 28 October 2019
- Comhairle nan Eilean Siar: Lewis, 30 October 2019
- The Highland Council: Skye, 1 November 2019
- North Ayrshire Council: Arran, 25 October 2019
- Orkney Islands Council: Orkney Mainland, 24 October 2019
- Shetland Islands Council: Shetland Mainland, 8 November 2019

15. For those unable to attend a meeting in person, a webinar was also hosted by Zero Waste Scotland on 25 November 2019. Both the workshops and the webinar

¹ [Islands Communities Screening Assessment](#)

provided the opportunity to hear how the scheme will operate and to ask questions specific to the islands.

16. Across the events and webinar, over 150 people have been involved in identifying the impacts unique to islands from the introduction of a DRS for Scotland.

17. A standard format was used for each event to allow stakeholders to explore DRS as a policy, ensure everyone had the same base understanding of how a DRS functions, and identify island-specific impacts.

18. A number of positive and negative impacts were identified in these events that are out of scope of the Impact Assessment. These fall into two categories:

- (i) Issues where the effect on island communities was not significantly different from that on non-island communities, e.g. the cash-flow impacts of the scheme on retailers purchasing stock or the opportunities to use existing infrastructure for collection and storage of containers.
- (ii) Issues which are not necessarily a consequence of DRS but could nevertheless be realised depending on the approach taken by producers to the scheme's implementation. The Scottish Government has been clear that, as a form of extended producer responsibility, it will be producers themselves who determine how the scheme is implemented.

19. An important insight provided by participants was that, while the impacts that would be experienced by island communities will not be significantly different from those experienced elsewhere, the solutions required to be adopted by producers in order to support successful implementation would be.

20. To ensure this feedback is not lost and island communities are engaged in the implementation process, a copy of the recommendations gathered from these workshops has been attached as an Annex to this impact assessment.

21. In addition, a DRS Islands Forum has been established to provide an ongoing engagement mechanism for representatives of island communities to support development of this impact assessment and subsequent implementation planning. Those on the Forum can input directly and help to identify or contact other suitable representatives across the islands and within communities.

22. The first meeting was held on 15 November 2019 and the organisations represented on the Forum are:

- Bruichladdich Distillery
- Highlands and Islands Enterprise
- The Orkney Hotel
- Orkney Islands Council
- The Scottish Islands Federation
- Uig Community Shop
- Zero Waste Scotland

23. The Forum will be formally introduced to any scheme administrator or producer that will be discharging obligations through the Regulations. This will allow Forum members to highlight those areas where unique island solutions are required and to facilitate contact with individuals and/or organisations in each community that can support the development of these.

24. In order for a producer to be registered or a scheme administrator to be approved as part of the scheme, they must supply an operational plan detailing how they intend to meet their legal obligations under the DRS Regulations. This includes how they intend to meet their obligations to collect scheme packaging from all return points and other relevant retailers, including those located on islands. Approval or registration can only be granted if their operational plan details how they intend to comply with this obligation.

Island impacts and mitigation measures

25. As identified earlier, the main purpose of this Islands Communities Impact Assessment is:

- (i) to describe where the policy has a significantly different effect on island communities;
- (ii) to determine the mitigation measures to be adopted in the final set of Regulations by the Scottish Government.

26. This section describes the impacts identified through the engagement events (including the one unique impact identified through the Islands Communities Screening Assessment) as having significantly different effects on island communities, either because the impact is unique or because the scale of the impact is significantly larger.

27. The three impacts identified were:

- i. Transport
- ii. Distance sales take-back
- iii. Transient populations

28. For each impact, there is also a description of the mitigation measures that will be adopted to improve the outcome of the scheme for island communities. Some of these measures were already in place. However, there are additional measures for each impact that have been informed by the direct engagement with island communities.

