

# **A Deposit Return Scheme for Scotland**

## **Final Business and Regulatory Impact Assessment (BRIA)**

**December 2021**

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## **Changes from original BRIA**

As per Paragraph 1 on the following page, this BRIA is a revised version of the final Business and Regulatory Impact Assessment (BRIA) published by the Scottish Government on 16 March 2020. For ease of comparison with the original BRIA, the following is a complete list of every paragraph or table that has been updated since the original document:

- Paragraphs 1-2
- Paragraphs 4-7
- Paragraph 36
- Paragraphs 38-39
- Paragraph 48
- Table 1A
- Paragraph 83
- Tables 2 & 3
- Paragraph 97
- Paragraph 157
- Paragraph 169
- Paragraphs 185-186
- Paragraph 212
- Paragraphs 215-216
- Paragraphs 227-233
- Paragraph 301
- Paragraph 306
- Paragraphs 308-312
- Annex F

## 1. A Deposit Return Scheme for Scotland (DRS)

1. This document is a revised version of the final Business and Regulatory Impact Assessment (BRIA) published by the Scottish Government on 16 March 2020.<sup>1</sup> **It has only been revised to reflect changes made to the design of DRS by The Deposit and Return Scheme for Scotland Amendment Regulations 2022, laid in Parliament on 15 December 2021, including the full implementation date for DRS (see previous page for a list of revisions) and an update to the benefits and costs of the scheme as a consequence; these changes are written subject to the best available information at the time. Information that provides context for the scheme design as set out in the original Regulations, passed by Parliament on 13 May 2020, has not been changed.**

## 2. Purpose and Intended Effect

2. Scotland's household recycling rate has increased substantially in the last decade. After a steady increase, the latest figures, published in September 2020 by the Scottish Environment Protection Agency (SEPA), confirm that in 2019 the recycling rate reached 44.9%.<sup>2</sup> For a third consecutive year, in 2019 there was more Scottish waste recycled (1.1 million tonnes) than landfilled (0.76 million tonnes).
3. This has been driven by substantial investment by central and local government in kerbside collections. The result has been a dramatic increase in the number of households who have access to recycling facilities.
4. The rate of growth has, however, been slowing. Since 2014 and the introduction of a new methodology for calculating recycling rates, it has only increased by 1.9% overall. In 2018, recycling rates dropped (by 0.9%) for the first time since the start of reporting under the current definition of household waste in 2011 but it did recover slightly by 0.2% in 2019. It is, therefore, clear that further interventions are required to stimulate growth in recycling rates in order to achieve national recycling targets: 70% of all waste recycled and a maximum of 5% to landfill by 2025.
5. In September 2017, the Scottish Government announced in the Programme for Government (PfG) that it would move to implement a deposit return scheme (DRS) for Scotland for single-use drinks containers. Protecting Scotland's Future: the Scottish Government's programme for Scotland 2019-2023 reinforced this commitment following public consultation. The views shared via the consultation helped to design an effective system that has been tailored to meet Scotland's specific needs, and with the specific aims of increasing recycling rates and reducing littering. This commitment was

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<sup>1</sup> [Deposit return scheme for Scotland: business and regulatory impact assessment - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/bria/2020/16-march-2020/summary/summary.aspx)

<sup>2</sup> <https://media.sepa.org.uk/media-releases/2020/official-statistics-publication-for-scotland-household-waste-summary-jan-dec-2019.aspx>

reiterated in the September 2021 PfG.<sup>3</sup>

6. The Scottish Parliament passed the Regulations giving effect to DRS on 13 May 2020. At that time the Scottish Government committed to closely monitoring the impact of the COVID-19 pandemic on implementation of DRS. In line with that commitment, on 8 March 2021 the Scottish Government announced an independent review into the implementation timetable for the scheme. This review has now been completed.
7. On 14 December 2021 the Minister for Green Skills, Circular Economy and Biodiversity announced that the Scottish Government would seek to change the full implementation date for DRS to 16 August 2023 in light of the impact of COVID-19 and EU Exit. This revised final BRIA reflects that change and also the following key provisions of The Deposit and Return Scheme for Scotland Amendment Regulations 2022:
  - Quicker ramp-up of scheme targets;
  - Clarification of producer responsibility in respect of ‘crawlers’ and similar containers;
  - Additional flexibility for retailers obligated to provide a distance takeback service;
  - Additional safeguard against fraud in the ‘grey market’;
  - Other provisions to support enforcement of DRS.
8. The consideration of a DRS is referenced in the Scottish Government’s circular economy strategy *Making Things Last – A Circular Economy Strategy for Scotland* (MTL)<sup>4</sup> published in February 2016. The strategy sets out the aims of cutting waste and carbon emissions, reducing reliance on scarce resources, increasing productivity and improving resilience.
9. *Towards a Litter-Free Scotland*<sup>5</sup> (TLFS), published in June 2014, is Scotland’s first national litter strategy with a focus on litter prevention. This is being delivered by encouraging people to take personal responsibility through activities related to infrastructure, information and enforcement. The aim of the strategy is to reduce the estimated £46 million of public money spent removing litter and flytipping from the environment each year and the wider negative impacts of litter; at least a further £361 million in costs on our society and economy. It will also enable the lost value of resources to be recovered; littered material could be worth at least £1.2 million a year.
10. *A Marine Litter Strategy for Scotland*<sup>6</sup> (MLSS) was launched in 2014 as a sister document to *Towards a Litter-Free Scotland*, focused on protecting Scotland’s coastal environment as a major resource. This will contribute to collaborations under the OSPAR Convention (Convention for the Protection of the Marine Environment of the North East Atlantic)<sup>7</sup> and the Marine Strategy Framework Directive.

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<sup>3</sup> <https://www.gov.scot/programme-for-government/>

<sup>4</sup> [Making Things Last: a circular economy strategy for Scotland - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/making-things-last-a-circular-economy-strategy-for-scotland/pages/11.aspx)

<sup>5</sup> [Towards a Litter Free Scotland](https://www.gov.scot/publications/towards-a-litter-free-scotland/pages/11.aspx)

<sup>6</sup> [Marine Litter Strategy](https://www.gov.scot/publications/marine-litter-strategy/pages/11.aspx)

<sup>7</sup> [OSPAR](https://www.ospar.org/)

## 2.1 Objectives

11. It is proposed that a Scottish DRS will:
  - Increase the quantity of target materials collected for recycling.
  - Improve the quality of material collected, to allow for higher value recycling.
  - Encourage wider behaviour change around materials.
  - Deliver maximum economic and societal benefits for Scotland.
12. Achieving these strategic objectives will help Scotland progress towards its 2025 waste targets,<sup>8</sup> accelerating Scotland's transition from a 'linear' economy which is environmentally unsustainable and energy and resource intensive, to a more resource efficient and sustainable circular economy.
13. Growing global and national populations are expected to increase commodity price volatility and constraints on resources availability, which could lead to adverse social and economic effects. Adoption of circular economy measures like a Scottish DRS should help to provide resilience to such shocks and constraints, and aid in delivering significant environmental benefits and economic opportunities.
14. By placing a financial value on selected single-use drinks containers, a DRS will encourage consumers to return them for recycling, reducing the likelihood that they will end up as litter and increasing the likelihood they will be recycled. This will, in part, help to address a growing global concern about the volume and impact of plastic pollution, particularly in marine landscapes.
15. Separate and material-specific collection of selected packaging materials under a DRS will also generate higher quality, higher value material streams.
16. The fit with Scottish Government policy has already been indicated in the background sections above. The UK Department for Environment and Rural Affairs (DEFRA), Welsh Government and Northern Ireland Executive consulted on a potential DRS for England, Wales and Northern Ireland in 2019.<sup>9</sup> Enabling provisions were included in the UK Environment Bill which was laid in the UK Parliament in January 2020.
17. The introduction of DRS will clearly have an impact on businesses in Scotland. As a form of producer responsibility, it will require those businesses to take responsibility for the environmental impact of their products and for the costs of managing products at end of life. A system of producer responsibility for packaging has been in place in the UK since 1997 and that system has helped to drive significant increases in recycling. However, the rate of progress suggests further interventions are needed and the European Commission<sup>10</sup> with reference to its Circular Economy Package, support DRS

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<sup>8</sup> [Managing Waste](#)

<sup>9</sup> [DEFRA](#)

<sup>10</sup> [EU Circular Economy Package](#)

as an effective response to the challenges faced.

## **2.2 The Final Scheme Design**

18. The final scheme design enables consumers to take single-use containers back to, and redeem a 20p deposit from, any retailer selling drinks covered by the scheme.
19. Businesses that sell drinks to be opened and consumed on-site, such as pubs and restaurants, will not have to charge the deposit to the public and will only be required to return the containers they sell on their own premises.
20. Online retailers will be included in the scheme. This means that those customers who are dependent on online delivery, because for a variety of reasons they are unable to travel to shops, can easily get back the deposits paid on containers.
21. Retailers will be able to apply to Ministers to be exempted from the obligation to operate a return point provided an alternative return point within reasonable proximity has agreed to take back packaging on their behalf, and consumers will still have reasonable access to a return point. Ministers may also grant an exemption where they are satisfied that a retailer cannot accommodate a return point on the premises without significant risk of being in breach of legal obligations relating to:
  - food safety,
  - health and safety,
  - fire safety,
  - environmental protection, or
  - public health.
22. Non-retail spaces will be able to act as return points. These could include recycling centres, schools or other community hubs. While retailers will be required by legislation to provide a return service, others will be able to apply to opt in.
23. 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.
24. The scheme will include plastic bottles made from PET (the most common type of bottle for products such as fizzy drinks and bottled water), aluminium and steel cans and glass bottles.
25. 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. Having a deposit level which provides a sufficient incentive to return containers, together with provision of high coverage of return points, means that this target is ambitious but achievable.
26. It is important to note that the true national recycling rate for the containers

targeted through Scotland's DRS will be slightly higher than the scheme capture rate itself. This is because some items not returned will continue to be returned through other recycling facilities.

27. The schematic in **Annex A** illustrates the final scheme design for the Scottish DRS.

### 2.3 Rationale for Government Intervention

28. With reference to the National Performance Framework, the scheme is expected to support the National Outcomes:
  - People have a globally competitive, entrepreneurial, inclusive and sustainable economy
  - People value, enjoy, protect and enhance their environment
29. The carbon savings derived from the introduction of a DRS in Scotland will also contribute to revised targets set out in the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, which amends those in the Climate Change (Scotland) Act 2009 to achieve net-zero emissions of all greenhouse gases by 2045 at the latest. The amendment includes interim target reductions of at least 56% by 2020, 75% by 2030, 90% by 2040. This revision follows on from the Scottish Government's declaration of a Climate Emergency in April 2019.
30. The Climate Change Plan: Third Report on Proposals and Policies<sup>11</sup> (RPP3) was published in February 2018. It sets out plans to achieve decarbonisation of the economy in the period to 2032, with revisions being made to these plans following the tightening of emissions targets.
31. Resource use and waste generation are recognised as key sources of greenhouse gas generation and the Scottish Government reports on progress against both territorial and consumption emissions.
32. United Nations Draft Resolutions on Marine Litter and Microplastics<sup>12</sup> (2017) and Management of Marine Debris<sup>13</sup> (2014), both reference the role that DRS can have on preventing the harmful escape of plastics into marine environments.
33. In 2015, the Scottish Government signed up to support the United Nations Sustainable Development Goals.<sup>14</sup> The ambition behind the goals is to end poverty, protect the planet and ensure prosperity for all as part of a new sustainable development agenda. A DRS will have a positive impact on a number of these goals, most explicitly Goal 12: Responsible Consumption and Production.

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<sup>11</sup> [Climate Change Plan: The Third Report on Proposals and Policies 2018-2032](#)

<sup>12</sup> [Marine Litter and Microplastics](#)

<sup>13</sup> [Management of Marine Debris](#)

<sup>14</sup> [UN Sustainable Development Goals](#)

34. In May of 2018 the European Commission's Circular Economy Package<sup>15</sup> was approved. The legislation aims to move supply chains towards a circular economy which maintains the value of products, materials and resources in the economy for as long as possible. This includes more ambitious recycling targets and full cost recovery of recycling costs from producers'.

### **3. Consultation**

#### **3.1 Consultation Within Government**

35. As the Scottish Government's delivery partner for DRS, Zero Waste Scotland has engaged with a number of public organisations.
36. Police Scotland and SEPA have been consulted on issues relating to fraud and cross-border consumer purchasing habits, while Food Standards Scotland (FSS) and The Royal Environmental Health Institute of Scotland (REHIS) have been consulted on issues relating to hygiene and the storage and transport of empty containers. Zero Waste Scotland has also been in discussions with Scottish Enterprise and COSLA. The Programme Board established to support the policy-development for DRS included representation from Highlands and Island Enterprise and a local authority Chief Executive.
37. As set out above, during the Parliamentary process for the DRS Regulations in spring 2020, the Scottish Government committed to reviewing the impact of COVID-19 on the implementation of DRS. In line with this commitment, and in light of the additional impact of EU Exit, a Gateway Review 0: Strategic Assessment was carried out from 14-16 June 2021 with a follow-up Assurance of Action Plan on 21-23 September 2021.
38. A Gateway Review 0 is a programme-only review that sets the programme in the wider policy or corporate context. This review investigates the direction and planned outcomes of the programme, together with the progress of its constituent projects. In addition, the Gateway Review into DRS had a particular remit to examine the delivery schedule for DRS, especially in light of the impact of COVID-19. It was carried out by two external advisers accredited by the Infrastructure Projects Authority to lead Gateway Reviews; the reviewers are independent of the Scottish Government.
39. The Gateway Reviewers interviewed a cross-section of key stakeholders with a particular focus on activities lying on the critical path for delivery of DRS, such as establishment of the scheme's infrastructure and implementation of the regulatory function. This included representatives from the Scottish Government, the Scottish Environment Protection Agency, and Zero Waste Scotland.

#### **3.2 Public Consultation**

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<sup>15</sup> [EU Circular Economy package](#)

40. Between 27 June and 25 September 2018, the Scottish Government undertook a public consultation to explore options for establishing a DRS in Scotland. The consultation paper, A Deposit Return Scheme for Scotland, discussed the key features of a scheme and set out different options for its operation – without putting forward a preferred option. The consultation contained 54 questions seeking views on:
- System components
  - The potential risks and opportunities associated with deposit return schemes
  - Cooperation with the UK Government
  - An interim equalities impact assessment (EQIA)
41. The analysis was based on 3,215 responses. These comprised responses from 159 organisations, 2,008 individuals and 1,048 postcard campaign respondents submitted by supporters of the Have You Got The Bottle (HYGTB) campaign.
42. Organisational respondents included a wide range of public, private and third sector organisations based in Scotland, elsewhere in the UK, and overseas. The largest categories of organisational respondents were: public sector organisations (25); food and drink producers (24); environmental, conservation, food and health charities (22); retail, vending and retail representative bodies (20); recycling and waste management organisations (16); and packaging manufacturers (16).
43. A full analysis of the consultation responses and key messages was published on 21st February 2019.
44. A further public consultation on the draft Regulations to establish the scheme ran from 10 September 2019 to 10 December 2019. The consultation consisted of 7 open questions, each seeking views on a Part of the Regulations.
45. 147 responses were received through the exercise, 113 of which were from organisations and 34 from individuals. An analysis of the consultation was published alongside the final Regulations.

### **3.3 Business Consultation**

46. During the initial policy-development process for DRS, the 12 businesses in Table 1 below were selected as being a representative cross-section of businesses along the supply chain that will be influenced by the introduction of a Scottish DRS. A questionnaire was sent out to each company in advance of face-to-face interviews which were undertaken in March and April 2018. Individual responses were recorded.

**Table 1. Businesses Consulted for Views on Proposed Scottish DRS**

| <b>Business</b>                             | <b>Type</b>  |
|---|--------------|
| Ardagh Group                                | Packager     |
| Changeworks                                 | Third Sector |
| The Coca Cola Company                       | Producer     |
| The Co-operative Group                      | Retailer     |
| Costa Coffee                                | Hospitality  |
| Crieff Hydro Hotel                          | Hospitality  |
| Highland Spring Group                       | Producer     |
| National Federation of Retail Newsagents    | Trade Body   |
| Road Haulage Association                    | Trade Body   |
| Scottish Environmental Services Association | Trade Body   |
| Scotch Whisky Association                   | Trade Body   |
| Williams Brothers Brewing Company           | Producer     |

47. In addition, consultation responses were received from key business representatives during the public consultation periods as discussed in the above section.
48. As per 3.1 above, in June 2021 the Gateway Reviewers interviewed a cross-section of key stakeholders with a particular focus on activities lying on the critical path for delivery of DRS, such as establishment of the scheme's infrastructure and implementation of the regulatory function; this included a range of business representatives. To supplement the findings of the review, the Scottish Government met with representatives of a wide range of businesses to understand the impact of the pandemic on them and to ensure that their views were taken into account, in respect of the timetable and other changes to the Regulations. A full list of businesses interviewed by the Gateway Reviewers and/or Scottish Government during this process is at Table 1A below.
- 4. Options**
49. To ensure DRS is the correct delivery mechanism for Scotland, alternative delivery options have been considered in order to compare the benefits and costs of alternative interventions.
50. Firstly, the alternative options need to achieve the four strategic objectives:
- Increase the quantity of target materials collected for recycling
  - Improve the quality of material collected, to allow for higher value recycling
  - Encourage wider behaviour change around materials
  - Deliver maximum economic and societal benefits for Scotland
51. These objectives are ambitious and will aid Scotland's transition to a circular economy. Any option considered as an alternative to a DRS would therefore need to deliver in equal measure on these strategic objectives.

**Table 1A. Businesses Consulted for Views on Amending Regulations**

| Business                                    | Type                 |
|---|----------------------|
| AB InBev                                    | Producer             |
| Aldi  | Retailer             |
| Asda  | Retailer             |
| Association of Convenience Stores           | Trade Body           |
| British Beer and Pub Association            | Trade Body           |
| British Soft Drinks Association             | Trade Body           |
| C&C Group                                   | Producer             |
| Circularity Scotland Ltd                    | Scheme Administrator |
| Coca-Cola                                   | Producer             |
| Co-Op                                       | Retailer             |
| Food & Drink Federation Scotland            | Trade Body           |
| G101 Stores                                 | Retailer             |
| John Lewis                                  | Retailer             |
| Lidl  | Retailer             |
| Marks & Spencer                             | Retailer             |
| Morrisons                                   | Retailer             |
| Sainsburys                                  | Retailer             |
| Scotmid                                     | Retailer             |
| Scottish Environmental Services Association | Trade Body           |
| Scottish Food and Drink                     | Trade Body           |
| Scottish Grocers' Federation                | Trade Body           |
| Scottish Retail Consortium                  | Trade Body           |
| Scottish Wholesale Association              | Trade Body           |
| Society of Independent Brewers              | Trade Body           |
| Suez  | Waste Management     |
| Tesco                                       | Retailer             |
| Uber Eats                                   | Retailer             |
| Viridor                                     | Waste Management     |

52. One alternative option to a DRS is a tax on the materials used in the production of drinks containers. Taxes or fiscal incentives could target the manufacture of specific packaging materials, which could result in greater use of recycled content or alternative materials. UK HMT have consulted on plans to introduce a plastic packaging tax from April 2022 which would provide a clear economic incentive for businesses to use recycled material in the production of plastic packaging.
53. Raising the cost of single-use drinks containers through such a tax would make these products more expensive and could therefore reduce total consumption. However, it would not influence consumer behaviour in the same way that DRS will because there is no additional incentive on the part of the consumers to recycle. Linked to this, a tax is unlikely to reduce the litter rate for those products which are consumed. That is why the proposed packaging tax is viewed by both the UK Government and the Scottish Government as one element of a cohesive package of measures designed to

improve our use of resources. We also note that, with certain exceptions, tax is a reserved matter under the Scotland Act 1998, and although there might be scope to introduce an environmental tax in Scotland with consent of HMT, this would not be a straightforward process. It is for these reasons that this option has not been considered further.