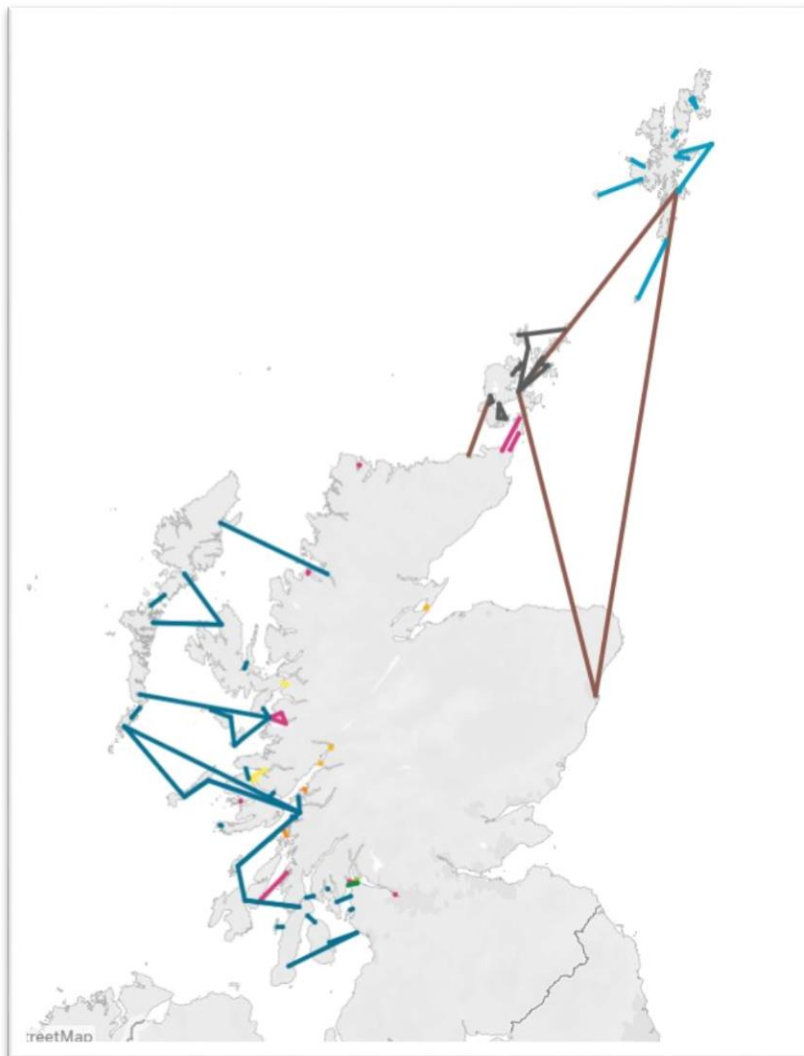
Impact 1: Transport

Background

29. The impact on transport capacity was the unique island impact identified in the screening assessment and transport was a recurring theme in the engagement events.

30. The feedback gathered suggested that this concern goes beyond capacity on individual ferries, which was identified as an issue for both inter-island and island-mainland ferries. The need to consider disruption and the need for interim storage capacity on the islands were also raised.