54. A DRS that captures only on-the-go containers was considered as an alternative option but defining exactly which drinks containers should be treated as on-the-go is not straightforward. The on-the-go definition could be by point of sale type, item type or a combination of the two. These definitions are not self-evident: hospitality businesses with on-site consumption and/or off-site consumption, retail sites with a mix of sales or a supermarket chain with different outlet types and sales make it harder to distinguish between various products in practice. Customer behaviour could complicate this further.
55. An on-the-go DRS would also capture significantly lower container numbers than a comprehensive DRS. Scottish data<sup>16</sup> shows that about 30% (0.65 billion) of total drinks containers are consumed out of home and this figure falls to 25% when consumption in restaurants, hotels, bars and cafes is accounted for. Fewer container numbers captured will push up the scheme's unit costs, reduce the number of return points and make it less convenient for consumers. An on-the-go DRS could also impact disproportionately on smaller stores where total turnover can rely on relatively high sales of takeaway drinks.
56. Overall, respondents to the consultation were strongly of the view that the DRS should not be limited to 'on-the-go' only – 88% answered 'no' in response to this question. Individuals were more likely than organisations to answer 'no' (90% vs 61%, respectively). There were substantial differences in the views expressed by different organisational types.
57. Taking the above factors into account, this option was considered unsuitable against the objectives sought.
58. An extended producer responsibility scheme (EPR) for household packaging (including drinks containers) combined with a litter enforcement strategy was selected as the most comparable policy alternative to a Scottish DRS. The EPR scheme element of the alternative policy covers a broader range of packaging materials than DRS and the complementary litter enforcement strategy operates differently from DRS in the way that it influences littering behaviour. It should be recognised that these differences will have some impact on the four strategic objectives when comparing the various policy options. The alternative policy option is presented in detail below.
59. Full cost recovery is included in all the options considered below. Under the "polluter pays" principle, producers will be required to cover the costs of

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<sup>16</sup> Kantar Worldpanel for Zero Waste Scotland

collecting household packaging and the costs associated with sorting and disposal. The value generated from sales of materials are counted as a positive income stream and disposal costs for packaging in the residual stream as a negative. Supporting measures that require improved data on packaging materials (e.g. tonnes collected and placed on the market) and that encourage better recycling and reduced littering are also covered under full cost recovery. Management and administration costs of any compliance scheme are met by obligated businesses.

60. The options considered are:

- **Option 1.** No policy change – business as usual
- **Option 2.** A Scottish DRS is implemented and return rates of 90% are achieved. Return to any place of purchase and a deposit level of 20p is assumed
- **Option 3.** An EPR scheme combined with a separate litter enforcement strategy is implemented. EU recycling targets are achieved and full cost recovery is assumed

#### 4.1 Calculating the Costs and Benefits of Recycling

61. Each tonne of recycling diverted from landfill or energy from waste (EfW) has associated costs and benefits. Costs per tonne have been calculated for collecting, sorting and disposing of the recycled materials that fall within the scope of DRS and the EPR scheme. Benefits per tonne have been calculated for material revenue, carbon savings, residual collection, landfill savings and litter reduction benefits. Landfill tax is not included in this analysis as it is counted as a transfer payment.

62. Net Present Value (NPV) over 25 years has been used to place quantitative values against the baseline for the options under consideration (discounting value set at 3.5%).<sup>17</sup> NPV is defined as the sum of a stream of future values that have been discounted to bring them to today's value.<sup>18</sup> While the principles are measured by a value within the NPV, not all benefits and costs can be easily monetised and many of these tend to be associated with an increase in the benefits from recycling, suggesting that the NPVs calculated for each option represents the lower bound. Factors that are difficult to monetise include:

- Much improved material quality when the collection method almost eliminates the potential for contamination.
- Capturing wider litter benefits that include the value of litter reduction in a broader range of locations e.g. avoiding litter in the marine environment, the wider Scottish countryside, tourist locations and areas where people visit regularly. These benefits are likely to be higher for DRS<sup>19</sup> than an EPR scheme.

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<sup>17</sup> [Green Book](#)

<sup>18</sup> [Green Book](#)

<sup>19</sup> [DRS FBC](#)

- The disamenity impacts of activities at landfill sites will reduce when volume of waste being sent to landfill declines but the waste being diverted to recycling will also incur environmental impacts. There is insufficient evidence to accurately monetise these impacts.
  - Savings in carbon resulting from recycling are monetised but the negative impact of the loss of scarce virgin materials for future generations are unlikely to be fully reflected in the current value of those materials.
  - Benefits from higher recycling targets such as shifts in public attitudes towards recycling and the environment, which could reduce waste collection costs over time, are currently subject to too much uncertainty to be monetised.
63. The baseline used in the modelling for the final BRIA has been refined from the one presented in the full BRIA. In particular, it has been updated to more fully account for policies and regulation that are expected to come into force, impacting on the proposed policy options covered in this section.
64. The EU Circular Economy Package establishes minimum operating requirements applicable to any extended producer responsibility (EPR) scheme. Consequently, as outlined in the UK-wide consultation on packaging producer responsibility which concluded in May 2019, it has been the intention of the four UK administrations to make the necessary legislative changes for a reformed packaging producer responsibility system by 2021, with a new system to be operational from 2023.
65. While the response to the public consultation on reforms to packaging producer responsibility, published in July 2019, signalled a clear intention to progress with plans for such a scheme, work is ongoing to engage with stakeholders in order to develop detailed proposals. A final scheme design has not yet been agreed.
66. The necessary legislative provisions to enable the establishment of such a scheme were introduced through the UK Environment Bill in January 2020.
67. The Scottish Government considers deposit return a form of extended producer responsibility and our scheme has been designed on this basis. Further, Scottish Ministers have made clear that, because DRS is a form of extended producer responsibility, packaging being dealt with through this scheme should be exempt from alternative packaging producer responsibility obligations. This would prevent producers being charged twice in respect of their obligations.

#### **4.2 Option 1. No policy change – business as usual**

68. This option is the baseline against which the costs and benefits of the alternative DRS and household EPR scheme policy options are compared.
69. The current packaging waste regulations require businesses that handle over 50 tonnes of packaging annually and have an annual turnover over £2 million

to meet a share of the annual UK packaging waste recycling targets. Rather than comply directly, an obligated producer can join an approved (by a regulator) compliance scheme that will take on all its legal obligations.

70. The regulations require obligated producers to acquire evidence in the form of Packaging Recovery Notes to demonstrate that tonnages equivalent to their individual targets have been recovered and recycled during the year. Packaging Recovery Notes fluctuate in price in response to a range of factors, such as: the supply of recyclables; the price of raw materials; the price of secondary materials; the availability of evidence; and the level at which the targets have been set.
71. Estimates vary on the proportion of packaging waste management costs that producers fund through the current system. On average, it is believed 10% of costs are covered by producers, with the majority of costs funded by local authorities, other public authorities and businesses who consume packaged goods. As a result, producers have been able to put packaging on to the market without taking account of the true cost of managing it at the end of life.
72. With reference to the requirements of the EU Circular Economy Package, in order for full net cost recovery to be delivered through the current packaging producer responsibility arrangements, a 10-fold increase in Packaging Recovery Notes revenue generated from obligated producers would need to be realised. It is unlikely that such a shift, including the need for producers to finance costs of collection and sorting of the packaging, would be driven by the market alone and some Government intervention would be necessary.

#### **4.3 Option 2. DRS final scheme design is implemented**

73. The DRS outlined in this option features return to any place of purchase, with in-scope materials being PET, metal cans and glass bottles. The deposit level is 20p and the target capture rate is 90%. The range of containers in scope is between 50ml and 3L, representing 98% of all drinks containers and being consistent with the size of containers that most RVMs can accommodate. Producers are responsible for the full cost of implementing and operating the DRS.
74. It is anticipated that an industry-led and not-for-profit scheme administrator will run DRS. Costs of scheme administration include operating/refunding return locations, haulage/logistics, material processing, payments, fraud, communications and staff. Unredeemed deposits and material value are retained by the scheme administrator and supplemented by a producer fee, to cover running costs of the DRS and to provide an incentive to maximise the quality of materials collected by the scheme.
75. The costs of operating the return points include staff time, the value of any lost retail space, miscellaneous supplies and maintaining and operating RVMs. As the operator of these return locations will be fully reimbursed, no overall net benefit or loss is anticipated.

76. The value of unredeemed deposits, based on the assumption of a 90% capture rate, represents a cost to consumers and a source of revenue to the scheme administrator.
77. Producers are defined as those companies that put deposit bearing drinks containers onto the market. Producers contribute to the scheme administrator's operating costs and will incur capital and operating costs associated with labelling and distribution changes.
78. Local authority costs include reduced revenue from sale of materials in scope and increased sorting costs per tonne as a consequence of valuable materials being removed. Benefits include handling reduced tonnage, lower disposal costs and waste and litter collection efficiencies. An overall net benefit to local authorities is predicted.
79. Commercial premises which currently pay for waste collection services will experience a reduction in waste volume as a consequence of consumers returning drinks containers to return points to redeem their deposit.
80. Participation in a DRS requires effort on the part of consumers, who need to collect and return containers. Under the return-to-retail model, it is assumed that almost all returns will be part of existing shopping trips. While there is little stakeholder consensus on the costs to consumers of participation, they are expected to be modest.
81. The benefit to society from the introduction of a DRS is considerable, with the majority being derived from the reduced disadvantage to local neighbourhoods as a result of targeting a highly visible component of the litter stream and the value of avoided carbon emissions.
82. Table 2 below provides a summary of the key components, numbers and values used to calculate the costs and benefits of a Scottish DRS.
83. Table 3 below utilises the components, numbers and values from Table 2 to calculate the costs, benefits and net benefit of a Scottish DRS on the below actors. The new full implementation date of 16 August 2023 (first full year 2024, with a return rate of 80%) has been modelled. As a result, the costs and benefits are slightly different from those set out in the Deposit Return Scheme Full Business Case Stage 1 Addendum and the previous Final BRIA where a net benefit of £589.6m was calculated under the modelled DRS policy. The new higher net benefit of £615m is due to:
  - A higher expected DRS return rate in year one of operation.
  - Higher numbers of containers available for the system, due to higher population in the 25-year period analysed from a delayed start year.

**Table 2. Key components, numbers and values used to model a Scottish DRS<sup>20</sup>**

| Component                      | Description   | Number  | Value (NPV 25 yr)                                   |
|--------------------------------|---|---|---|
| Materials in scope             | PET drinks, cans and glass containers   | 2.2 billion drinks containers (150,500 tonnes)  | N/A   |
| Materials out of scope         | HDPE containers, cups and cartons and wider household food containers   | 0.8 billion drinks containers (17,500 tonnes)   | N/A   |
| System performance             | Return rate of in-scope material  | Target 90%  | N/A   |
| Return points                  | Manual (including hospitality) and RVM return points  | 14,386 manual return points (15% of returns), 3,021 automatic return points (85% of returns). | £888 million  |
| Bulking and counting centres   | Cost of constructing and running costs  | N/A   | £106.7 million                                      |
| Re-labelling costs             | Cost of designing, producing and applying DRS compliant labelling to containers (or otherwise paying a higher producer fee). This figure includes impacts across the supply chain (producers, wholesalers and retailers). | 2.2 billion containers  | £118.8 million                                      |
| Reverse Vending Machines (RVM) | Automated machine that returns the container deposit and is capable of counting and verifying the container is scheme compliant   | 3,021 RVMs dealing with 85% of returned containers  | £819.2 million<br>Includes value of lost floorspace |
| Handling fee                   | Reimbursement of all costs associated with operating a return point   | N/A   | £937 million  |
| Producer fee                   | Paid by business to cover any shortfall in finances for the scheme administrator  | N/A   | £471 million  |
| Fraud                          | Value of fraudulently redeemed containers   | 17.5-23.3 million drinks containers annually  | £108 million  |
| Scheme administration          | Staff and equipment costs   | N/A   | £19.2 million                                       |
| Communications                 | National stakeholder and consumer awareness raising   | N/A   | £8.7 million  |
| Material revenue               | Scheme income   | N/A   | £278.3 million                                      |
| Carbon factors                 | Carbon factors are used to calculate the carbon benefits of recycling glass, plastic, aluminium and Steel   | See <a href="#">link</a>  | See <a href="#">link</a>                            |

<sup>20</sup> We are aware that some in industry have been exploring alternative values for some of these assumptions. See Annex F for more details.

**Table 3. NPV Costs and Benefits of a DRS for Scotland**

| <b>Actor Name</b>   | <b>Costs (£m)</b> | <b>Benefits (£m)</b> | <b>Net Benefit (£m)</b> |
|---|-------------------|----------------------|-------------------------|
| Local Authorities   | - 46              | 219                  | 173                     |
| Business  | - 1,237           | 920                  | -317                    |
| Regulator   | -17               | -                    | -17                     |
| System Operator   | -577              | 1,077                | 500                     |
| Society   | - 930             | 1,205                | 275                     |
| <b>Total</b>  | <b>- 2,807</b>    | <b>3,421</b>         | <b>615</b>              |
| Note. The DRS for Scotland is designed to optimise delivery against the four strategic outcomes and to be complementary to any future packaging EPR scheme. |                   |                      |                         |

**Figures may not sum due to rounding**

**4.4 Option 3. An EPR scheme for household packaging waste combined with a separate litter enforcement strategy are implemented.**

84. The EPR scheme outlined in this option covers household packaging waste including glass, paper, card, steel, aluminium and plastics. Drinks containers captured under DRS (Option 2) are also collected under this broader EPR scheme, accounting for 32.7% of the overall tonnage collected. Kerbside collections from households, and recycling collected from bring sites such as household waste recycling centres, are included. All additional costs of collection, sorting and disposal under this EPR scheme are considered.
85. The EPR scheme would operate under a single national collection service for three household packaging streams; (1) glass, (2) paper/board, (3) mixed plastics, metal containers and packaging (dry mixed recycling). These collection streams are consistently colour coded across local authorities. Infrastructure investment costs for the altered and expanded collection and sorting are included.
86. The roll-out and operation of the services are underpinned by a national programme of communications and householder engagement. Participation in the EPR scheme requires no significant additional effort on the part of consumers compared to business as usual.
87. Two new bodies would be set up, the costs of which are included. The first, a single accredited organisation, acts as the scheme administrator and runs on a not-for-profit basis. The second, a regulatory body, has oversight of the scheme and its administration. It monitors and reports collection, sorting and other scheme costs, audits member declarations to prevent free-riding and checks that legal obligations are being met.
88. The accredited organisation for the EPR scheme has two main sources of funding; producer fees and the revenues from the sales of sorted recyclate. The costs to local authorities and commercial waste management companies of collecting and sorting household packing and disposing of any packaging in the residual waste stream are billed to the accredited organisation. If these activities are compliant with the scheme requirements e.g. collection method, frequency of collection, levels of permitted contamination, and fall within a

specified price range,<sup>21</sup> collectors and sorters of household packaging have their costs fully reimbursed by the scheme administrator.

89. Packaging producers are obligated to comply if they package or allow household products to be packaged in Scotland or import household products onto the Scottish market.
90. The de-minimis for the current Packaging Recovery Note (PRN) system obligates producers that place more than 50 tonnes of packaging on the market and have a turnover of more than £2 million per year to register for the scheme. This threshold could potentially be lowered to more evenly spread the costs of the new EPR scheme (this alternative has not been modelled).
91. The total amount of packaging placed on the UK market in 2017 was around 11.5 million tonnes.<sup>22</sup> According to the National Packaging Waste Database (NPWD), compliant companies declared 9.8 million tonnes over the same comparison. The 15% difference is accounted for by exempt producers or free-riders who do not comply with the regulations. Not enough is known about this segment of the market for Scotland to model the full distributional effects of lowering de-minimis but this does not alter the overall producer costs of the EPR scheme presented here.
92. Obligated producers can create their own system for collecting and recycling packaging and supply the required evidence to the regulatory body with oversight of the scheme. Alternatively, they can join the accredited scheme and meet its producer fees according to the amount and type of household packaging placed on the market. A requirement exists for producers to label packaging as being scheme compliant. One example of this is the Green Dot symbol<sup>22</sup>. This cost to business has been included in the analysis.
93. The litter enforcement strategy costed in this option reflects that an EPR scheme has significantly lower impact on littering behaviour (but on a wider range of packaging materials) than the impact achieved by a DRS. Obligated producers are required to contribute to the national litter enforcement strategy as part of their producer fee. Benefits of the litter enforcement strategy are captured as part of the societal benefits in Table 5.
94. Table 4 below provides a summary of the key components, numbers and values used to calculate the costs and benefits of a Scottish EPR scheme.
95. Table 5 below utilises the components, numbers and values from Table 4 to calculate the costs, benefits and net benefit of a Scottish EPR scheme. The figures presented reflect only the costs and benefits associated with the 32.7% of DRS household drinks containers that are captured by the broader EPR scheme. For DRS household drinks containers, the average capture rate for the three collection streams is modelled to reach a maximum of 54% of which the household plastics packaging capture reaches a maximum of 55%

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<sup>21</sup> In the Belgian EPR, for example, stakeholders agree on the average annual costs for collecting and sorting household packaging. This falls under the remit of the scheme's regulatory body.

<sup>22</sup> [Defra](#)

**Table 4. Key components and values used to model a Scottish EPR scheme (all household packaging)**

| Component            | Description  | Number   | Value          |
|----------------------|--|--|----------------|
| Materials in scope   | Household packaging: glass, paper/board, mixed plastics and metal containers   | 548,000 tonnes of household packaging (collected from kerbside and bring sites) of which 254,000 tonnes (46%) currently recycled in base year. Of total household packaging arisings, DRS tonnes account for 179,000 tonnes (32.7%). | N/A            |
| System performance   | Recycling rates of in-scope materials  | EU Circular Economy Package targets for 2030; glass 75%, paper/card 85%, plastics 55% aluminium 60% steel 80%  | N/A            |
| Infrastructure costs | Costs of upgrading and expanding sorting facilities to handle additional recycling. Costs associated with collection service change  | Additional 126,000 tonnes recycled annually compared with the baseline option  | £116 million   |
| Re-labelling costs   | Costs to businesses of modifying existing labels to mark EPR scheme compliant packaging. This figure includes broader impacts across the supply chain such as changeovers and logistics. Costs adjusted upwards to reflect higher number of Stock Keeping Units (SKU) in household packaging versus SKUs covered by DRS. | N/A  | £415.8 million |

|                                      |   |  |  |
|--------------------------------------|---|--|--|
| Producer fee                         | Fee charged by EPR scheme to packaging producers either for the number of items or the tonnage of household packaging placed on the market  | N/A                                      | Subject to overall scheme costs and material price development |
| Scheme administration and regulation | Two new bodies set up to fulfil these functions. Assumed that bodies are integrated into existing regulatory structures to save overhead costs  | N/A                                      | £47.3 million  |
| Communications                       | National campaign prior to EPR launch and on-going door-to-door engagement with householders to reinforce new recycling methods.  | 2.48 million Scottish households in 2018 | £63.8 million  |
| Litter enforcement strategy          | A summary of the costs of the litter reduction strategy are given in Annex B  | N/A                                      | £115.4 million   |
| Material revenue                     | Various publicly available sources. Adjusted to reflect changes in Full Business Case Addendum.   | N/A                                      | £334.6 million   |
| Carbon factors                       | Carbon factors used to calculate the carbon benefits of recycling glass, paper, cardboard, plastic, aluminium steel and residual waste. Higher traded carbon values updated in line with BEIS guidelines. | See <a href="#">link</a>                 | See <a href="#">link</a><br>See <a href="#">BEIS</a>           |

**Table 5. NPV Costs and Benefits of an EPR for Scotland – DRS Household Tonnes Only**

| <b>Actor Name</b> | <b>Costs (£m)</b> | <b>Benefits (£m)</b> | <b>Net Benefit (£m)</b> |
|-------------------|-------------------|----------------------|-------------------------|
| Local Authorities | 0                 | 138                  | 138                     |
| Business          | - 473             | 669                  | 196                     |
| Regulator         | - 5               | 0                    | - 5                     |
| Society           | 0                 | 74                   | 74                      |
| <b>Total</b>      | <b>- 478</b>      | <b>880</b>           | <b>402</b>              |

Figures may not sum due to rounding

96. The EU Plastics Directive requiring a 90% separate collection target for plastic bottles by 2029 is unlikely to be reached under this packaging EPR scheme. The four strategic DRS outcomes are not optimised under this packaging EPR scheme.

#### 4.5 Comparison of Options

97. The above economic analysis of a Scottish DRS (option 2) and a Scottish EPR scheme (option 3) provides a comparable NPV for each option. The NPV output for a Scottish DRS is £615m, compared to an NPV output for the household drinks component of an EPR scheme of £402m. DRS is the preferred option.
98. Calculating the net benefits of a DRS and an EPR scheme and selecting the preferred option on the basis of this comparison is the standard approach in a BRIA. The choice of the preferred option is not however a simple binary one because it is most likely that a new EPR scheme(s) will be introduced in Scotland and the rest of the UK in the near future. As outlined at paragraph 58, work is underway to reform the current packaging producer responsibility system. The modelling work undertaken here acknowledges this future policy development and recognises that the remaining packaging waste stream in Scotland will be net of DRS drinks containers.
99. The two policy options are considered complementary with DRS initially bringing the benefits of four strategic outcomes:
- Increase the quantity of target materials collected for recycling
  - Improve the quality of material collected, to allow for higher value recycling
  - Encourage wider behaviour change around materials
  - Deliver maximum economic and societal benefits for Scotland

Based on these outcomes the comparison between the two options are considered in more detail below.

100. Labelling of EPR material and a single collection system across Scotland are expected to address householder's uncertainty around which material can currently be recycled and will therefore reduce contamination within the recycling streams. However, the quality of recycled material from mixed collections at kerbside will be lower than that of a DRS which separates

material at the point of collection, returning high value material into the reprocessing cycle.

101. The EPR scheme falls short against a DRS in its capacity to encourage wider behaviour change around materials. While an EPR scheme will facilitate recycling efforts by consumers already engaged, it does not incentivise behaviour change in the same way that a DRS will. As a result, there is likely to be limited impact on littering behaviour and it will take longer for recycling rates to increase significantly. In comparison, a DRS will have significant impact very quickly. Loss aversion is likely to act as a powerful motivator to incentivise behaviour change, both in terms of littering fewer drinks containers (which make up a considerable share of the litter stream) and returning drinks containers for recycling in order to redeem the deposit. It is possible that the DRS incentive might lead to a change in behaviour regarding other items typically littered, and general recycling behaviour. These have not been modelled.
102. Since a DRS has a strong behaviour change incentive, recycling rates of material in scope are expected to increase within a short timeframe (DRS achieves its target capture rate in year two, and the EPR scheme reaches its target capture rate in year nine). For DRS, the attributed environmental and societal benefits are accrued almost immediately, positively impacting the overall performance of the scheme in terms of NPV.
103. In addition, the target capture rate for a DRS is 90%. This capture is not anticipated to be achievable under the EPR scheme where a rate of 71% (all packaging) is modelled. As a result, a smaller percentage of drinks containers will end up in landfill/energy from waste under the DRS option.
104. As a result of these wider benefits, a DRS for Scotland is more closely aligned to the strategic objectives of the policy. By delivering impact in a shorter timeframe, by providing wider litter benefits via behaviour change and by increasing the quality of the collected materials, it offers key benefits that are not directly fulfilled by the introduction of an EPR scheme policy.

## 5. Scottish Firms Impact Test

105. The Scottish Firms Impact Test considers the impact of a DRS on key sectors and groups by consulting 12 businesses of varying sizes and sectors as appropriate. Below is the full summary of responses of face-to-face discussions with interviewed businesses, giving details of the questions asked, responses given and how business engagement fed into the development of this proposal. These interviews were conducted as part of the development of the partial BRIA
106. **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 organisation and, if different, the level required to meet the Scottish Government's ambitions for a DRS in Scotland?"

107. **Low or Zero Value Deposit** Two organisations (Ardagh and Highland Spring), stated that the rate should be low or zero. Ardagh was concerned that a higher rate would increase the risk of fraud, and potentially negatively impact on demand for products whilst Highland Spring conducted a survey of consumers which suggested that demand for its products would decrease substantially if the sale price of its products were increased to cover even the lower rate of deposit of 10p.
108. **High Value Deposit** Conversely, three respondents (Changeworks, Crieff Hydro and the Co-op Group) believed 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 cited its understanding of the experience of AG Barr which secured no more than 50% returns on glass beverage bottles when offering a deposit of 30p as justification for a higher rate.
109. **Specific Value Deposit** Costa Coffee and Coca-Cola both preferred a rate of circa 10p with Coca-Cola suggesting between 5p and 10p. The National Federation of Retail Newsagents (NFRN) recommended a rate of 20p.
110. **Variable Rates** Two organisations (Coca-Cola and Crieff Hydro) believed that consideration should be given to the application of variable rates. Coca-Cola suggested a higher rate for “on-the-go” packaging with a view to minimising littering whilst Crieff Hydro believed that a variable rate should be considered “to take account of established recycling systems”.
111. **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.
112. **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?”
113. **All Containers/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.

114. **Limited Range of Containers Included in the Scheme** Coca-Cola and NFRN believed that the scheme should be limited to rigid packaging such as glass, plastic and aluminium. Costa Coffee believed that the focus should be on on-the-go packaging and should possibly exclude glass because of its weight. The Co-op Group believed that the scheme should target on-the-go packaging and that which contributes most to littering, although milk and wine bottles should be exempt.
115. **Specific Container Exclusions** Ardagh believed that glass should be excluded because its inclusion would, in its view, result on pressure by retailers to reduce the use of glass packaging in favour of plastics and laminates. This view was 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 believed glass should “possibly” be excluded. Crieff Hydro believed that metals should be excluded because they are well catered for under established dry mixed recycling (DMR) collection systems. Williams Brothers suggested that biodegradable/compostable containers should be exempt. NFRN believed that milk containers should be exempt on the grounds of hygiene and that coffee cups should be excluded because they believed there is a lack of facilities to recycle them.
116. **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?”
117. **Space and Logistical Constraints for Small Retailers** This was raised as a concern by eight organisations (Ardagh, Changeworks, Costa Coffee, Crieff Hydro, The Co-op Group, Highland Spring, NFRN and SESA).
118. **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 of footfall away from them to larger retailers.
119. **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.
120. **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 RVMs should be provided close to small retail outlets to minimise the impact on this sector. Costa Coffee were 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 similar concern and were

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 believed that the space taken up by RVMs should be exempted from the calculation of business rates.

121. **No Fixed View** Neither the SWA nor the RHA had a fixed view on this issue.
122. **Question 4** “Does your organisation have specific concerns on how the scheme might impact more remote areas of Scotland e.g. logistical constraints?”
123. **Logistical/Critical Mass Issues/Cost/Cash Flow Issues** Four organisations expressed concerns about logistical and/or critical mass issues - Ardagh, Costa Coffee, NFRN and SESA. The Co-op Group was concerned about the added costs to stores serving island communities where goods have to be delivered by ferry. It suggested 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 hauling returned packaging. Williams Brothers expressed concerns that “out of season” cash flow challenges for small independent retailers in remote areas might be exacerbated.
124. **Explicit Support for Full Geographic Coverage/No Concerns** Coca-Cola and SWA supported full geographic coverage. Changeworks and RHA expressed no concerns about the potential impact in more remote areas.
125. **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.
126. **No Fixed View** Highland Spring had no fixed view on this issue.
127. **Question 5** “Administration of the scheme can include representation from the main stakeholder groups, primarily drinks manufacturers, importers and the retail sector. Does your organisation hold a view on what this body should look like, including its remit and what groups should be represented?”
128. **Majority View on Scheme Administration** The majority of organisations interviewed were in favour of the scheme being administered by representatives of stakeholders. However, there was no unanimity of who those stakeholders might be.
129. **Additional Views** Some, like Coca-Cola and Ardagh Group, took a narrower view than others, with the former suggesting the membership should be limited to organisations 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, were in favour of expanding membership to include organisations representing local authority waste managers and the wider waste management industry. A number of

organisations were explicitly of the view that the administering body should operate on a not-for-profit basis.

130. **No Fixed View** Two organisations had differing views to the majority; Changeworks had no fixed view on the issue whilst RHA was of the view that the scheme should be administered by the Scottish Government.
131. **Question 6** “It is expected that the scheme will result in lower levels of litter. How would this impact your organisation?”
132. **No or Minimal Impact on Litter** 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 had shown that drinks packaging was not a significant contributor to litter. The Co-op Group was of the view that its costs for litter management would not reduce, although there may be a modest reduction in littering.
133. **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.
134. **Other** Crieff Hydro anticipated that reduced levels of litter on its estate would reduce clear-up costs. The RHA said that reduced roadside litter would be welcomed. Changeworks said that the scheme might improve attitudes to recycling and managing waste as a resource. NFRN advised that they would welcome the benefits that reductions in littering would realise. Williams Brothers expressed no firm view on the matter.
135. **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?”
136. **Positive Impact on Recycling** The majority of responses were positive. Changeworks, Coca-Cola, Costa Coffee, Crieff Hydro, the Co-op Group, Highland Spring and SWA all believed that increased recycling rates, a decrease in contamination and an increase in the quality of secondary materials would 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.
137. **Negative Impact** Ardagh and SESA were not persuaded that there would be 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 expressed concern that the scheme might even result in a reduction in the quality of glass packaging presented for recycling, especially if glass packaging is crushed to reduce its volume. SESA believed that DRS will, to a great extent, displace existing recycling collection systems and further decrease the quality of dry mixed recyclate that is sent to materials recovery

facilities for sorting. If so, this would have a negative impact on the waste industry.

138. **No Impact** NFRN's view was that independent retail sector would realise no impact from an increase in the quality of secondary materials.
139. **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?"
140. **Specific Views on Fraudulent Misuse:** Coca-Cola had very specific views on fraud. They noted that fraud prevention is critically important in any DRS and needs to be taken very seriously in the 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.
141. Return points and counting/clearing centres would 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 would also need to be mitigated. For this reason, the role of hardware and logistics service providers would have to be arranged in detail. Anti-fraud measures would need to be closely monitored to assess their success or otherwise and updated if they were shown to be less than fully effective.
142. **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 was that packaging material stored for collection by its customers might be stolen, whilst Ardagh and Williams Brothers were concerned that they might have to introduce measures on their premises to prevent theft by employees and others.
143. **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 was also of concern to the Co-op Group who believed that there was also the potential for reduced consumer choice unless a common UK-wide scheme was introduced.
144. **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.

145. **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.
146. **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?”
147. **Support/No Objection to Charitable Donations** Five organisations, Coca-Cola, Costa Coffee, the Co-op Group, NFRN and RHA, supported the gifting of deposits by users at the point of return. Coca-Cola believed that charities that benefit should be those 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, 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 had no view on the selection process whilst SWA believed that there would be relevance in the beneficiaries being charities operating in the environment sector. Williams Brothers preference was that beneficiaries should be smaller, local charities.
148. **Oppose** Two organisations, namely Crieff Hydro and Highland Spring, opposed the gifting of deposits to charities. Highland Spring believed 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.
149. **No View** Ardagh and Changeworks advised that they had no view on the matter.
150. **Question 10** “What in your opinion will be the biggest potential impacts to Scottish businesses as a result of introducing a DRS?”
151. 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 had no views on the matter.
152. **Own Industry or Sector** Five out of seven 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 (Ardagh Group).
  - 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 the need for changes in distribution practices 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 regarded the scheme as an opportunity for it to capture a significant volume of challenging waste as a resource, whilst NFRN viewed it as an opportunity for the convenience retail sector to increase footfall and revenue.

153. **Wider Economy** The views of the four 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.

154. SESA expressed a number of additional concerns, including:

- Disruption to businesses at the outset as they come to terms with the scheme and its impact on them.
- Additional disruption due to new infrastructure.
- Responsibilities that councils had for household and business collections would be displaced, resulting in confusion and reduced revenues for councils.
- Lack of clarity about who would 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 would deteriorate.

155. **Question 11** "Is there anything else you wish to add not covered by the above questions?"

156. 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 commonality between schemes introduced by the different countries of the UK, including a common start date, to avoid confusion and unnecessary cost

157. **Summary** The above responses have helped to shape the development of the final scheme design and associated legislative approach in the form of the Draft DRS Regulations.<sup>23</sup> The range of issues raised have been addressed throughout the suite of published documents accompanying the final Regulations, including the potential impact on small retailers, concerns regarding fraud, and the desire for a UK-wide scheme. Note that significant further business engagement regarding the implementation timetable and other changes was carried out during summer and autumn 2021. Please see section 3.3 for more details.

## 6. 6.0 Consumer Assessment

158. It is important to consider the impact of the introduction of a DRS on the consumer, taking into account consumers of specific industries, firm types and businesses of different sizes. As per guidance, consumer impact is assessed against the questions.

### Q1. Does the policy affect the quality, availability or price of any goods or services in a market?

159. The policy will apply a 20p deposit on eligible drinks containers. This deposit will be reimbursed once the consumer returns the container to a return point. The impact of this deposit is assessed in the DRS Fairer Scotland Impact Assessment.

160. A number of businesses throughout the supply chain have highlighted the additional production, warehousing and distribution costs that would arise as a result of the introduction of a DRS in Scotland in advance of the rest of the UK. These costs are linked to the introduction of distinct Scottish labelling as a fraud-prevention measure for the scheme.

161. Producers in particular have indicated that these increased costs could influence the number of product ranges supplied to the Scottish market, with lower-volume products likely to be most at risk. The scheme design seeks to mitigate this risk by introducing a degree of flexibility around the fraud-prevention measures to be adopted by producers. Distinct Scottish labelling on products is not mandated and it will be left to producers (working with the scheme administrator) to identify the most effective and efficient combination of fraud-prevention measures for the purposes of the scheme.

162. In the Full BRIA a commitment was made to consider any potential pass-through of increased costs on producers to consumers in the Final BRIA. As

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<sup>23</sup> The Deposit and Return Scheme for Scotland Regulations 2020

outlined at paragraph 74, it is the expectation that DRS will be funded by revenue generated from the sale of materials, with unredeemed deposits being fed back into the system, and a balancing payment made by producers to make up any shortfall. The producer fee (or fees) will likely be set by a single scheme administrator and will be charged to producers on a per-container basis. Zero Waste Scotland has given detailed consideration to the extent to which such fees are likely to be passed on the consumers. While evidence gathered from other international schemes suggests that a proportion of these costs is generally passed on, it is not clear how the Scottish market is likely to respond to the scheme's introduction. The competitive nature of that market also suggests there is significant scope for a divergence in approach amongst producers (see Annex E for more details).

**Q2. Does the policy affect the essential services market, such as energy or water?**

163. No.

**Q3. Does the policy involve storage or increased use of consumer data?**

164. The methods of payment for the returned deposit to consumers are yet to be confirmed. However one option is to return the deposit via an online payment system, such as PayPal. This would require the consumer to register their personal details, resulting in the storage of consumer data either via a third-party platform or via a directly managed system. In this instance, it would be the responsibility of the scheme administrator to ensure that consumer data were stored appropriately and securely as per regulations.

**Q4. Does the policy increase opportunities for unscrupulous suppliers to target consumers?**

165. Unscrupulous suppliers could place drinks on the Scottish marketplace without paying a deposit into the scheme. If consumers paid a deposit, they would lose this when the container was not accepted by automated or manual return points.

166. The Regulations to establish the scheme provide for wide-ranging criminal penalties (on summary conviction a fine not exceeding the statutory maximum of £10,000, or on indictment and conviction an unlimited fine) where it is established that a producer has failed to comply with their legal obligations. They also provide SEPA with extensive examination and investigative powers, the ability to access premises and to require the provision of documents and records to support enforcement activity. These tools have been used effectively by SEPA in other contexts.

167. A scheme administered centrally (i.e. by a single scheme administrator), which requires producers to report the number of containers they place on the market and monitors the number of deposits reclaimed, will be able to determine where deposit returns are higher than the number of items sold.

This will be a good indicator that fraud is occurring and will allow targeted action to be taken.

168. It is then open to industry to identify what further measures should be taken to reduce the potential for fraud to occur. This will include consideration being given to the merits of adopting distinct labelling as a means of identifying those drinks containers which have attracted a deposit. This would serve as a strong deterrent to fraud but would involve a level of cost for industry. Labelling is a common feature of other European schemes although it should be noted that this approach is often one of a suite of measures adopted by producers.
169. Following passage of the Regulations industry has raised the possibility of a 'grey market' operator sourcing products not intended for the Scottish market (and therefore not paying the deposit) and selling them to Scottish retailers, fraudulently charging the deposit. In cases where a distinct label is not adopted, this could pose a risk to the finances of the scheme as well as undercutting honest wholesalers. To address this risk we are amending the Regulations to require any person who sells (to a person other than a consumer) an article not intended for sale in Scotland to communicate to the purchaser that it is not a scheme article and cannot be redeemed for a deposit. This will allow SEPA as regulator for DRS to investigate and take appropriate action.

**Q5. Does the policy impact the information available to consumers on either goods or services, or their rights in relation to these?**

170. No.

**Q6. Does the policy affect routes for consumers to seek advice or raise complaints on consumer issues?**

171. No.

**7. Competition Assessment**

**7.1 Summary of Competition Impact Assessment Findings**

172. This section assesses the potential impacts of the final scheme design on competition among producers and retailers in the Scottish market. DRS is not expected to have a material effect on competition, and the scheme design will not place any significant restrictions on particular suppliers operating in the Scottish market. The obligations placed on producers and retailers are not expected to have disproportionate impacts on any particular market participants, with the scheme design affording sufficient flexibility to accommodate a wide range of businesses.
173. In particular, the scheme has been designed with features that mitigate the potential impact on smaller producers and retailers. These include flexibility

around the fraud-prevention measures to be adopted by producers and alternative collection mechanisms for smaller retailers. These mitigations will need to be kept under review as the scheme is developed and implemented.

174. Another area of potential impact is the Scottish border with England. Other deposit return schemes implemented internationally have seen some impact on cross-border purchasing habits as consumers modify their behaviour. In Scotland's case, the relatively low levels of population with easy access to the English market, and the low costs to the consumer of refunding any deposits paid, mean these impacts are again not expected to be significant. The decision to proceed with a Scottish DRS in advance of the rest of the UK creates increased potential for fraudulent activity, with non-DRS containers being transferred from England to Scotland in order to fraudulently obtain deposits. A degree of fraud is common in most international schemes and there is potential for this to be amplified in Scotland due to the integrated nature of the UK drinks market. The final scheme design as described in the Regulations affords producers the necessary flexibility to adopt the most effective and efficient combination of fraud prevention measures for the purposes of the scheme. The Regulations have been strengthened to ensure SEPA is able to investigate and take action in the case of fraudulent sales of non-Scottish articles to retailers.
175. Finally, there is a need to consider the potential consumer response to any price changes caused by the scheme. International experience suggests that, once refunds are taken into account, the impacts of price changes are low and this section presents some demand and elasticity modelling which supports this conclusion.