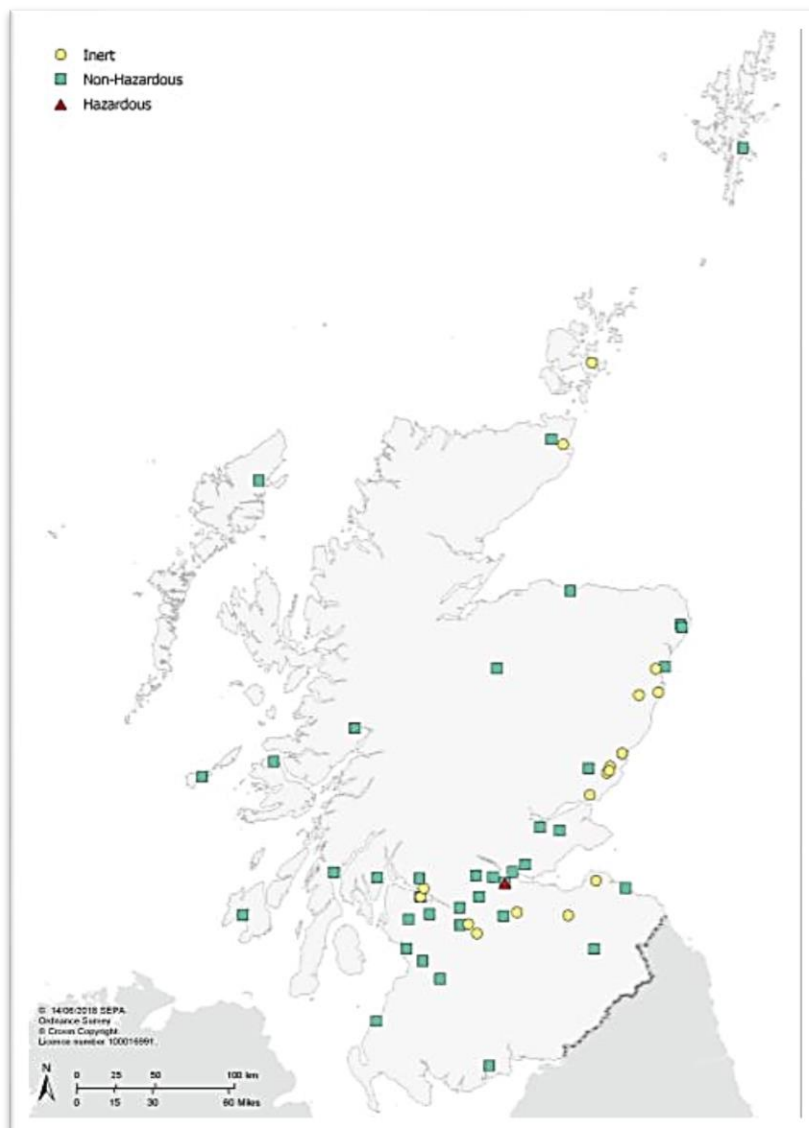
31. The below map illustrates the ferry operations in Scotland, both inter-island and island-mainland.²



² [Audit Scotland: Ferry Routes in Scotland](#)

32. Transport Scotland has said that the total number of routes is difficult to confirm, as there are a number of operators, including local authorities, grant-funded services and commercial operators across Scotland of varying levels of scale, seasonality and publicity. However, Transport Scotland subsidises lifeline ferry services through two major contracts, the first being the Clyde and Hebrides Ferry Services (CHFS) and the second being the Northern Isles Ferry Services (NIFS). CHFS operates 32 routes and carries 5.7 million people and 1.4 million vehicles per year while NIFS operates 5 routes and carries 350,000 people and 92,000 vehicles per year.

33. The below map, from SEPA's Landfill Sector Plan,³ identifies the locations of operational landfill sites in Scotland.



34. In addition to these, Shetland also has an energy-from-waste plant for treating residual waste.

³ [SEPA Landfill Sector Plan](#)

35. Most other waste not disposed of to landfill or energy-from-waste on these islands, and all waste from other islands, is currently transported on ferries for recycling or disposal.

Mitigation measures

36. The introduction of DRS will not increase the amount of waste that will arise in island communities. Most waste is currently transported off the islands. As such, the requirement for additional space will not be as significant as could initially have been expected.

37. The introduction of DRS will change the format of the materials to be transported (collecting these containers in a different way to current arrangements) and will separate more material for recycling (as target materials will be collected apart from the wider waste stream).

38. It is likely that capacity will be available in most circumstances for transporting collected containers from the islands and that specifically targeting off-peak services will only be required in limited circumstances. An analysis for Transport Scotland indicates that demand management, including dynamic pricing and management of certain vehicles to maximise capacity, is currently only used on limited routes in Scotland.⁴ These include Ardrossan-Brodick, Stornoway-Ullapool and NorthLink services.