## **7.2 Introduction**

176. This Competition Impact Assessment analyses the likely economic impact of introducing a DRS on the competitiveness of producers and retailers of single-use drinks containers. It further considers the consequential impact on consumers in the Scottish drinks market.

## **7.3 Competition and Markets Authority Guidelines**

177. The Competition and Markets Authority (CMA) defines competition as a "process of rivalry between firms" which in theory "encourages firms to deliver benefits to customers in terms of lower prices, higher quality and more choice".<sup>24</sup> A concentrated market, with a corresponding high degree of competition, leads firms to distinguish themselves from their rival firms in order to attract demand. Hence, if there are fewer firms in a market, the goods and/or services supplied are less varied and, subsequently, consumers have fewer options. Therefore, consumer choice depends on this rivalry between firms, with less rivalry leading to less consumer choice.<sup>25</sup> This is particularly

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<sup>24</sup> [Competition Impact Assessment](#)

<sup>25</sup> [Completing Competition Assessments in Impact Assessments](#)

evident in cases where goods are standardised or homogeneous, as it will be harder for consumers to determine the best option. However, in this case, firms may compete in other ways such as through branding and the use of different sales channels.

#### **7.4 Competition Checklist**

178. This assessment followed the guidelines set out by CMA, which outline how to determine any competition impact. These guidelines recommend considering four key questions in order to assess whether a proposed policy would have an impact on competition. These are:

- Will the measure directly or indirectly limit the number or range of suppliers?
- Will the measure limit the ability of suppliers to compete?
- Will the measure limit suppliers' incentives to compete vigorously?
- Will the measure limit the choices and information available to consumers?

179. These questions have been applied to the Scottish DRS with the assessment being primarily based on data on the Scottish drinks market provided by Kantar Worldpanel and the British Soft Drinks Association (BSDA) as well as further research gathered by Zero Waste Scotland. In order to allow for a more in- depth analysis, the first question has been divided into two sub-questions below, differentiating between direct and indirect effects on the number and range of suppliers. While the CMA guidelines solely make reference to suppliers as a whole, where necessary a distinction has been made between drinks producers and drinks retailers, in order to assess the varying impacts on competition.

#### **7.5 Definition of Markets**

180. Listed below are the markets and sectors which have the potential to be affected directly (downstream) and indirectly (upstream) by the introduction of DRS.

181. Markets directly affected:

- Drinks retailers and wholesalers selling onto the Scottish market (including the hospitality sector)
- Producers and importers of drinks for the Scottish market

182. Markets indirectly affected:

- Bottling
- Labelling and packing
- Packaging
- Glass production
- Plastic production
- Aluminium production

- Steel production

## 7.6 Overview of the Scottish Drinks Market

183. Multinational companies are the dominant suppliers in the Scottish drinks market<sup>26</sup> with Scottish markets supplied by a combination of Scottish production facilities, those in the rest of the UK and imports from the rest of the world. Food and drink manufacturing generates around £14 billion each year for the Scottish economy and accounts for around one in five manufacturing jobs.<sup>27</sup> Whisky production dominates the drinks industry, contributing almost 90% of the sector’s GVA and just short of 75% of employment. However, large volumes of production are destined for the rest of the UK or wider export (£5.35 billion of Scottish distilling is exported internationally).<sup>28</sup> In common with the rest of the UK, there is growing interest in smaller producers such as craft brewers and distillers, with the number of small brewers increasing by 229% between 2010 and 2018.<sup>29</sup>
184. In total around 2.2 billion drinks containers are expected to be in scope of the DRS.<sup>30</sup> A breakdown of the percentage of containers by type can be found in Figure 1 below.

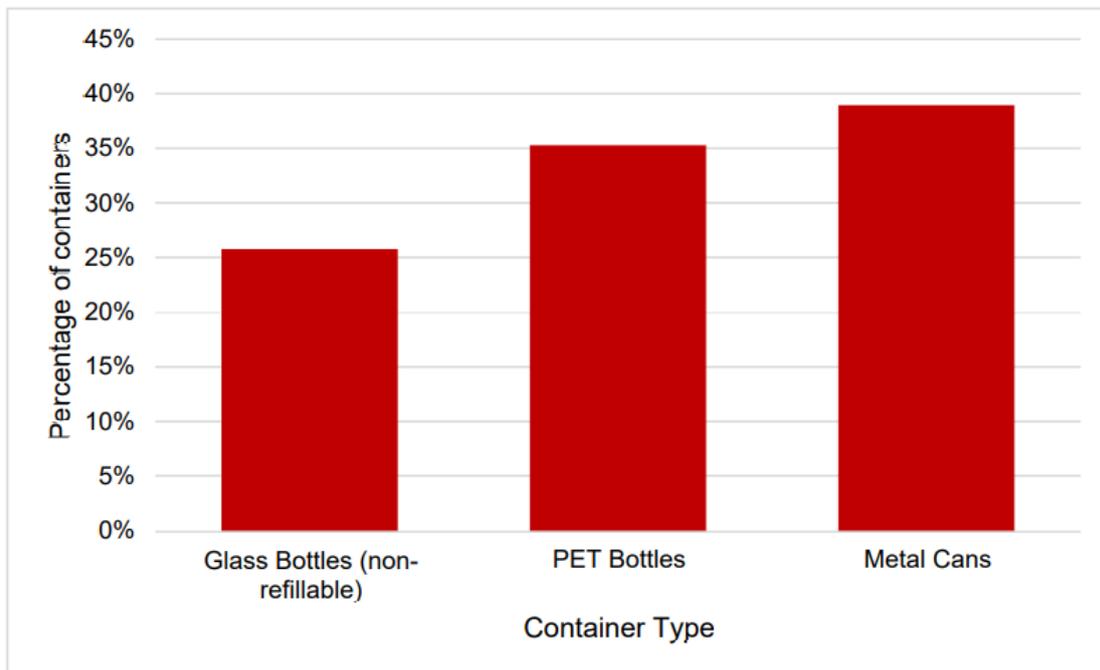


Figure 1. Drinks containers distributed in Scotland in 2016 by container type

<sup>26</sup> [Scottish Licensed Trade News in conjunction with CGA](#)

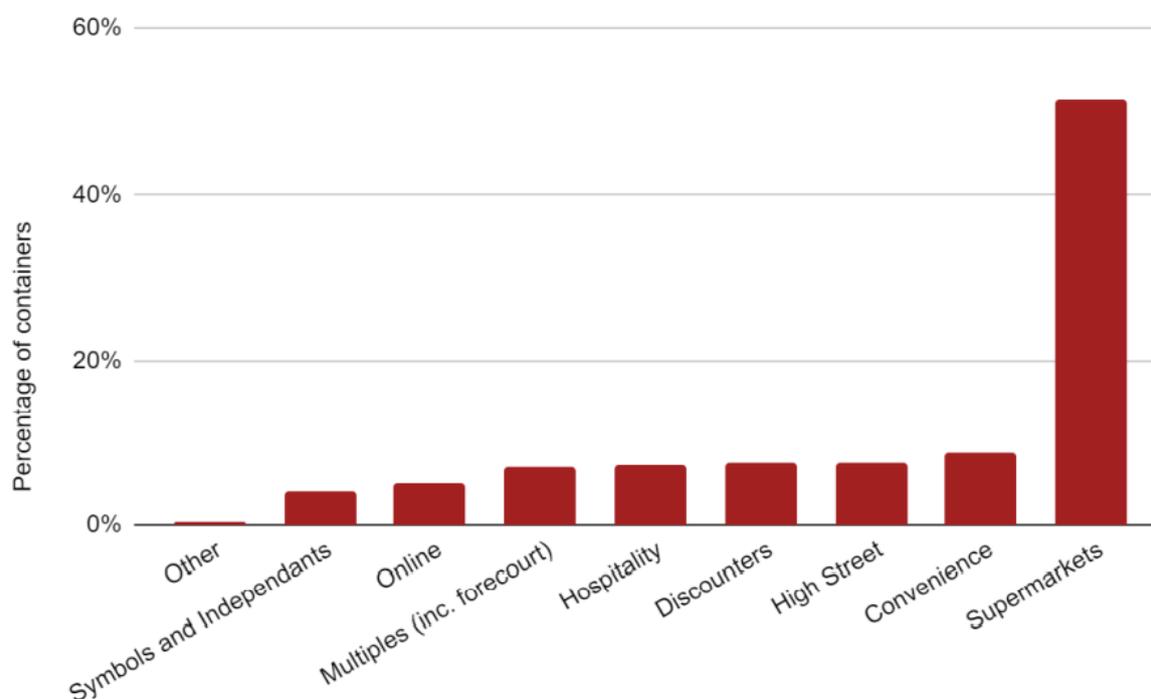
<sup>27</sup> [Scottish Government \(2019\) Food and Drink](#)

<sup>28</sup> [Export Statistics Scotland 2017](#)

<sup>29</sup> [Brewing and Distilling in Scotland - Economic Facts and Figures, Scottish Parliament](#)

<sup>30</sup> [British Soft Drinks Association for 2016](#)

185. There is a wide variety of retailers operating in the Scottish drinks market from large supermarkets through to smaller retailers such as discounters, independents, “multiples”,<sup>31</sup> “symbols”,<sup>32</sup> and convenience shops. The largest volume of sales of single-use containers is by supermarkets, although these account for just over half of all total sales (Figure 2).



**Figure 2. Drinks containers distributed by outlet type in Scotland in 2017<sup>33</sup>**

186. Smaller retailers are responsible for a significant proportion of sales overall. There are a large number of retailers operating in these categories. Around 50% of retailers (not including hospitality) have a retail space of less than 250m<sup>2</sup> excluding storage space (Figure 3).

## 7.7 The impact of COVID-19 on the Scottish drinks market

187. The coronavirus pandemic has impacted the market for drinks containers in Scotland. Due to the series of lockdowns since March 2020, there has been a shift from out-of-home consumption such as workplaces, pubs, and restaurants to in-home consumption. What is much less clear is how long-lasting these emerging trends will be and if, or to what extent, consumption patterns return to those seen pre-pandemic.
188. The pandemic has had a particularly significant impact on the online drinks market, which expanded due to the shift from out-of-home to in-home

<sup>31</sup> Multiple groups are chains of convenience shops, based on common ownership of shops. Examples include Tesco Express and Little Waitrose.

<sup>32</sup> Symbol groups are a form of franchise, where the shops themselves are independently owned but are supplied by the franchise and trade under a common brand. Examples include Costcutter, NISA and Spar.

<sup>33</sup> See Annex C Table 2

consumption. This was the product of exceptional circumstances and, while the Scottish Government will continue to monitor developments, it considers there is no evidence to require a change in policy at this time.

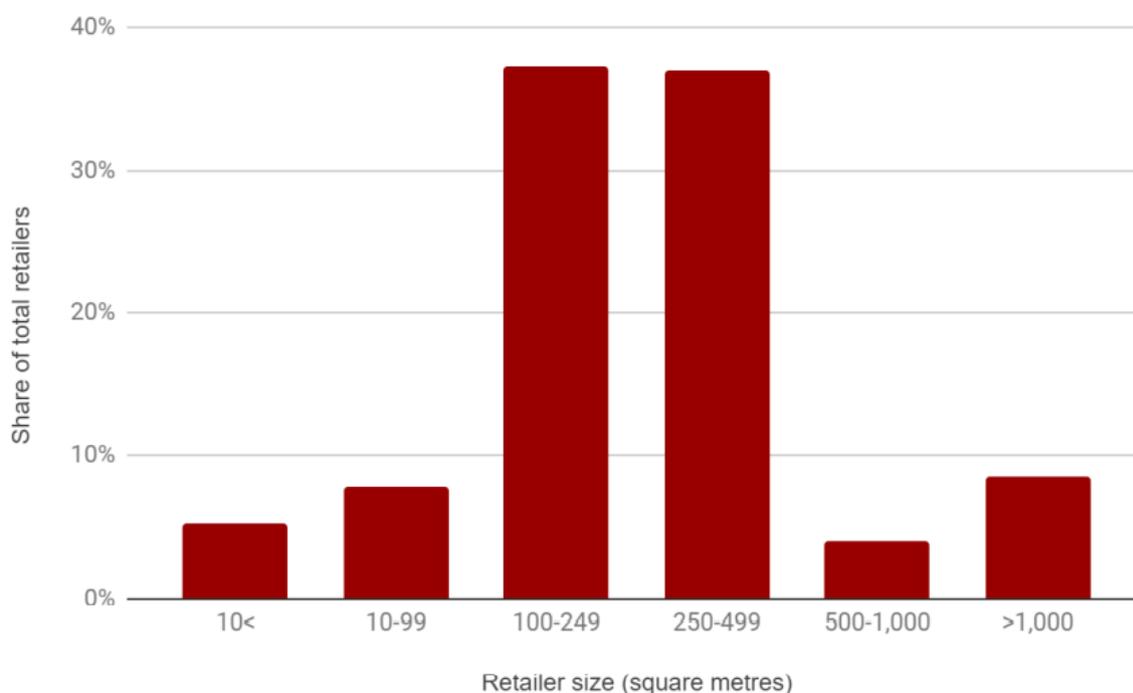


Figure 3. Scottish retailers (excluding hospitality by sales area)<sup>34</sup>

## 7.8 Detailed Competition Assessment

### Question 1a: Will the measure directly limit the number or range of suppliers?

189. **No competition impact is anticipated.** The overall Scottish drinks market is competitive (research by Zero Waste Scotland suggests the availability of more than 5,000 brands on the market) and DRS will not involve either awarding limited exclusive rights to supply the market, or introducing a licensing scheme restricting the number of suppliers. The regulations and criteria governing the scheme will not directly limit suppliers' ability to participate in the scheme. Any incentives for improving the quality of materials within the DRS, such as through a variable producer fee, will not constitute a direct restriction on participation in the Scottish market.

### Question 1b: Will the measure indirectly limit the number or range of suppliers?

190. As set out in the Full Business Case Stage 1, implementing a DRS in Scotland will result in significant benefits in the form of improved recycling quality and quantity, as well as a reduction in litter. While the net present value of the scheme will be positive for the above reasons, the scheme will generate an increase in direct and indirect costs for suppliers of drinks

<sup>34</sup> Nielsen data for Zero Waste Scotland

containers in scope of the scheme. This section considers the implications of these costs on the competitiveness of suppliers in the Scottish market.

## I) Impact on Producers

191. **New producers: no competition impact is anticipated.** New producers will face the same type and relative scale of costs as existing suppliers with regards to DRS and the scheme will not create any barriers to entry.
192. **Producer fee: no significant competition impacts are expected.** As outlined at paragraph 68, income for the scheme will be generated from three streams: the sale of materials collected through the scheme, unredeemed deposits, and a fee paid by producers. The producer fee is likely to be applied on a per-container basis and we anticipate the fee level will be determined, at least in part, by the type of material used in the production of the containers. Materials that attract a higher sale value for the scheme administrator, such as aluminium, are expected to be subject to a lower fee.
193. In the DRS Full Business Case Stage 1, the producer fee was calculated on a “whole of scheme” basis in order to understand the contribution required to achieve full-cost recovery. Further work has subsequently been undertaken to understand the impact of calculating the producer fee by material type. This approach takes account of the contribution that different material types make to the scheme in terms of material sales revenues. While it is acknowledged that the methodology may be further developed by any scheme administrator going forward, this initial work suggests producer fees ranging from 0.8p (aluminium and steel) to 1.8p (glass and PET) once the scheme reaches its steady state.
194. It is not anticipated that the fee will disproportionately affect particular types of producer. The variation in fee charged will be offset by differences in the underlying cost of the materials as more expensive materials will be subject to lower fees because of the higher resale value (see Table 6 below). In general, it is not expected that there will be significant shifts in material used given the costs involved and limits on the substitutability of materials. The degree to which a producer change in use of materials could result in a competition impact will be further explored in Question 2 under “*Materials of containers*”.
195. Higher first year costs: no significant competition impacts are expected although the impact will depend on the final level of set-up costs and the funding model chosen. In addition to the ongoing fee, set-up costs associated with the scheme will require additional funding from producers, which again are expected to be raised on a per-container basis. The Full Business Case Addendum estimates set-up costs in the region of £28 million. If the costs passed on to producers were significant, there would be the potential for a disproportionate impact on smaller producers who could face higher relative costs raising capital. Funding models that required any additional charge to be in the form of a one-off payment would be likely to have a greater potential impact. A range of funding models should therefore be explored.

196. In addition, other first-year effects have the potential to largely or entirely offset the higher costs and mitigate these impacts. In the first year of the scheme, unredeemed deposits are likely to be higher as scheme participants restock their supply chain with DRS-eligible containers. This has been experienced by some other countries that have implemented a DRS. In Lithuania,<sup>35</sup> the return rate in the first year of DRS was approximately 75%, before growing to over 90% in the following year. If a similar impact were seen in the Scottish market, this would yield significant additional sums in year one of the scheme, based on current estimates of the number and value of returns. It should, however, be recognised that there may be restrictions on the ability of a scheme administrator to utilise such funds in its early years of operation. Again, this is explored further in the Addendum to the DRS Full Business Case Stage 1.

**Table 6. Prices for recycled materials and containers sold per material type**

| Material type        | Price per tonne<br>(Jan 2019 average) <sup>36</sup> | Number of containers<br>sold <sup>37</sup> |
|----------------------|---|--|
| Aluminium            | £880  | 845,952,852                                |
| Steel                | £114  |  |
| Clear glass          | £20   | 559,586,695                                |
| Brown glass          | £17   |  |
| Green glass          | £8  |  |
| Mixed glass          | £15   |  |
| Clear PET Plastic    | £110  | 766,088,825                                |
| Coloured PET Plastic | £30   |  |

197. **Changes in packaging processes: no or minimal competition impact is anticipated.** It is expected that the majority of containers sold onto the Scottish market will incorporate new identifying marks once the DRS is implemented, allowing them to be easily distinguished as part of the scheme. Similar to other DRS, these are expected to include a DRS identifying barcode, which would facilitate automatic collection via an RVM, and a specific symbol allowing easy visual recognition for manual returns.

198. Labelling changes are not mandatory, and a series of options will exist to mitigate any potential competition impact. The options most likely to be open to producers are: 1) to amend primary packaging to include an identifying deposit mark and barcode; 2) to purchase adhesive labels from the scheme administrator displaying the deposit mark and barcode; 3) to continue using

<sup>35</sup> [Recycling: Lithuania deposit scheme exceeds all expectations](#)

<sup>36</sup> [LetsRecycle](#) (extracted on 1/3/2019)

<sup>37</sup> British Soft Drinks Association for 2016. Data does not differentiate between aluminium and steel can containers, or different types of glass or PET plastic. These are therefore aggregate figures.

an international barcode but pay a higher producer fee to account for the increased risk of fraud. These three options offer a variety of solutions to suit the size of the producer/importer and could be overseen by a scheme administrator. It is anticipated that it would make financial sense for larger producers to change their primary packaging, whereas smaller producers/importers may choose an adhesive label or the higher producer fee, in order to avoid investment in primary packaging changes.

199. For producers who change their labelling, there will be some extra costs including any costs from redesigning labels and changes in production processes. Zero Waste Scotland estimates that these additional costs associated with marking the containers would be similar across all material types and therefore a significant competition impact is not expected on producers using different types of materials.
200. In the case of international products, it is the intention that the business importing the product for sale on the UK market assumes the obligations of the producer. Therefore, significant competition impacts falling specifically on domestic or international producers are not anticipated as a result of the introduction of the DRS.
201. DRS will only apply to relevant containers that are sold in Scotland. Therefore, any decision to use specific labelling associated with DRS could create additional costs for producers who supply to Scotland and other markets, compared to those who just supply the Scottish market. It is common for UK-wide producers to operate in markets where their primary competitors also serve the whole UK market and therefore there are no expected significant competition impacts on producers associated with the English/Scottish border. Were a single approach to the identification of packaging to be prescribed, it might give a competitive advantage to some producers. In order to prevent this, the approach taken to the identification of scheme packaging in the Regulations is intended to be as flexible as possible, allowing for producers and other sellers operating both in and outside of Scotland to find and adopt an approach that works the best for them.
202. **Administrative costs of the scheme: no significant competition impacts are expected.** While it is envisaged that there would be new requirements on producers, for example delivering monthly sales reports to the scheme administrator and registering for the scheme, these would build on existing requirements to track sales and production.

## II) Impact on Retailers

203. The Regulations which establish DRS will obligate almost all retailers of products within the scope of the scheme to offer a return service, which will ensure DRS is cost-neutral to consumers who return the used containers. Retailers will be required to check the containers received fall within the scope of the scheme (potentially using a barcode and/or symbol as discussed

above)<sup>38</sup> They will be able to charge a handling fee from the scheme administrator to fully compensate them for the costs involved in the collection, checking and storage of used containers. Retailers will have the option of refusing returns where the quantity of material is disproportionately greater than the volume of containers they would usually sell as part of a single transaction.

204. Retailers will be able to choose whether they operate the return service through the installation of a reverse vending machine (RVM) which would automatically check, collect and refund the deposit on returned containers or, alternatively, a system of manual collection and return (specific options for online retailers and the hospitality industry are discussed in more detail below). If they chose to install an RVM, the retailer would bear the costs associated with implementation and maintenance, although over time these would be covered by the handling fee they received. Generally, it is expected that high- volume retailers will choose to introduce RVMs as they will be able to process returns with greater efficiency, while low-volume retailers will choose to operate manual collection and return, as the costs and space requirements of an RVM may be prohibitive.
205. The choice will be clearly explained, and it is not anticipated that the smallest retailers (such as convenience stores) will opt for an RVM, unless they receive very high volumes of returns; nor that high-volume retailers would opt for manual collection and return. Typically, in other DRS a high proportion of overall returns are received automatically (for example 80% of returns are automated in Germany; 95% in Norway).<sup>39</sup>
206. For the purposes of this analysis, any potential benefits associated with retailers offering collections for deposit-bearing containers, such as increased footfall, are not considered. These would potentially mitigate the effects described above further.
207. **Retailers using the RVM method: no significant competition impacts are expected.** While the smallest retailers would not be expected to use RVMs, there is still the potential for some differential impacts by size of retailer. Given the much larger size of supermarkets, and the likelihood they will choose to install more than one RVM in many cases, the potential competition impacts are likely to be greater in the case of medium-sized retailers.
208. The cost of an RVM, which could vary from between £19,000 to £25,000 for a small machine and around £30,000 for a larger machine, is a potentially significant capital outlay and would represent a larger share of revenues for smaller retailers. Illustrating this point, Table 9 below sets out the proportion of average annual revenues that the upfront costs of a small RVM would represent for Symbol retailers compared to Multiples.

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<sup>38</sup> Provided that they have checked the symbol or barcode, retailers would not be liable for any costs associated with fraud or counterfeit and no competition impacts are anticipated in this regard.

<sup>39</sup> [Deposit Systems for One-Way Beverage Containers: Global Overview 2016, CM Consulting.](#)

209. In addition to the financial costs discussed above, the loss of space associated with the installation of an RVM could potentially result in a loss of revenue for retailers. An example small RVM takes up around 0.5 square metres of floor space,<sup>40</sup> which would equate to between 0.45% and 0.15% of the average floor space of a smaller or medium-sized retailer (Table 10). While it is acknowledged that larger RVMs will likely be required by many retailers, it can be inferred from table 7 that the floorspace implications associated with the installation of this infrastructure are still likely to be modest. The revenue impacts of any loss of retailer space are likely to be smaller if retailers choose to substitute the RVM for lower-value stock, and the handling fee will compensate the return point operator for costs incurred in the delivery of this additional service.

**Table 7. Upfront cost of an RVM as a share of average annual revenue by retailer type<sup>41</sup>**

| Retailer type                                       | Symbols            | Multiples     |
|---|--------------------|---------------|
| Revenue per store                                   | £962,357           | £1,997,596    |
| Upfront cost of an RVM                              | £19,000 to £25,000 |               |
| Upfront cost of an RVM as a share of annual revenue | 1.97% - 2.60%      | 0.95% - 1.25% |

**Table 8. Example RVM floor space as a share of total floor space by retailer type<sup>42</sup>**

| Retailer type                             | Symbols and independents | Multiples | Co-ops | Supermarkets <sup>43</sup> |
|---|--------------------------|-----------|--------|----------------------------|
| Average floor space (m <sup>2</sup> )     | 123                      | 282       | 310    | 3178                       |
| Example RVM floor space (m <sup>2</sup> ) | 0.53                     |           |        |                            |

<sup>40</sup> [Envipco](#)

<sup>41</sup> [ACS Local Shop Report 2018](#)

<sup>42</sup> Kantar Worldpanel for Zero Waste Scotland

<sup>43</sup> Supermarkets includes big 4: Tesco, Sainsbury's, Morrisons, ASDA

|   |       |       |       |       |
|---|-------|-------|-------|-------|
| Example RVM floor space as a share of total floor space | 0.43% | 0.19% | 0.17% | 0.02% |
|---|-------|-------|-------|-------|

210. **Retailers using manual collection and return: unlikely to be significant competition impacts.** While it is expected that retailers receiving high volumes of returns would install one or more RVM, among those who do not install automatic collection there is the potential for competition impacts on those who receive relatively higher volumes of returns. This reflects the potential storage and handling costs associated with returns. Competition impacts will be mitigated by the handling fee which will be paid at higher levels to those receiving higher volumes. There is qualitative evidence from international DRS that implementation choices, such as the frequency with which collections are made, will have an effect on the level of differential impact felt by those operating a manual collection system.<sup>44</sup>
211. Both manual and automatic collection and return will require retailers to fund the returned deposits themselves until they are reimbursed by the scheme administrator. This will have a cash-flow impact. Analysis estimating the value of deposits received as a share of revenues for different types of retailers suggests this will not be significant (Table 9). This is based on the assumption that the number of DRS-applicable bottles sold by a particular store will be proportionate to the number of DRS-applicable bottles likely to be returned to the same store.

**Table 9. Estimates of annual impacts by store type of refunding deposits<sup>45</sup>**

| Retailer type | Average annual revenues per store (£) | Estimated number of containers returned <sup>46</sup> | Estimated value of deposits per store (£) | Value of deposits as share of revenues |
|---------------|---------------------------------------|---|---|--|
| Independents  | 342,789                               | 54,467,446  | 4,531                                     | 1.32%                                  |
| Symbols       | 962,357                               | 23,711,176  | 3,511                                     | 0.36%                                  |
| Multiples     | 1,997,596                             | 134,858,122   | 22,731                                    | 1.13%                                  |

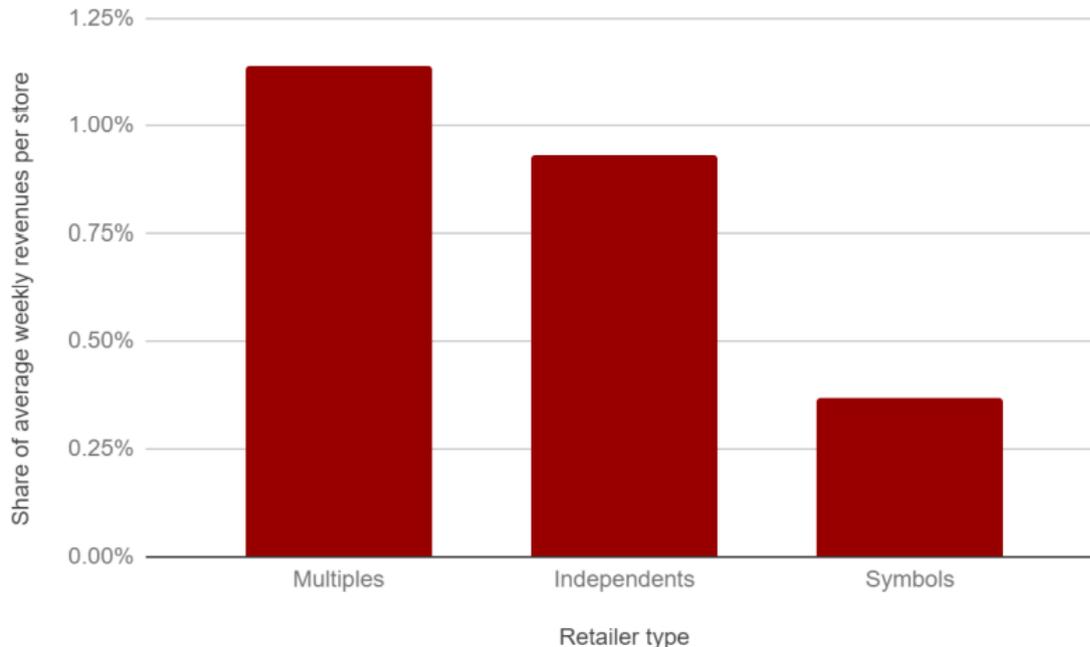
212. This does not suggest disproportionate impacts on different types of retailers (Figure 4). The exact scale of any impact on small retailers will depend on the

<sup>44</sup> [What can England and Scotland learn from deposit return schemes overseas?. Recycling and Waste World](#)

<sup>45</sup> [ACS Local Shop Report 2018](#)

<sup>46</sup> Based on a 90% return rate.

timing of the return of deposits by the scheme administrator, as well as the payment of handling fees that are designed to reimburse retailers for their costs. Given that both these payments are expected to be made on a regular basis, a significant competition impact is not anticipated in relation to cash flow as a result of retailers having to pay consumer deposits for DRS-applicable bottles.



**Figure 4. Expected value of deposits on bottles returned to different store types per week as a share of average weekly revenues**

213. **Level of handling fee: no competition impact is expected.** The value of the handling fee has not been decided and could in theory be variable depending on the retailer, although it is likely that a scheme administrator will work to agree a system-wide approach. The elements determining the handling fee (staff time, lost floor space, etc.) will depend on the collection system employed by the retailer. However, the fee should ensure that retailers are recompensed for delivering this service.
214. **Online retailers: significant competition impacts are not anticipated.** However, given this is a fast-developing section of the market, it may be necessary to monitor developments to ensure no new or unanticipated competition effects arise in the future. The recent impacts that the pandemic has had on the Scottish online drinks market which were highlighted in the previous section is an example of this. As discussed, the trends seen in 2020 were the product of exceptional circumstances and, while the Scottish Government will continue to monitor developments, it considers there is no evidence to require a change in policy at this time.
215. Around 5% of sales of containers within the scope of DRS are made by online retailers.<sup>47</sup> Under the final DRS, distance sellers (including online retailers) of

<sup>47</sup> Kantar Worldpanel for Zero Waste Scotland

single-use containers would be responsible for providing a method of container collection and deposit return.

216. The principal impact is likely to be felt by supermarket retailers. However, it is anticipated that they would be able to accommodate the requirements with modest adjustments and without significant competition effects. Currently, some supermarkets already operate a system that allows them to collect carrier bags, either from the same delivery or previous deliveries.
217. It is recognised that some distance sellers could incur higher costs as a result of operating a collection service due to the geographic distance between them and the consumer. The distance seller is entitled to recover these costs by charging a reasonable handling fee to producers. To keep these costs low the DRS Regulations provide significant flexibility to distance sellers as to how this obligation is to be discharged. In particular, it is anticipated that the vast majority of distance sellers will choose to discharge their obligation through a third party. Operating this as a system-wide service should create economies of scale and reduce the overall cost of providing distance takeback.
218. The DRS Regulations protect the distance takeback system from abuse by allowing the retailer to charge a temporary handling fee to the consumer to cover the cost of providing the takeback, to be refunded if the consumer returns a genuine scheme article. To provide additional protection, the Regulations are being amended to allow distance sellers to refuse to provide a takeback service in an individual case in which the proposed return contains a number of items of scheme packaging disproportionately greater than the number of scheme articles that retailer sells on average as part of a single transaction—this option is already available to bricks-and-mortar retailers operating a return point.
219. **Retailers operating close to the border between Scotland and England: impacts are unlikely to be significant.** Retailers in Scotland who are situated near the border could potentially suffer as a result of consumers shifting higher volume purchases to retailers in England who would offer identical products but at cheaper (non-DRS) prices. However, evidence of this impact from other schemes is limited and confidence levels attached to data sources for cross-border consumer purchasing habits are low.<sup>48</sup> A study on the possibility of the economic impact of a container deposit in the state of Kentucky in the USA found that grocery sales were likely to decline by 3.2% in counties that border non-deposit states.<sup>49</sup>
220. In order to investigate the potential competition impact in Scotland and given the lack of excise differentials with the rest of the UK, an investigation has been made into the proportion of the Scottish population who live within easy access of supermarkets in England. There are four supermarkets from six of the largest chains in the UK within five driving miles of the nearest border with

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<sup>48</sup> [Options and Feasibility of a European Refund System for Metal Beverage Cans](#)

<sup>49</sup> [Minnesota Pollution Control Agency](#)

Scotland, eleven within ten miles, and 13 within twenty miles.<sup>50</sup> All 13 of these are located in and around either Berwick-upon-Tweed or Carlisle. Six of the eight Scottish electoral wards which sit on the border with England<sup>51</sup> are mostly or entirely located within thirty driving miles from one of these two towns.<sup>52</sup> For the purpose of this analysis, it is assumed that these six electoral wards correspond to the areas of Scotland from which it is feasible for consumers to visit supermarkets in England.

221. Scottish Government statistics from 2017 show that the population of these six wards was approximately 65,100.<sup>53</sup> Scottish Census data from 2011 found that the average share of households with access to at least one car or van across the two local authorities, within which these wards sit (Scottish Borders and Dumfries and Galloway) was 78.8%.<sup>54</sup> Using this figure as an average for these six wards, the estimated population with access to a car or van who are able to shop at retailers in England instead of those in Scotland is approximately 51,300, or just under 1% the Scottish population (Table 10).<sup>55</sup>

**Table 10. Scottish electoral wards within driving distance of supermarkets in Carlisle and Berwick-upon-Tweed**

| Electoral ward             | Catchment town within England | Population <sup>56</sup> | Estimated population with access to a car or van <sup>57</sup> |
|----------------------------|-------------------------------|--------------------------|--|
| Jedburgh and District      | Berwick-upon-Tweed            | 9,156                    | 7,215  |
| Annandale East and Eskdale | Carlisle                      | 9,799                    | 7,722  |
| Kelso and District         | Berwick-upon-Tweed            | 10,321                   | 8,133  |
| Mid Berwickshire           | Berwick-upon-Tweed            | 10,387                   | 8,185  |
| East Berwickshire          | Berwick-upon-Tweed            | 10,558                   | 8,320  |
| Annandale South            | Carlisle                      | 14,874                   | 11,721   |
| <b>Total</b>               |                               | <b>65,095</b>            | <b>51,295</b>  |

<sup>50</sup> [Google Maps](#)

<sup>51</sup> Electoral wards: East Berwickshire, Mid Berwickshire, Kelso and District, Jedburgh and District, Annandale East and Eskdale, and Annandale South.

<sup>52</sup> Location of stores: [ASDA](#), [Tesco](#), [Morrisons](#), [Sainsburys](#), [Lidl](#), [Aldi](#). Distances in driving miles: [Google Maps](#)

<sup>53</sup> [Scottish Statistics](#).

<sup>54</sup> [Scotland Census](#)

<sup>55</sup> *Ibid*

<sup>56</sup> [Scotland Statistics](#).

<sup>57</sup> [Government of Scotland](#)

222. According to data provided by Kantar, 3.6% of supermarkets in Scotland are located in the wider border region made up of Dumfriesshire, Roxburghshire and Berwickshire.<sup>58</sup> This provides a rough catchment area for supermarkets which could be impacted by changes in cross-border consumption patterns induced by a DRS, although the population assessment above suggests the overall impact will be low, particularly as the price impact of DRS will be offset by the value of returned deposits as discussed below(see paragraph 236).
223. **Familiarisation costs: no significant impacts anticipated.** The introduction of any new piece of legislation, regardless of the size of the regulatory impact, will cause some degree of familiarisation costs for businesses within scope. Familiarisation costs usually have a relatively larger impact on smaller businesses, as these enterprises are less well-equipped to adapt and evolve with the changing regulatory environment. Given expected support from the Scottish Government these impacts are expected to be small.
224. **Communication costs: no significant impacts anticipated.** Retailers will have a degree of responsibility for communicating the impact of DRS on consumers, often using materials made available by the scheme administrator. This would carry some limited costs for the retailer (although some retailers may see benefits through being associated with the scheme). The costs associated with communications would likely be heavily concentrated in the start-up and initial phases of DRS and would progressively decline as behaviour change and adaptation to the new system takes place. An example of these costs is the cost of staff time used to explain the scheme to customers. A larger retailer will have more capacity and dedicated resources to carry out these activities than a smaller retailer. However, given expected support from the scheme administrator these impacts are expected to be small.
225. **Impacts on the hospitality sector: no significant impacts anticipated.** In general, the impacts on the hospitality sector will be the same as discussed above for other retailers. However, it is proposed that the sector will have the option of running a distinct “closed loop” system. This would remove the obligation to charge a deposit to the consumer but instead require an establishment to pay the deposit itself and retain responsibility for collecting and returning containers within the scheme. This section examines whether this aspect has the potential to generate specific competition effects.
226. The standard DRS system could be described as an “open loop” in that the consumer would typically take the deposit-bearing container off the premises of the retailer and be able to return it to any participating retailer rather than just the one where the container was purchased. In contrast a “closed loop” would operate where the container stayed on the premises and was returned to the original retailers without a deposit being charged. Instead, the deposit would be applied to purchases made by the relevant establishment from the producer or wholesaler, and the establishment would be able to claim it back from the scheme administrator following the collection of containers. For the

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<sup>58</sup> Zero Waste Scotland Kantar Data

purposes of this assessment, an assumption has been made that hotels, pubs and bars and full-service restaurants would be likely to choose to operate a “closed loop” arrangement.

227. Compared to the “open loop” system, establishments operating a “closed loop” would be responsible for meeting the deposit costs paid to the wholesaler but would not receive deposits paid from the consumer. Instead, they have to wait for these to be paid by the scheme administrator. Depending on how long this takes, there could be a small potential cash flow impact. However, the total annual value of deposits will be on average under 1% of turnover (Table 11) and assuming relatively frequent refunds are received from the scheme administrator, the cash-flow impact will not be significant.

**Table 11. Value of deposit as a share of annual turnover for pubs/bars**

| Estimated value of deposits on drinks sold as a share of turnover per pub/bar in Scotland        |                 |
|--|-----------------|
| Number of DRS-eligible containers sold in pubs/bars in Scotland per year <sup>59</sup>           | 59,210,090      |
| Annual value of deposits on containers sold in pubs/bars in Scotland <sup>60</sup>               | £11,842,018     |
| Number of pubs/bars in Scotland <sup>61</sup>  | 2,840           |
| Estimated annual value of deposits per pub/bar in Scotland                                       | £4,170          |
| Annual turnover of pubs/bars in the UK <sup>62</sup>   | £21,320,000,000 |
| Annual turnover per pub/bar in the UK  | £549,272        |
| <b>Estimated value of deposits on drinks sold as a share of turnover per pub/bar in Scotland</b> | <b>0.76%</b>    |

228. In addition, establishments operating a “closed loop” system will be liable for the costs associated with failures to achieve a 100% collection rate. It is likely that there would be some degree of natural wastage, as result of customers taking the container away, or breakages. In order to investigate this, an estimate has been made of potential financial losses, based on low, medium and high rates of non-return in a closed loop system. This analysis suggests that the financial loss would not be significant (Table 12).