39. There are unlikely to be any specific requirements for containers to be on a particular sailing, as they are not fresh produce or components within a complex supply chain. The specific arrangements for the transport of material will be an operational matter for producers or a scheme administrator to agree with ferry operators and we will encourage such engagement as part of the scheme's implementation.

40. It was also highlighted that most islands are net importers of goods and therefore vehicles leaving the islands should have available capacity to back-haul materials to the mainland, subject to the agreement of producers (or a scheme administrator acting on their behalf) and taking account of regulatory requirements for the transfer of waste.

41. Options were identified which would reduce the transport requirements and provide storage capacity on the islands in the event of extreme weather interrupting transport links. This included locating bulk-feed reverse vending machines (RVMs) on the islands to allow containers to be counted and compacted.

42. A decision on whether to adopt these options is an operational matter for producers and any scheme administrator to consider, based on the financial implications of different options. The DRS Islands Forum can provide advice to them on these matters as part of its implementation support.

⁴ [Transport Scotland: Research and Analysis of Options for Ferry Freight Fares](#)

43. In the context of all manually collected materials, international experience suggests that the counting and reimbursement of handling fees will take approximately 14 days to complete. The additional time incurred for transporting materials off the islands is a small proportion of this total. Other schemes, such as that operating in Norway, successfully facilitate the collection and counting of materials from island locations.

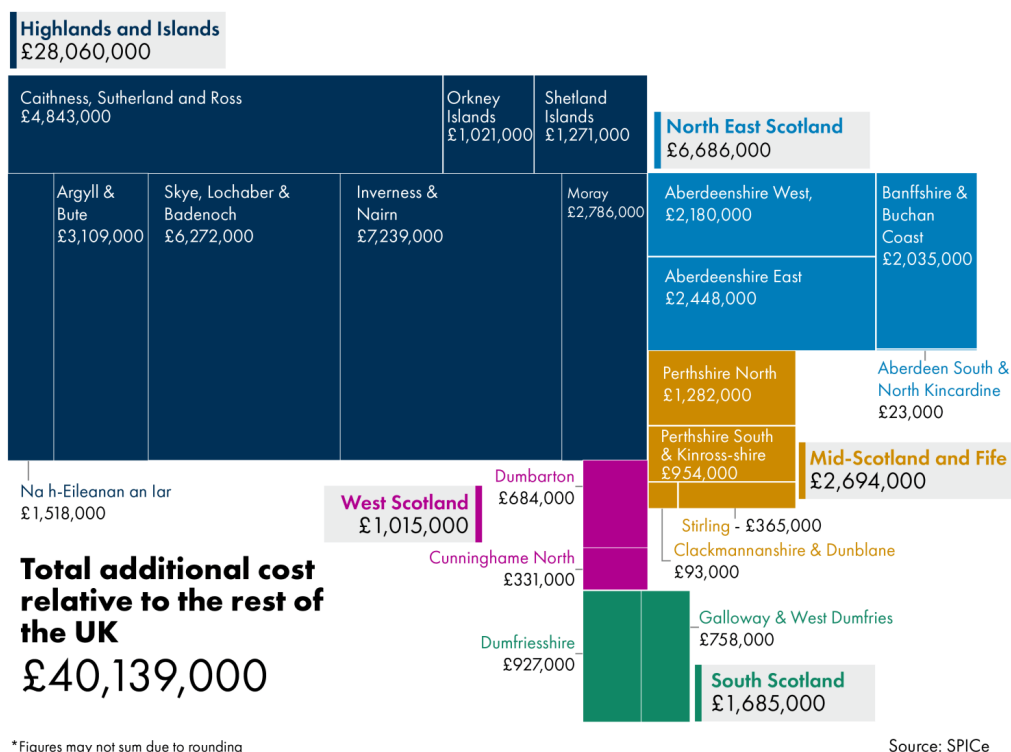
Impact 2: Distance sales take-back

Background

44. The Regulations require distance sellers (for example, online grocery retailers) to provide a ‘take-back service’ for the in-scope containers they sell. This service involves the collection of those containers, when empty, from the point of delivery following a request from the consumer. This service must be provided free of charge to the consumer, with any minor charge for materials used to facilitate the collection being reimbursed.