<sup>59</sup> British Soft Drink Association for 2016

<sup>60</sup> Based on the number of containers sold in Scotland in 2017, assuming a deposit of £0.20

<sup>61</sup> ONS data for 2018

<sup>62</sup> ONS data for 2016

**Table 12. Potential average financial loss for closed loop establishments**

| Rate of non-return | Estimated annual value of deposits per pub/bar in Scotland | Estimated financial loss |
|--------------------|--|--------------------------|
| 1%                 | £4,170   | £41.70                   |
| 5%                 | £4,170   | £208.50                  |
| 10%                | £4,170   | £417                     |

229. Since passage of the DRS Regulations industry has drawn the Scottish Government’s attention to a product known as a ‘crowler’. A crowler is a can (often 500ml) filled on demand in a bar or pub with any available beer, sealed, and are away for consumption in-home or on-the-go. This is an “open loop” system where the consumer takes the deposit-bearing container off the premises and can return it to any participating retailer rather than just the one where the container was purchased.
230. The Scottish Government understands that use of crowlers increased during the coronavirus lockdowns, albeit from a very low base. While exact figures for crowler sales volumes are not known industry estimates that c. 100 premises in the UK sell crowlers, indicating that the volume is very small in proportion to the size of the Scottish drinks market.
231. Crowlers clearly fall within the definition of a scheme article as set out in the original DRS Regulations (regulation 3, scheme articles and scheme packaging) and therefore are obligated under Scotland’s DRS. Retailers selling them will be obligated to charge the deposit and return points will be obligated to redeem the deposit when a crowler is returned.
232. The Scottish Government accepts that, under the original Regulations, it was not clear who the ‘producer’ of a crowler was for the purposes of DRS. The Regulations will be amended to make clear that the person filling and sealing a crowler is the producer and therefore responsible for ensuring the crowler is collected and the deposit paid out, either directly or through a scheme administrator.
233. This is consistent with the guiding principle of producer responsibility. Crowlers are filled with a drink that would otherwise have been served in a reusable container (e.g. a pint glass or a refillable ‘growler’) and the pub or bar filling the crowler has made the decision to place it into single-use packaging. It is therefore right that they should bear the cost of ensuring the crowler is collected for recycling.

234. This will apply not only to crowlers but to any container that is filled by a retailer, i.e. a person selling directly to a consumer, that is within the scope of DRS.
235. Ensuring that crowlers and similar containers are treated in line with the principle of producer responsibility means that all drinks containers sold in the hospitality sector are treated equally under the DRS Regulations. However, in recognition of the different circumstances faced by premises selling crowlers compared to other producers obligated under DRS, producers that are only producers by virtue of selling crowlers will be exempt from the annual fee to register with SEPA. This fee will rise from £360 to £365 for eligible producers to cover the cost of regulating these additional producers.

## **Question 2: Will the measure limit the ability of suppliers to compete?**

236. **No significant impacts are anticipated given the overall low-price impacts expected to be associated with the scheme once returns are taken into account.** The analysis throughout this section assumes that, although consumers would be able to claim back the deposit they pay on DRS- applicable purchases, there will be some degree of “real” cost placed upon them as a result of DRS. This will be a combination of the cost of unreturned deposits being incident on the consumer and the cost to them of complying with the scheme.
237. The nature of the scheme means that this cost will vary depending on the individual consumers’ propensity to return DRS-applicable items and receive the deposit. There are a number of factors that will determine this, including:
- A consumer's total and disposable income
  - Their views and preferences around recycling
  - Their current recycling activity
  - Their proximity to deposit return points
  - Their DRS-applicable consumption patterns
238. Consistent with the analysis that a Scottish DRS is likely to raise recycling rates across the country to around 90%, it is expected that the costs placed upon the consumer in Scotland as a result of having to pay an increased price on DRS-applicable products would be largely offset, and that the majority of consumers would be able to obtain their deposit refund at minimal additional cost or inconvenience.
239. This is further supported by research and modelling undertaken to assess the impacts of introducing other similar DRS in Spain and Slovakia. For instance, in Slovakia it was estimated that the annual cost of the inconvenience to the consumer would be approximately £2.24 - £3.46 (2.55 - 3.94 EUR).<sup>63</sup> This estimate included the value of the time it would take to return the containers

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<sup>63</sup> [Slovakia Deposit Study](#)

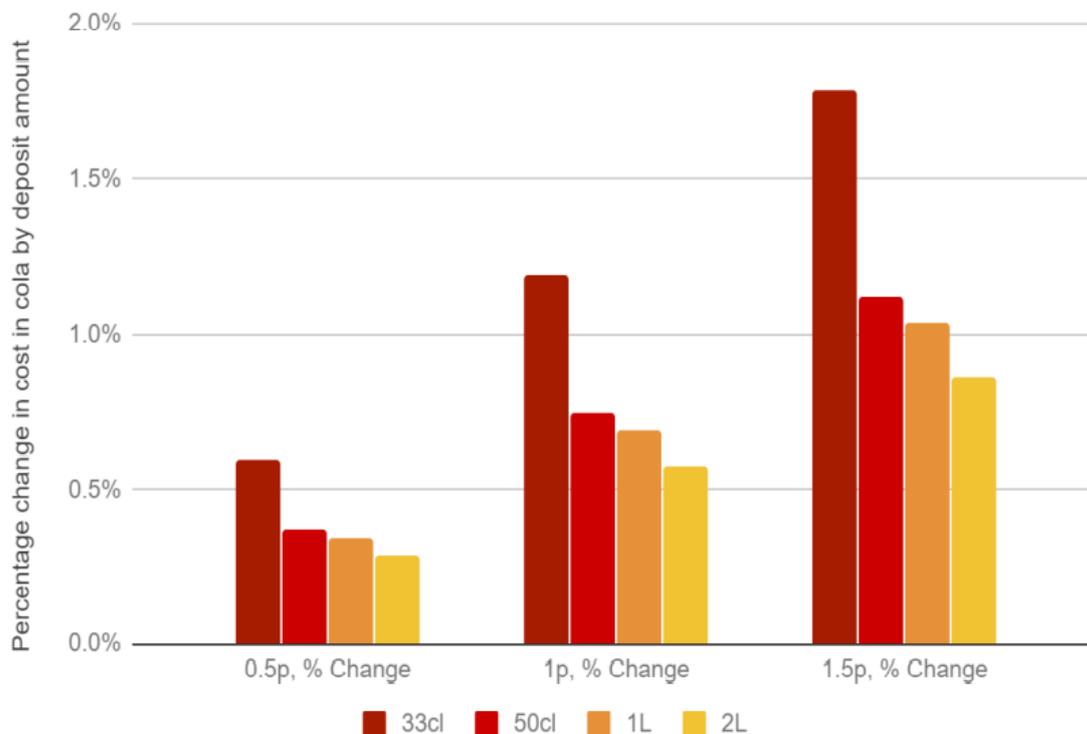
along with the cost of potentially storing the containers. In the case of Spain.<sup>64</sup> it was estimated that the inconvenience to consumers would be minimal. The primary cost applied to those who did not return their container and thus forfeited their deposit.

240. For the purposes of the analysis in this Competition Impact Assessment, a sensitivity analysis is applied, and a range based on the evidence discussed above for the average real cost that a Scottish DRS system is likely to place on a consumer per product bought is modelled (Table 13).

**Table 13. Estimates of real cost to consumer (per container)**

|   | Low  | Medium | High |
|---|------|--------|------|
| Real cost to the consumer (per container) | 0.5p | 1p     | 1.5p |

241. **Volume of containers: no significant impacts are anticipated.** The Scottish DRS would apply a 20p deposit on all containers within scope, regardless of the size of the product in question. This means that a 330ml can of soft drink would have the same deposit as a 500ml or 2,000ml equivalent product, which would increase the price per ml of smaller products relatively to larger products (Figures 5<sup>65</sup> and 6<sup>66</sup>). In turn, this could have an impact on consumer demand and consumption decisions.



**Figure 5. Impact of price changes on different sized containers of cola products**

<sup>64</sup> [Deposit Refund System in Spain](#)

<sup>65</sup> See Annex C Table 4

<sup>66</sup> See Annex C Table 5

242. This increase in the real average price per ml of DRS-applicable products is mirrored across all different product types that have been analysed, in both the soft and alcoholic sectors, using the Kantar data. This suggests that DRS could impact consumer choice, incentivising a shift, to some extent, towards purchasing larger products compared to what they were purchasing before, although the magnitude of this change is likely to be small, and would not be expected to cause consumers to change their choice or preference for a certain brand. On-the-go drinks purchases are largely driven by consumer convenience and switching to large containers in this segment of the market is unlikely. The decision to pursue a scheme design which maximises consumer convenience and targets a high capture rate should also help to mitigate impacts.

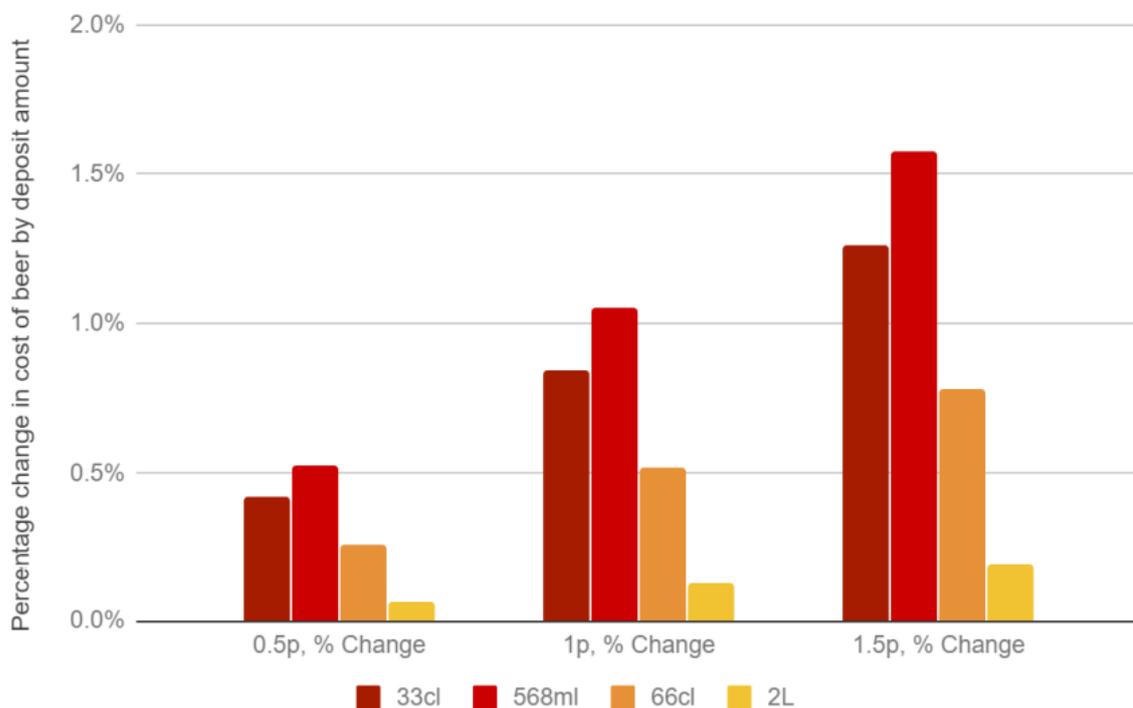


Figure 6. Impact of price changes on different sized containers of beer products

243. **Quality of products: the competition effect is not expected to be significant.** The DRS will introduce a flat per-container deposit on all types of in-scope products and the price impact is also expected to be uniform across products. To investigate whether this would have any impact on consumer demand, these effects have been modelled for different types of products using price elasticity data.<sup>67</sup> This shows a very small change in the relative demand of different-quality products of the same size (Table 14) and that the impacts are greatest on lower-priced drinks.

244. **Impact on choice of materials used in drinks packaging: competition impacts are likely to be small.** DRS will only apply to particular material types of single-use drinks containers (glass, PET plastic, and steel and aluminium cans). Other containers (including reusable containers, cartons,

<sup>67</sup> [Oxford Economics](#) and [HMRC](#)

pouches and those made from HDPE plastic) fall outside the scope of the scheme. There are potentially competition impacts where producers could be incentivised by the scheme to change from containers within the scheme to those outside, or where they compete in markets where there are both DRS and non-DRS containers.

| Non-Alcohol Products | Budget Price | 0.5p   | 1p     | 1.5p   | Premium Price | 0.5p   | 1p     | 1.5p   |
|----------------------|--------------|--------|--------|--------|---------------|--------|--------|--------|
| Juice Drinks (1L)    | £0.65        | -0.58% | -1.17% | -1.75% | £1.50         | -0.25% | -0.51% | -0.76% |
| Sports Drinks (1L)   | £1.00        | -0.41% | -0.81% | -1.22% | £1.75         | -0.23% | -0.46% | -0.69% |
| Cola (1L)            | £0.50        | -0.81% | -1.62% | -2.43% | £1.45         | -0.28% | -0.56% | -0.84% |
| Pure Juices (1L)     | £0.89        | -0.54% | -1.09% | -1.63% | £2.50         | -0.19% | -0.39% | -0.58% |
| Beer (50cl)          | £1.00        | -0.30% | -0.60% | -0.90% | £3.00         | -0.10% | -0.20% | -0.30% |
| Wine (75cl)          | £3.65        | -0.12% | -0.24% | -0.35% | £15.00        | -0.03% | -0.06% | -0.09% |
| Cider (50cl)         | £0.85        | -0.36% | -0.72% | -1.09% | £2.20         | -0.14% | -0.28% | -0.42% |
| Spirits (70cl)       | £11.00       | -0.03% | -0.07% | -0.10% | £28.00        | -0.01% | -0.03% | -0.04% |

**Table 14. Percentage change in demand for different products under low, medium and high price change assumptions<sup>68</sup>**

245. Scotland's DRS is not expected to incentivise a significant shift to reusable containers, which would be outside the scope of the scheme, in part because of the significant upfront costs to replace machines and introduce bottle-washing or cleaning facilities. Additionally, there is evidence to suggest that the level of reusable containers is declining across Europe even after the introduction of DRS.<sup>69</sup> Producers are also constrained in switching to containers outside of the scope of the scheme. For instance, cartons and HDPE plastic cannot be used to contain carbonated drinks due to their material qualities. However, some products are sold in containers both inside and outside of the scope of the DRS (Figure 7) although each accounts for a relatively small part of the total non-alcoholic drinks market.<sup>70</sup>
246. Using the price effects already discussed, potential changes in demand for DRS-eligible pure juices have been modelled (where 75% of the market falls outside of scope of the scheme). These effects are small (Table 17).

<sup>68</sup> A scan of supermarkets' online catalogues, including Tesco, Sainsbury's, and ALDI, was undertaken to assess common price points for budget (e.g store brand) and premium type goods (e.g. brand name) for each of these categories at the particular size of 1L. Demand effects were modelled using own-price elasticities sourced from HMRC and Oxford Economic studies.

<sup>69</sup> [DEFRA](#)

<sup>70</sup> Pure Juices account for 6.6% of cold non-alcoholic drinks sold, smoothies 1.3% and juice drinks 8.9%.

247. **Sales channels: no competition impact is expected.** The introduction of a DRS in Scotland is not expected to limit the sales channels available to a supplier, whether a producer or retailer.
248. **Geographical areas of supply: no significant competition impacts are expected.** The introduction of a Scottish DRS would not directly limit the geographic area in which suppliers (producers or retailers) could operate. Therefore, no direct competition impact is expected as a result of its introduction. Potential indirect effects on both producers and retailers are discussed in Q1b. As concluded, there is the potential for some competition impacts on smaller producers for the Scottish market, which could limit their ability to operate in that market, although these are likely to be minor. For retailers, the potential competition impacts on the area of supply created by the distinction between Scottish and non-Scottish containers could have some competition impacts, but these will be relatively minor taking into account the low level of the population affected.

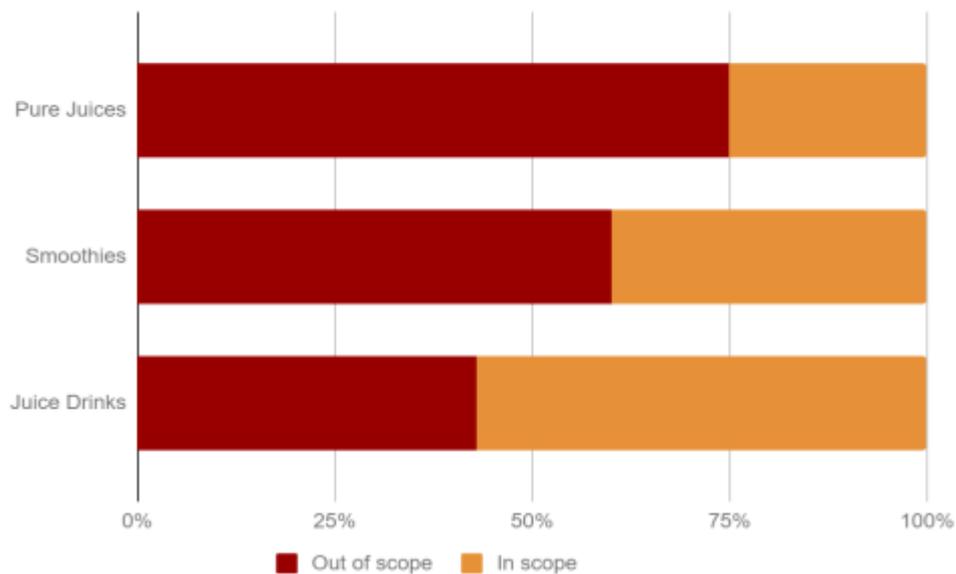


Figure 7. Use of DRS and non-DRS containers in selected segments of the drinks market<sup>71</sup>

| DRS vs Non-DRS Products | Average Price | Own price Elasticity of Demand | 0.5p Quantity demanded Change | 1p Quantity demanded Change | 1.5p Quantity demanded Change |
|-------------------------|---------------|--------------------------------|-------------------------------|-----------------------------|-------------------------------|
| Pure Juices (1L)        | 1.41          | -0.76                          | -0.27%                        | -0.54%                      | -0.81%                        |

Table 15. Percentage change in demand for pure juice products under low, medium and high price change assumptions<sup>72</sup>

<sup>71</sup> ZWS Modelling using Kantar Data

<sup>72</sup> Oxford Economics for price elasticity. A scan of supermarkets' online catalogues, including Tesco, Sainsbury's, and ALDI, was undertaken to assess average price points for pure juices at the particular size of 1L.

249. **Advertising of products: no competition impact is anticipated in this respect.** There would be no restrictions on product advertising by suppliers as a result of the introduction of the DRS.
250. **Restrictions on production processes and governance of suppliers: impacts are not expected to be significant.** As described in Q1b, new requirements would be introduced both for producers and retailers as a result of the introduction of a Scottish DRS. These will require some governance changes, with a scheme administrator expected to be responsible for ensuring that producers meet their responsibilities. At this stage, the governance arrangements for retailers are still being developed. In line with the conclusions of Q1b, while there may be some competition impacts as a result of these changes, the overall impacts are not expected to be significant.

**Question 3: Will the measure limit suppliers' incentives to compete vigorously?**

251. **No competition impact is anticipated.** The introduction of DRS should not incentivise suppliers to coordinate activities over which they would ordinarily compete. The Scottish drinks market is a competitive one, where products are sufficiently differentiated and there is a significant number of competitors both in terms of producers and retailers.

**Question 4: Will the measure limit the choices and information available to consumers?**

252. **Limit on consumers ability to decide from whom they purchase: no competition impact is expected.** There is no evidence that the introduction of the DRS would limit the ability of consumers to decide from whom they purchase. The scheme would not require containers to be purchased from a set number, list or type of retailers. Under the scheme, consumers would not be required to return containers to the outlet from which they were purchased, therefore placing no restrictions on the ability of consumers to choose where they purchase their deposit-bearing containers from.
253. **Limit on information available to consumers: no significant competition impacts are anticipated.** New information would be available to consumers explaining the operation of the scheme and, for example, identifying the containers within the scheme. It is anticipated that consumers would be provided with sufficient information prior to the introduction of the scheme and once it is in place to allow them to make informed choices.
254. **Costs of changing supplier: no significant competition impacts are anticipated.** The introduction of the scheme is not expected to increase the cost of changing supplier and while there is the potential for some impacts if consumers close to the border can access retailers in both Scotland and England at similar convenience, as is shown above the share of the population is small and a significant impact is not anticipated.

## **8. Test Run of Business Forms**

255. As part of the work to deliver Scotland's DRS the new forms required for the scheme have been test-run with stakeholders to ensure they are clear, simple and easy to complete.
256. The Scottish DRS Regulations will require the following forms to be completed by stakeholders:
- A scheme administrator application form, originally entitled 'A Scheme Administrator for Scotland's Deposit Return Scheme: Application Form and Operational Plan Template'
  - A producer registration form, originally entitled 'Producer Registration form'
  - A return point exemption application form, originally entitled 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval'
  - A voluntary return point approval form, originally entitled 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval'
257. The original forms have been tested with a total of 14 businesses, represented by 19 members of industry. Thereby, the test exceeded the number of businesses required to be involved in the testing of new forms as stated in the BRIA guidance<sup>73</sup> in order to be proportional to the scale of the DRS scheme.
258. Volunteer businesses were recruited through the DRS Implementation Advisory Group (IAG) Scheme Administrator working group and through the IAG Producer working group and the IAG Retailer working group.
259. Feedback was gathered through workshops in Glasgow and Edinburgh. Where workshop attendance was not possible, or to accommodate participants based in other areas of Scotland, a number of telephone interviews were also conducted.
260. More details about the methodology of the test is given in Annex D.1 and information about participants is presented in Annex D Table 1.
261. The following paragraphs list the main feedback collected for each original form tested<sup>74</sup> and detail the extent to which comments have been addressed in the updated forms<sup>75</sup>. It is important to note that the below represents a summary of key findings from the feedback gathered. Issues are therefore only highlighted where there was broad agreement across participants.

### **8.1 'Producer Registration form'**

262. The 'Producer Registration form' was tested by producers (companies that put a deposit-bearing product onto the market) and wholesalers (companies that

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<sup>73</sup> <https://www.gov.scot/publications/business-regulatory-impact-assessments-toolkit/pages/9/>

<sup>74</sup> Refer to Annex D.2 for a copy of the forms tested

<sup>75</sup> Refer to Annex D.3 for a copy of the updated forms

sell deposit-bearing products to retailers for re-sale). In total, the Producer Registration form was tested by representatives from eight businesses.

263. Overall, the form was considered to be easy to read and understand. Feedback is summarised below.
264. Producers/wholesalers advised that it would be difficult to obtain the information required in the 'Number of Scheme Articles placed on the market for retail sale in Scotland in the previous calendar year' section, commenting that sales data was currently tracked at a UK-wide level and traceability mechanisms to identify Scotland only sales were not in place. This feedback was noted consistently across participating producers/wholesalers in relation to initial registration, though some participants commented that they would require to have systems in place to trace scheme article sales in Scotland in time for the start of the DRS and would therefore be able to provide this information for subsequent years.
265. Forecast information on sales (as required in the 'Number of Scheme Articles you anticipate placing on the market for retail sale in Scotland in this calendar year' section) was also noted by some producers/wholesalers as difficult to provide with accuracy as it was stated that type and quantity of sales could be impacted significantly over the course of the year, specifically by weather.
266. Producers/wholesalers suggested consideration should be given to making payment in ways other than credit card and an invoicing option was suggested as more standard for large businesses.
267. Producers/wholesalers also suggested that the form should accommodate the ability to append information on scheme articles in a spreadsheet to make it easier for them to draw in data from existing databases within their organisations. To ensure consistency of submission across different suppliers, it was suggested templates be provided including drop-down menus for spreadsheet columns and fixed fields for barcode entry. A template for the operational plan was also suggested for ease of completion and to ensure a clear structure is provided.
268. A few participants commented that barcode information should be sufficient when providing scheme article data.
269. Feedback from participating producers/wholesalers also included comments that, if completing the form online, the questions should be routed so that only relevant questions appear (this was noted at the 'Applicant Type' section of the form) and it was suggested that it should be possible to save data as it is entered so that forms can be completed over several sessions.
270. Producers/wholesalers also suggested the form would benefit from a number of small changes and explanations, either where terminology was unfamiliar or to improve clarity. This included suggesting hyperlinks to detailed explanations or supporting information (for example a link to a list of legal obligations for producers under the DRS and which of these would be

assumed by the scheme administrator if they were registering a producer, was suggested at the opening section of the form).

271. Several participants commented on the nature of information being requested as commercially sensitive and commented that it should be explicitly stated what information provided would be accessible in the public domain. In particular, this was in reference to operational plan information, and the information on the number of packs/containers/articles being placed on the market.
272. The summary of feedback on the Producer Registration Form is presented in Table 16.

**Table 16. Summary of feedback on Producer registration form**

| Comments from Test Run  | Changes to business form | Justification  |
|---|--------------------------|--|
| Difficulty to obtain information required in the <i>Number of Scheme Articles placed on the market for retail sale in Scotland in the previous calendar year</i> section                    | No                       | A guidance document to support producer in their registration with SEPA is being drafted and will be providing advice on this point.   |
| Difficulty to provide accurate information required in the <i>Number of Scheme Articles you anticipate placing on the market for retail sale in Scotland in this calendar year</i> section. | Yes                      | Declaration statements updated to reflect that the information is accurate "at the time of completion", but that producer will be required by the Regulations to let SEPA know of any material changes to the information provided.<br><br>A guidance document to support producers in their registration with SEPA is being drafted and will be providing advice on this point. |
| Consideration should be given to making payment in ways other than credit card, like invoicing  | No                       | It was deemed that invoicing was a costly unnecessary administrative burden. SEPA already requires credit card payments for other regimes.   |

|  |    |   |
|--|----|---|
| Ability to append information on scheme articles in Excel and provision of a template to ensure consistency of submission                        | No | This will be developed by SEPA alongside the guidance document.   |
| Barcode should be sufficient when providing scheme articles data   | No |   |
| Relevant routing of questions in online form   | No | Where an online form is developed, appropriate routing for questions will be taken into consideration.  |
| Explanations required on a number of occasions including around legal obligations for producers versus the scheme administrator under the scheme | No | In order not to overly complicate the form with excess text, clarifications on these points will be included in the guidance document being produced. |
| Nature of information being requested as commercially sensitive (scheme articles breakdown and operational plan)                                 | No | Commercially sensitive information will not be published by either SEPA or Scottish Government.   |

## 8.2 'A Scheme Administrator for Scotland's Deposit Return Scheme: Application Form and Operational Plan Template'

273. The 'A Scheme Administrator for Scotland's Deposit Return Scheme: Application Form and Operational Plan Template' could not be tested by a scheme administrator as such, as this entity has not yet been formed. It is expected that the scheme administrator or scheme administrators will form itself/themselves after the final Regulations are passed and will most likely be comprised of producers. The form was therefore tested by producers and wholesalers, as these stakeholders will also be required to provide information that feeds into the application. The 'A Scheme Administrator for Scotland's Deposit Return Scheme: Application Form and Operational Plan Template' were tested by representatives from eight businesses operating in Scotland.
274. Producers/wholesalers provided less feedback on this form, with several commenting they felt less able to make constructive comment as they felt the form was not intended for them.
275. The majority of participants considered the form to be clear, easy to read and understand and logical.

276. Producer/wholesaler feedback included comments that there was no need to outline scheme administrator obligations in the opening section of the form as the application was expected to be completed by an organisation specifically formed for the purpose of taking on the scheme administrator role. As such, they would already be familiar with their obligations, though some suggested a hyperlink to the full obligations may be useful.
277. Some participants commented that deadline information was critical to the application and should be included in introductory information at the start of the form. Timescales of the scheme administrator application and the relationship between this and deadlines for producer registration were of particular interest to participants, several of whom expressed concerns about the ability to appoint a scheme administrator in time.
278. Some participants suggested that guidance on the most appropriate person to complete the form and who should act as named contact may be helpful.
279. As with the Producer Registration form, there was feedback from producers/wholesalers that applicants were likely to face difficulty providing information on the number of scheme articles placed on the Scottish market in the previous year. This was considered more difficult for the scheme administrator than producers due to the volume of data being collated and the perceived difficulty of guaranteeing the accuracy of this data; and some participants commented the information should not be required as part of the application.
280. As with the Producer Registration form it was suggested that there should be the ability to append data on scheme articles in attached spreadsheets.
281. Some practical difficulties were commented on such as the ability of the scheme administrator to provide a VAT number as they may not be fully set up at this stage, and the need to give information on 'Additional Benefits' as part of the operational plan (section 5.0 of the form) if this information was not going to be considered when assessing the application, as well as on the volume of data required.
282. Producers/wholesalers commented that they would like to see some guarantee of confidentiality for the 'Producer membership agreement' detailed at Section 3.0 of the form, as the information it would include, such as relating to the allocation of financial risk, was considered commercially sensitive.
283. Discussion of the form also raised several questions/requests for clarification amongst participating producers/wholesalers pointing to the need for more communication and explanation of the scheme. For example, for some participants, there was uncertainty around collection times and whether this would be done "in accordance with pre-arranged timescales" as specified in the form (opening information, p.2), or on an 'as-and-when' basis as previously understood from participation in DRS working groups.

284. The summary of feedback on the Scheme Administrator Application Form is presented in Table 17.

**Table 17. Summary of feedback on Scheme Administrator application form**

| Comments from Test Run   | Changes to business form | Justification  |
|--|--------------------------|--|
| No need to outline scheme administrator obligations in opening section of the form – hyperlink to the full obligations may be useful                                     | No                       | This information was left in the form as deemed to be a useful reminder. Where an online form is developed, appropriate formatting will be explored to maximise usability including using relevant hyperlinks.   |
| Deadline information needing clarification   | Yes                      | The dates have been updated to reflect the final set of Regulations  |
| Guidance on the most appropriate person to complete the form and who should act as a named contact   | No                       | It was deemed that it is the responsibility of the organisation to decide who is best placed to take on this role.   |
| Difficulty to obtain information required in the <i>Number of Scheme Articles placed on the market for retail sale in Scotland in the previous calendar year</i> section | No                       | A guidance document to support producers in their registration with SEPA is being drafted and will be providing advice on this point. This also applies to producers being registered via a scheme administrator.  |
| Ability to append information on scheme articles in Excel and provision of a template to ensure consistency of submission  | No                       | SEPA will be developing a template for producers which in turn can be used by a scheme administrator for the producers they are registering on behalf of.  |
| VAT number may not be fully set up at this stage   | Yes                      | The relevant row heading has been updated to reflect that VAT number may not be available at the point of applying.  |
| Questions around the need of providing information on <i>Additional Benefits</i>   | No                       | As stated in the description of the <i>Additional Benefits</i> section, although many of these benefits are outside the scope of the Regulations, and therefore additional benefits are not part of the formal approval process, they are of significant interest to the public and the Scottish Parliament. |
| Consideration of commercially sensitive information in sections such as the <i>Producer membership agreement</i>   | No                       | Commercially sensitive information will not be published by either SEPA or Scottish Government.  |

|   |     |   |
|---|-----|---|
| Requests for clarification for instance around collection times | Yes | The text has been updated to reflect the fact that collections are expected to be carried out either in accordance with pre-arranged timescales or on an 'as needed' basis, and these timescales are expected to be agreed between the scheme administrator and the return point. |
|---|-----|---|

### 8.3 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval'

285. The 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval' was tested among retailers (businesses that sell deposit-bearing products to the public for use or consumption) and potential Voluntary Return Point organisations (location points other than a drinks retailer for the return of a deposit-bearing product). The 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval' was tested by representatives from six businesses operating in Scotland (some businesses were represented by more than one person and in total 11 people provided feedback on 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval').
286. Feedback on the 'Applicant Form for Return Point Exemption and Voluntary Return Point Approval' was largely positive and the form was considered generally easy to use and understand.
287. The language and terminology used in the form overall was considered appropriate and clear by participants.
288. Participating retailers/potential Voluntary Return Point organisations were particularly interested in the questions, asked of retailers applying for a return point exemption, about the physical location of their premises. The majority of participants advised that 20m did not seem a reasonable measure of proximity on which to base accepting or rejecting applications. This was deemed to be the case both across larger organisations (whose premises could be separated from other retailers by car parks of more than 20m), and small organisations operating in rural areas (where retailers may be hoping to share the burden of reverse vending machine purchase costs by having a single return point across a larger area with a small population).
289. There were also some suggestions about follow-up information once the form had been completed. A confirmation email on completion of the form was suggested, to confirm the application had been received and provide an application reference number. It was expected this email would also reiterate the timeframe for approval/rejection and provide information on next steps.
290. A number of other points were noted by one or more participants over the course of the test as requiring, or benefitting from, clarification in order to improve format, functionality or process. For example, it was suggested it could be made clearer who should fill out each part of the form, through

including an instruction to explain this at the start of the form, or at the start of each section. Colour coding (as used in DVLA applications) was mentioned as a possible option to help with this. It was also suggested that it would be helpful to be able to upload/attach information to support applications (such as maps). Participants also sought clarification on whether one form per voluntary return point application was required or if organisations that had several locations could apply in a single form (the example given being if a charity wanted to become a Voluntary Return Point to raise money and wanted to operate from several return point locations).

291. Participants advised they expected that many retailers were likely to want help and support completing the form and several suggestions for supporting information were made over the course of workshops and interviews, including a telephone helpline. A guidance document setting out the responsibilities and processes for retailers and return point operators was also considered necessary by a number of participants, and it was suggested the information contained in this should be available in different languages.
292. Retailers/potential Voluntary Return Point organisations also highlighted the need for support in arranging an agreement with an alternative return point. Participants noted that knowing who to approach to enter into an agreement with might be difficult for retailers. It was suggested that guidance on this process was required and that a system needed to be in place to aid interaction between businesses, which some suggested should be part of the scheme administrator's remit. Some participants also commented that retailers may be hesitant around joint working with competitors, particularly if they had to provide information on the number of scheme articles they expected to be returned to the alternative point, as it was noted that this information could be used to work out sales.
293. The summary of feedback on the Retailer Exemption Form and the Voluntary Return Point Application Form is presented in Table 18.

## **9. Digital Impact Test**

294. Changes to policy, regulation or legislation can often have unintended consequences, should government fail to consider advances in technology and the impact this may have on future delivery. This digital impact test is a consideration of whether the changes being made can still be applied effectively should business/government processes change – such as services moving online. The below details the evaluation of the interaction between the final DRS and current and future digital developments. Overall, it is viewed that the final DRS will not have an adverse impact on digital technology developments.

**Table 18. Summary of feedback on Retailer exemption / Voluntary return point application form**

| Comments from Test Run  | Changes to business form | Justification  |
|---|--------------------------|--|
| 20m did not seem a reasonable measure of proximity on which to base accepting or rejecting exemptions applications  | Yes                      | Additional guidance has been added to the relevant question to make it clear that, while applications with an alternative return point under 20m away will be more straightforward to process, applications over 20m will still be considered on their merits.<br><br>Further work will be undertaken to agree distance guidelines as part of the work to finalise the exemptions process. |
| Notification and follow-up information to be received once form is completed  | No                       | Not applicable to the form at this stage.  |
| Clarification required around who each part of the form should be filled out by   | Yes                      | This information has been added to the form.<br><br>Also, for greater clarity the form has been split into two different forms (one for retailer exemptions application and one for voluntary return point approval).  |
| Ability to upload/attach information to support applications  | No                       | Not applicable to the form at this stage. Where an online form is developed, this will be taken into consideration.  |
| Clarification required on whether one form per voluntary return point application was required or if organisations could apply in a single form for several locations | No                       | It was deemed clear enough that the information required in this form related to a single location.  |
| Help and support needed by retailers to complete the form (responsibilities and processes – different language formats)   | Yes                      | Extensive guidance has been added to the form on how to complete it and justification for data required  |
| Support needed by retailers in arranging agreement with alternative return point  | No                       | This was deemed to be out of scope of the form   |
| Retailers may be hesitant around joint working with competitors   | No                       | An alternative return point is required to obtain an exemption in order to ensure it remains as easy to return a container as  |

|  |   |
|--|---|
|  | it was to buy it. It is for retailers themselves, based on their business needs, to determine what terms they agree with an alternative return point. |
|--|---|

**Question 1. Does the measure take account of changing digital technologies and markets?**

295. Changing digital technologies and markets have been taken into account during the development of the Scottish DRS. Customers remain able to order drinks through online services and reclaim the deposit through both online and traditional retailers. Similarly, online services will not be adversely impacted by the scheme. This is assessed further in the Competition Impact Assessment.

**Question 2. Will the measure be applicable in a digital/online context?**

296. A Scottish DRS would apply to both online and offline retailers, as deposits would apply to all drinks containers within the scope of the scheme that enter the Scottish market.

**Question 3. Is there a possibility the measures could be circumvented by digital/online transactions?**

297. As drinks containers are not only sold by traditional but also by online retailers, the DRS will need to apply to online transactions in order to serve the original purpose.

**Question 4. Alternatively, will the measure only be applicable in a digital context and therefore may have an adverse impact on traditional or offline businesses?**

298. The Scottish DRS will be applicable equally to both digital and traditional businesses and would therefore not result in an adverse impact on traditional or offline businesses.

**Question 5. If the measure can be applied in an offline and online environment will this in itself have any adverse impact on incumbent operators?**

299. No.

**10. Legal Aid Impact Test**

300. There will be no impact on Legal Aid.

**11. Enforcement, Sanctions and Monitoring**

301. In order to deliver an ambitious DRS for Scotland sufficient enforcement, sanctions and monitoring systems will be put in place.

302. The Draft Deposit and Return Scheme for Scotland Regulations 202076 were laid before the Scottish Parliament in September 2019 for a 91-day representation period. The final Regulations were laid on 16 March 2020 and passed by the Scottish Parliament on 13 May 2020. A scheme administrator, Circularity Scotland Limited was approved by the Scottish Ministers on 24 March 2021. Its members include drinks producers, trade associations and retailers and it is working with businesses throughout the supply chain to deliver DRS.
303. The scheme administrator's operational activities will need to be undertaken in accordance with all other relevant legislative requirements, including for example, the Environmental Protection Act 1990, the Environmental Protection (Duty of Care) (Scotland) Regulations, The Environmental Authorisations (Scotland) Regulations 2018, Waste (Scotland) Regulations 2012, Trans- Frontier Shipment of Waste Regulations, Consumer Rights Act 2015 and Business Protection from Misleading Marketing Regulations 2008.
304. **Monitoring the Scheme Administrator** – SEPA has been appointed as regulator for the purposes of the scheme and will monitor the compliance of the scheme administrator with the DRS Regulations. SEPA will request and review operational plans and reports that detail performance of the scheme administrator against the obligations set out in legislation, namely the collection targets. Sanctions will be put in place and enforced if the scheme administrator fails to comply with its legal obligations.
305. **Monitoring Retailers and Producers** - SEPA will have a role in monitoring and enforcing waste compliance such as waste storage, transport and treatment of scheme packaging. In addition, trading practices which specifically impact on compliance with the DRS regulations will be managed by SEPA.
306. **Monitoring Consumer Concerns** – Consumer complaints with regards to DRS will be received, triaged and addressed by SEPA.
307. The Deposit and Return Scheme for Scotland Amendment Regulations 2022 will amend SEPA's investigatory powers under DRS to align them with similar powers for other environmental regimes. This is so that SEPA officers will be able to require a person to provide their name, address and date of birth for the purpose of identification and to compel an individual to attend at a designated time and place for an interview. The amendments also clarify what information provided to SEPA may be admissible as evidence. This will enable SEPA, as the regulator, to better identify witnesses and allow for planned, safer and more effective evidence gathering when responding to potential DRS non-compliance.
308. The secondary legislation establishing the scheme will be kept under review during its introduction and operation.