45. This requirement is important from an equality perspective, as many individuals are reliant on these services and would struggle to redeem their deposits if this option were excluded. Deliveries to island communities often come at additional cost. The below diagram was published by Scottish Parliament Information Centre (SPICe) in November 2019 and shows the breakdown of delivery surcharges across Scotland:⁵

A constituency breakdown of the £40 million additional cost to Scotland of parcel delivery surcharges relative to the rest of the UK



* Figures may not sum due to rounding

Source: SPICe

⁵ [SPICe: Scotland’s parcel delivery surcharge cost on the up](#)

46. This illustrates an average delivery surcharge per person across Scotland of £7.38. However, for the three areas made up of exclusively island communities this average surcharge is £52.92. This represents an increase of over 600%.

47. A number of event participants highlighted concerns that, because of the additional costs associated with distance sellers operating a take-back service, the policy could result in a number of businesses choosing not to deliver to the islands.

48. The Scottish Government recognises that parcel surcharging is an issue for rural areas across Scotland and is implementing the 'Fairer Deliveries for All' action plan.⁶ These figures demonstrate the significance of this issue for island communities and therefore the potential for the negative impact described to arise.

Mitigation Measures

49. The equality impacts described earlier explain why distance sales take-back remains a vital aspect of the Regulations and, with the growth of online shopping, is an important channel to consider in policy design.

50. In practice, we expect a significant proportion of items sold by distance sellers to be returned via physical return points. Where take-back is requested, the Regulations are designed in such a way as to minimise the potential burden associated with delivering this service. They achieve this by:

- Affording the distance seller a degree of flexibility around the timing of any collection. This potentially allows the seller to co-ordinate collections and deliveries in particular geographic areas.
- Allowing for the take-back service to be delivered on behalf of the distance seller by a third party. The outsourcing of this service to local providers is likely to significantly reduce the cost of delivering the service.

51. Distance sellers will be able to charge a handling fee to producers for each piece of packaging they collect through the take-back service. The Regulations allow for the handling fee to cover reasonable costs associated with:

- Any vehicle trips to collect scheme packaging that are not part of a normal delivery;
- Materials used in respect of the collection and storage of scheme packaging;
- The rental value of any floor space utilised solely for the collection and storage of scheme packaging;
- Staff time dedicated solely to the collection and storage of scheme packaging;
- Any other delivery costs incurred.

⁶ <https://www.gov.scot/publications/fairer-deliveries-action-plan/>

52. Given that the handling fee will be charged to producers (likely in the form of a scheme administrator acting on their collective behalf), it will be in their interest to work in partnership with distance sellers to develop the most efficient takeback service possible.

53. We believe this approach mitigates the risk of retailers ceasing to offer delivery services to island communities.

Impact 3: Transient populations

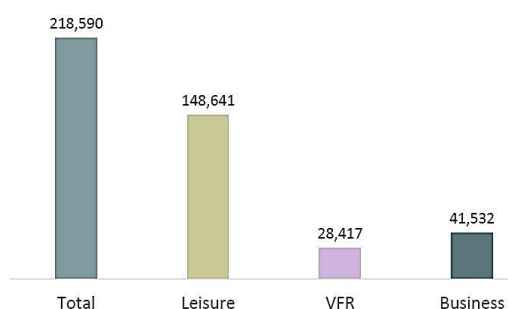
Background

54. The third impact that was identified as being on a significantly different scale for island communities is the potential impact on local retailers from large transient populations.

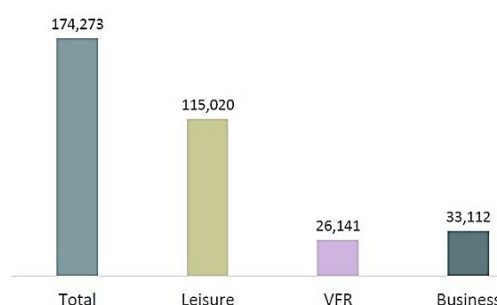
55. For most island communities, this is linked to tourism and the large number of visitors during summer months. However, other specific events were also highlighted (for example, the Tiree Music Festival, where the number of attendees is three times the population of the island).

56. Information published by Visit Scotland shows the number of visits by local authority area.⁷ The island-only local authorities data for the Outer Hebrides and Orkney is included in the bar graphs below.

Numbers of visits to the Outer Hebrides in 2017



Numbers of visits to Orkney Islands in 2017



*VFR includes all Visiting Friends and Relatives trips that are not mainly for holiday purposes.

57. Against populations of 26,830 and 22,190 respectively, these figures demonstrate the significant uplift in population within island communities as a result of visitors.

58. Feedback from participants indicates that many of these visitors bring drinks containers onto the islands, consume the drink and then dispose of the container. The

⁷ [Visit Scotland Research and Insights](#)

result is that a significantly larger number of containers are likely to be disposed of on islands than are purchased.

59. It was recognised that the introduction of DRS will have significant benefits in managing these containers. Benefits include a likely reduction in littering of single-use drinks containers and a reduction in waste and recycle disposal costs for local councils.

60. The challenge identified in the engagement events was for local retailers who would be expected to act as a return point for these containers. It was noted that the number of containers likely to be returned to these retailers would significantly exceed the volumes being sold, creating challenges around both storage of returned containers and cash-flow related to the paying out of deposits.

61. This is a particularly significant impact for those islands where there is only one small (often independent) retailer.

Mitigation Measures

62. The Regulations allow for the establishment of voluntary return points, that is a person who wishes to operate a return point outwith retail premises.

63. One of the key drivers for the inclusion of this option was a recognition that there will be circumstances where the number of empty containers in an area greatly outweighs the retail return-point infrastructure.

64. We expect producers or their representative scheme administrator will be proactive in identifying those parts of the country which require additional return-point infrastructure, with the establishment of that infrastructure being necessary to support those bodies in meeting their statutory collection targets for DRS containers.

65. Following the feedback received on the island impacts, an additional safeguard has been added into the final Regulations. A test has been included which will allow retailers to refuse the return of packaging if a single proposed return is disproportionate to the average number of containers the retailer would expect to sell as part of a single transaction. This should help to minimise the burden placed on return-point operators at times of peak demand.

66. The above change builds on a provision included in the draft Regulations which allows for a return-point operator to refuse packaging in instances where a producer or scheme administrator has failed to undertake a collection in line with their operational plan. This means island retailers will be able to act as a return point (and so benefit from the handling fee) for higher volumes of containers at peak time where, for example, additional collections can be scheduled. Where this is not feasible it allows them to refuse containers.

Conclusion

67. The Scottish Government has identified four investment objectives to be delivered by the introduction of DRS:

- (i) Improving recycling quantity;
- (ii) Improving recycling quality;
- (iii) Encouraging wider behaviour change around materials;
- (iv) Delivering maximum economic and societal benefit for Scotland during the transition to a low carbon world.

68. Scottish Ministers are clear that these objectives must be delivered for the whole country, including rural areas and the islands, and the scheme has been designed with this in mind.

69. Some of the key elements of the policy design are there to ensure this is realised. These include:

- An obligation on all retailers to act as a return point, to ensure return points are accessible across Scotland and not just in major population centres;
- A requirement on producers to arrange a collection of containers from retailers, free of charge, to ensure that retailers in rural locations do not incur costs associated with transporting materials for recycling;
- A 90% collection target, delivering a high-performing scheme that maximises performance across the country and engages all of our communities;
- The ability to establish voluntary return points, to provide capacity in circumstances where the number of containers being returned in an area exceeds the retail return point capacity;
- Flexibility in the operation of take-back services so as to ensure that distance sellers continue to provide deliveries to island communities;
- Passing the cost of transporting collected scheme packaging from local councils to producers, as a form of extended producer responsibility.

70. The process of completing this Islands Communities Impact Assessment has supported the further 'island-proofing' of the policy. Engagement with over 150 individuals and organisations from island communities across Scotland identified three impacts that were significantly different:

- i. Transport
- ii. Distance sales take-back
- iii. Transient populations

71. Consideration has been given to each of these impacts and, where necessary, additional mitigations have been incorporated into the Regulations to establish the scheme.

72. Further, in order for a producer to be registered or a scheme administrator to be approved as part of the scheme, they must supply an operational plan detailing how they intend to meet their legal obligations. This includes how they intend to meet their obligations to collect scheme packaging from all return points and other relevant retailers, including those located on islands. Approval or registration can only be granted if their operational plan details how they intend to comply with this obligation.

73. Through the combination of these measures, we are confident that the policy does not only look to accommodate islands communities but is optimised for them. The overall impact will be significantly positive, supporting the development of a circular economy, acting to address the climate crisis, and preventing litter and plastic pollution escaping into our natural environment.

Scottish Government

March 2020

ANNEX 1: RECOMMENDATIONS FROM ISLAND WORKSHOP EVENTS

Arran

- Make use of local communications campaigns from local environmental groups;
- Encourage communal voluntary return points in areas with fewer shops;
- The scheme administrator should consult local communities during the implementation phase to harness local knowledge;
- Well-secured contingency storage areas should be set up on the islands in case of travel disruption;
- Minimise the higher carbon impact of collections from the islands by using electric vehicles or backhaul;
- Systems must be flexible to allow for the variance in volume of collected containers across the year;
- Local communications campaigns will be needed to raise awareness of the scheme amongst tourists and visitors.

Bute

- Seek feedback from Fyne Futures regarding returns on Bute;
- Involve Fyne Futures in collection and material transportation services;
- Mandate that the scheme administrator must procure local partners;
- Backhauling should be considered from companies like Co-op who bring products onto the island. An agreement could be made for larger retailers to transport containers for the scheme administrator;
- A centralised secure storage area for collected containers would reduce insurance and health & safety risks for small retailers;
- An incentive scheme to help small retailers acquire RVMs would help independent retailers with logistics and upfront costs;
- Working capital grants to help producers and retailers;
- Quicker payment terms are needed: around 10 working days (as seen in international schemes) will be too long for some small retailers.

Islay

- New storage requirements will be necessary in local shops. The retailer handling fee should be negotiated to reflect this;
- An incentive to return existing littered containers which do not carry a deposit would encourage litter-picking in the early stages of the scheme;
- Communal return points or a partnered approach would work better on islands where there is limited space available.

Lewis

- Existing social enterprise networks such as clothes banks collections may be useful to the scheme administrator when arranging collections;
- Continual messaging will be needed to communicate DRS and its benefits;
- Assessment should be done on an ongoing basis throughout the scheme to ensure it is being rolled out properly on the islands;

- A maximum time or distance between return points and a counting centre to ensure timely payment of deposits and fees to retailers;
- Islands funding should be provided to support the unique challenges;
- An island rate should be offered on the handling fee, or assistance for small retailers to purchase RVMs.

Orkney

- Individual islands mostly have independent hauliers. They need to be considered, and haulier charges will need to be covered by any scheme administrator.

Shetland

- Financial help to cover upfront costs will be needed in the early stages of scheme;
- Communal RVMs should be encouraged in public areas to take the pressure off small retailers;
- Collection schedules will need to be rationalised to reduce emissions and unnecessary traffic;
- Contingency plans will need to be in place in preparation for transport disruption; RVM data needs to be stored, not just live, as internet connection could be variable on remote islands (decision for retailer when acquiring RVM).

Skye

- More frequent collections will be needed in peak season;
- Backhauling should be used to reduce the number of lorries on the road;
- Offer a higher handling fee for the islands (compared to 5p fuel allowance).



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