## **12. Implementation and Delivery Plan**

309. Consistent with the principle of producer responsibility, Scottish Ministers have placed responsibility for delivery of DRS with those involved in the supply and operation of Scotland's drinks market. A final commencement date of 16 August 2023 is included in the amending Regulations, laid in Parliament on 14 December 2021, and it is at that point that DRS will be considered fully operational.
310. A key visible milestone for consumers will be when retailers start rolling out the extensive recycling infrastructure in their stores from summer 2022. We are working together with the retail industry to start phasing in the use of this infrastructure on a voluntary basis from November 2022. We recognise that the needs of rural areas may be different from other more populated parts of the country. I am pleased therefore to let you know that there will be a return scheme in place in Orkney, also in November, which will provide benefits to the community.
311. Applications for retailers seeking an exemption from the obligation to operate a return point, and for persons seeking to operate a voluntary return point, opened on 1 January 2022 and remain open. All drinks producers selling into the Scottish market must register with SEPA either directly or through a scheme administrator (such as CSL). Registration with SEPA will open on 1 January 2023 and close on 28 February 2023.
312. The amending Regulations specify a two-year ramp-up period for scheme targets (compared to the three-year period set in the original Regulations). From calendar year 2025 onwards, producers will have to collect 90% of the packaging they place on the market.

## **13. Summary and Recommendations**

313. This document is a revised version of the final Business and Regulatory Impact Assessment (BRIA) published by the Scottish Government on 16 March 2020. It has only been revised to reflect changes made to the design of DRS by The Deposit and Return Scheme for Scotland Amendment Regulations 2022, laid in Parliament on 15 December 2021, and an update to the benefits and costs of the scheme as a consequence; these changes are written subject to the best available information at the time. Information that provides context for the scheme design as set out in the original Regulations, passed by Parliament on 13 May 2020, has not been changed.
314. It is recommended that the Scottish Government introduces a deposit return scheme for Scotland.

#### **14. Declaration and Publication**

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

**Signed:** *Lorna Slater*

**Date:** 14/12/21

**Minister's name:** Lorna Slater

**Minister's title:** Minister for Green Skills, Circular Economy, and Biodiversity

**Scottish Government Contact point:** Charles Holmes

15. Annex A: Final Scheme Design Schematic



## 16. Annex B: Litter Prevention Options

### Rationale

Scotland's National Litter Strategy<sup>78</sup>, Towards A Litter-Free Scotland, outlines 12 interventions across three strategic areas – information, infrastructure and enforcement. These provide a basis for potential prevention initiatives, coupled with overseas examples, that aim to achieve comparable reductions in litter alongside a household packaging EPR scheme for Scotland. In keeping with the aims of the National Litter Strategy, activities outlined below have a firm focus on prevention. This differs from some European litter funding which commonly includes a significant contribution towards clean-up rather than prevention.

The initiatives outlined in the low, medium and high scenarios:

- Cover the range of interventions discussed in the National Litter Strategy e.g. to address needs and gaps in Information/Education, Infrastructure and Enforcement
- Are aimed at litter prevention, not clean-up
- Are primarily aimed at local authority participation due to the application of the household packaging EPR scheme's full cost recovery payments, but include involvement from other recognised key stakeholders such as other duty bodies and statutory undertakers, businesses, private landowners, communities and the third sector
- Are considered in the current Scottish context. The Zero Waste Scotland litter and flytipping team has engaged the target audience of litter prevention measures extensively, therefore the categorisation of initiatives is based on known barriers, likely engagement requirements and willingness of stakeholders to get involved
- Take account of 'standard' initiatives included in litter prevention funding for other European EPR schemes. These align well with the measures most commonly requested by key stakeholders in Scotland, and therefore may be prioritised in the low or medium scenarios despite relatively high costs, difficulty to implement or low likely impact on litter volumes
- Exclude the introduction of other legislative or policy instruments, in part due to the cost of planning and implementation and based on the remit and scope of litter prevention funding from other European EPR schemes for packaging.

Accepting the above considerations, initiatives have been considered for the low, medium and high scenarios on the characteristics outlined in Annex B Table 1.

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<sup>78</sup> [Litter Strategy](#)

**Annex B Table 1. Litter Prevention Scenarios**

| Low Contribution  | Medium Contribution  | High Contribution   |
|---|--|---|
| Small investment, few barriers to implementation, small additional effort to prevent litter generation.   | Includes all low contribution activities e.g. the contribution is cumulative.  | Includes all low and medium contribution activities.  |
| Includes initiatives commonly requested by key stakeholders and members of the public e.g. aims to satisfy National Litter Strategy interventions and the minimum expectations of stakeholders. | Managed, ambitious effort to prevent litter with initiatives that are medium cost, may not currently take place and require significant engagement to implement. | Strategic, multi-disciplinary approach to litter prevention including place-making, health, wellbeing and social amenity impacts that have direct or indirect links to litter on the ground e.g. local environmental quality. |
|   | May include initiatives that are conducted rarely/piecemeal across Scotland which would provide benefit from wider coordinated uptake.                           | May include higher investment initiatives already outlined low and medium contribution.   |
|   | May include higher investment initiatives already outlined low contribution.   |   |

## Proposed Scenarios

**Annex B Table 2. Activity List for Low, Medium, High Contribution Scenarios**

|  | YEAR 1 (£million) |            |           | ONGOING ANNUAL (£million/year) |             |              |
|--|-------------------|------------|-----------|--------------------------------|-------------|--------------|
|  | Low               | Med        | High      | Low                            | Med         | High         |
| Local Authority Shared Service - formal, six regional agreements | -                 | -          | 1         | -                              | -           | 2            |
| Local Authority Shared Service - non-formal, multiple agreements | -                 | 1.2        | -         | -                              | 1           | -            |
| Strategic Partnership  | 0.01              | 0.01       | 0.01      | 0.01                           | 0.01        | 0.01         |
| Litter Prevention Action Plans (community x 32; regional x6)     | -                 | 1          | 1         | -                              | 0.2         | 0.2          |
| National Consumer Campaign                                       | 1.1               | 1.35       | 1.6       | 1                              | 1.25        | 1.5          |
| Community Empowerment  | 0.6               | 1.1        | 1.6       | 0.5                            | 1           | 1.5          |
| Education and Skills   | 0.39              | 0.39       | 0.39      | 0.33                           | 0.33        | 0.33         |
| Citizen Science  | 0.2               | 0.2        | 0.2       | 0.1                            | 0.1         | 0.1          |
| Monitoring and Data Improvements                                 | 0.25              | 0.5        | 0.75      | 0.25                           | 0.5         | 0.75         |
| Next Generation Monitoring System                                | -                 | -          | 0.5       | -                              | -           | 0.1          |
| Recycle on the Go Improvements                                   | 0.25              | 0.35       | 0.45      | 0.25                           | 0.35        | 0.45         |
| Escaping Waste from Containers and Vehicles                      | 0.25              | 0.5        | 1         | 0.25                           | 0.5         | 1            |
| National 'Binrastructure' Improvements                           | 0.5               | 1          | 1.5       | 0.5                            | 1           | 1.5          |
| Optimisation of Enforcement System                               | 0.5               | 0.5        | 0.5       | 0.05                           | 0.05        | 0.05         |
| Additional Enforcement Funding                                   | 0.5               | 1          | 2         | 0.5                            | 1           | 2            |
| CCTV Infrastructure  | -                 | -          | 0.5       | -                              | -           | 0.1          |
| <b>TOTAL COST (£million)</b>                                     | <b>4.55</b>       | <b>9.1</b> | <b>13</b> | <b>3.74</b>                    | <b>7.29</b> | <b>11.59</b> |

## Low Contribution Scenario

**Annex B Table 3. Low Contribution Scenario Activities**

| Activity   | Year 1 Cost (£millions) | Ongoing Cost (£millions/year) |
|--|-------------------------|-------------------------------|
| Local Authority Shared Service – formal, 6 regional agreements | -                       | -                             |
| Local Authority Shared Service – informal, multiple agreements | -                       | -                             |
| Strategic Partnership  | 0.01                    | 0.01                          |
| Litter Prevention Action Plans (community x32; regional x6)    | -                       | -                             |
| National Consumer Campaign                                     | 1.10                    | 1.00                          |
| Community Empowerment  | 0.60                    | 0.50                          |
| Education and Skills   | 0.39                    | 0.33                          |
| Citizen Science  | 0.20                    | 0.10                          |
| Monitoring and Data Improvements                               | 0.25                    | 0.25                          |
| Next Generation Monitoring System                              | -                       | -                             |
| Recycle on the Go Improvements                                 | 0.25                    | 0.25                          |
| Escaping Waste from Containers and Vehicles                    | 0.25                    | 0.25                          |
| National 'Binrastructure' Improvements                         | 0.50                    | 0.50                          |
| Optimisation of the Enforcement System                         | 0.50                    | 0.05                          |
| Additional Enforcement Funding                                 | 0.50                    | 0.50                          |
| CCTV Infrastructure  | -                       | -                             |
|  |                         |                               |
| <b>Total Cost</b>  | <b>4.55</b>             | <b>3.74</b>                   |

The Low Contribution Scenario includes a number of positive initiatives which would have a low-moderate impact on litter volumes. Activities include common requests from key stakeholders and members of the public, particularly the consumer campaign and investment in education, and is therefore likely to be viewed favourably by both. It contains a number of modest contributions to infrastructure and data capture that would improve on current practices.

## Medium Contribution Scenario

**Annex B Table 4. Medium Contribution Scenario Activities**

| Activity   | Year 1 Cost (£millions) | Ongoing Cost (£millions/year) |
|--|-------------------------|-------------------------------|
| Local Authority Shared Service – formal, 6 regional agreements | -                       | -                             |
| Local Authority Shared Service – informal, multiple agreements | 1.20                    | 1.00                          |
| Strategic Partnership  | 0.01                    | 0.01                          |
| Litter Prevention Action Plans (community x32; regional x6)    | 1.00                    | 0.20                          |
| National Consumer Campaign                                     | 1.35                    | 1.25                          |
| Community Empowerment  | 1.10                    | 1.00                          |
| Education and Skills   | 0.39                    | 0.33                          |
| Citizen Science  | 0.20                    | 0.10                          |
| Monitoring and Data Improvements                               | 0.50                    | 0.50                          |
| Next Generation Monitoring System                              | -                       | -                             |
| Recycle on the Go Improvements                                 | 0.35                    | 0.35                          |
| Escaping Waste from Containers and Vehicles                    | 0.50                    | 0.50                          |
| National 'Binrastructure' Improvements                         | 1.00                    | 1.00                          |
| Optimisation of the Enforcement System                         | 0.50                    | 0.05                          |
| Additional Enforcement Funding                                 | 1.00                    | 1.00                          |
| CCTV Infrastructure  | -                       | -                             |
|  |                         |                               |
| <b>Total Cost</b>  | <b>9.10</b>             | <b>7.29</b>                   |

The Medium Contribution Scenario builds on the prevention measures implemented in the Low Contribution Scenario, with increased funding for activities where added value could be achieved, such as the National Consumer Campaign and investment in Community Empowerment, Recycle on the Go infrastructure, and 'Binrastructure'.

A number of new initiatives are included based on the larger contribution that present notable shifts in behaviour and approach towards litter, including the informal shared service which would overhaul the local authority approach to litter prevention, and litter prevention action plans which would create shared responsibility within and between council departments and their key stakeholders. These practices would address institutional barriers to litter prevention and provide suitable funding levels to effectively tackle known litter routes, in particular escaping waste and higher funding to ensure enforcement is seen as a credible deterrent.

## High Contribution Scenario

**Annex B Table 5. High Contribution Scenario Activities**

| Activity   | Year 1 Cost (£millions) | Ongoing Cost (£millions/year) |
|--|-------------------------|-------------------------------|
| Local Authority Shared Service – formal, 6 regional agreements | 1.00                    | 2.00                          |
| Local Authority Shared Service – informal, multiple agreements | -                       | -                             |
| Strategic Partnership  | 0.01                    | 0.01                          |
| Litter Prevention Action Plans (community x32; regional x6)    | 1.00                    | 0.20                          |
| National Consumer Campaign                                     | 1.60                    | 1.50                          |
| Community Empowerment  | 1.60                    | 1.50                          |
| Education and Skills   | 0.39                    | 0.33                          |
| Citizen Science  | 0.20                    | 0.10                          |
| Monitoring and Data Improvements                               | 0.75                    | 0.75                          |
| Next Generation Monitoring System                              | 0.50                    | 0.10                          |
| Recycle on the Go Improvements                                 | 0.45                    | 0.45                          |
| Escaping Waste from Containers and Vehicles                    | 1.00                    | 1.00                          |
| National 'Binrastructure' Improvements                         | 1.50                    | 1.50                          |
| Optimisation of the Enforcement System                         | 0.50                    | 0.05                          |
| Additional Enforcement Funding                                 | 2.00                    | 2.00                          |
| CCTV Infrastructure  | 0.50                    | 0.10                          |
|  |                         |                               |
| <b>Total Cost</b>  | <b>13.00</b>            | <b>11.59</b>                  |

The High Contribution Scenario largely builds upon the Low and Medium Contribution Scenarios, providing substantive funding for information, infrastructure and enforcement initiatives that would ensure a comprehensive, multi-faceted, well-funded approach to litter prevention. The key changes at this level include the formalisation of a local authority shared service, the formality of which is more likely to radically shift working practices and ensure senior level buy-in to prevention. This contribution level would also ensure forward planning and best use of technology was adopted for monitoring data collection, evaluation and application that would underpin all other activities and ensure optimal, targeted investment in each area.

17. Annex C: Competition Impact Assessment

Annex C Table 1. Summary of Competition Impacts

| Competition checklist question |   | DRS competition impacts             |
|--------------------------------|---|-------------------------------------|
| <b>Q1 a</b>                    | <b><i>Will the measure directly limit the number or range of suppliers by:</i></b>                      |                                     |
|                                | Awarding exclusive rights to supply?  | No impact anticipated.              |
|                                | Purchasing, franchising or licensing from a single supplier or a restricted group of suppliers?         | No impact anticipated.              |
|                                | Introducing a licensing scheme that places a fixed limit on the number of suppliers?                    | No impact anticipated.              |
| <b>Q1 b</b>                    | Introducing a licensing scheme that controls quality?   | No impact anticipated.              |
|                                | <b><i>Will the measure indirectly limit the number or range of suppliers by:</i></b>                    |                                     |
|                                | Significantly raising the costs of current suppliers, causing them to leave the market?                 | No significant impacts anticipated. |
|                                | Significantly raising the costs of new suppliers relative to existing suppliers?                        | No impact anticipated.              |
| <b>Q2</b>                      | Significantly raising the costs of some current suppliers relative to other current suppliers?          | No significant impacts anticipated. |
|                                | <b><i>Will the measure limit the ability of suppliers to compete by:</i></b>                            |                                     |
|                                | Controlling or substantially influencing the price a supplier may charge?                               | No significant impacts anticipated. |
|                                | Controlling or substantially influencing the characteristics of the products supplied?                  | No significant impacts anticipated. |
|                                | Limiting the sales channels a supplier can use, or the geographic area in which a supplier can operate? | No significant impacts anticipated. |
|                                | Substantially restricting the ability of suppliers to advertise their products?                         | No impact anticipated.              |
| <b>Q3</b>                      | Introducing restrictions on production processes or how suppliers are governed?                         | No significant impacts anticipated. |
|                                | <b><i>Will the measure limit suppliers' incentives to compete vigorously by:</i></b>                    |                                     |
| <b>Q4</b>                      | Incentivising suppliers to coordinate activities over which they would ordinarily compete?              | No impact anticipated               |
|                                | <b><i>Will the measure limit the choices and information available to consumers by:</i></b>             |                                     |
|                                | Limiting the ability of consumers to decide from whom they purchase?                                    | No significant impacts anticipated. |

|   |                                     |
|---|-------------------------------------|
| Changing the information available to consumers but not improving their ability to make informed decisions? | No significant impacts anticipated. |
| Increasing the cost of changing supplier?   | No significant impacts anticipated. |

**Annex C Table 2. DRS containers distributed in Scotland in 2016 by container type**

| Container Type                 | Number of Containers | Percentage of Containers |
|--------------------------------|----------------------|--------------------------|
| Glass Bottles (non-refillable) | 564,623,376          | 26%                      |
| Metal Cans                     | 846,935,065          | 39%                      |
| PET Bottles                    | 760,069,930          | 35%                      |
| <b>Total</b>                   | <b>2,171,628,373</b> | <b>100.0%</b>            |

Source: The British Soft Drinks Association

**Annex C Table 3. DRS containers distributed in Scotland in 2016 by outlet type**

| Outlet Type                | Number of Containers | Percentage of Containers |
|----------------------------|----------------------|--------------------------|
| Supermarkets               | 1,118,388,612        | 51.5%                    |
| Convenience                | 191,103,297          | 8.8%                     |
| High Street                | 165,043,756          | 7.6%                     |
| Discounters                | 162,872,128          | 7.5%                     |
| Hospitality                | 158,528,871          | 7.3%                     |
| Multiples (inc. forecourt) | 149,842,358          | 6.9%                     |
| Online                     | 110,753,047          | 5.1%                     |
| Symbols and independents   | 86,865,135           | 4.0%                     |
| Other                      | 28,231,169           | 1.3%                     |
| <b>Grand Total</b>         | <b>2,171,628,373</b> | <b>100%</b>              |

Source: The British Soft Drinks Association and Kantar Data for Zero Waste Scotland

Annex C Tables 4 and 5 below set out the estimated real change in the price of differentsizes of cola and beer across Scotland, based on the impacts discussed above. They show a flat-rate applied deposit would result in smaller products, in general, becoming relatively more expensive per millilitre than larger sized equivalents.\*

**Annex C Table 4. Percentage change in average cost to consumer of purchasing cola**

| Real cost to consumer | 33cl  | 50cl  | 1L    | 2L    |
|-----------------------|-------|-------|-------|-------|
| Low (0.5p)            | 0.60% | 0.37% | 0.34% | 0.29% |
| Medium (1p)           | 1.19% | 0.75% | 0.69% | 0.57% |
| High (1.5p)           | 1.79% | 1.12% | 1.03% | 0.86% |

Source: Kantar Data for Zero Waste Scotland

**Annex C Table 5. Percentage change in average cost to consumer of purchasing beer**

| Real cost to consumer | 33cl  | 568ml | 66cl  | 2L    |
|-----------------------|-------|-------|-------|-------|
| Low (0.5p)            | 0.40% | 0.53% | 0.26% | 0.06% |
| Medium (1p)           | 0.84% | 1.05% | 0.52% | 0.12% |
| High (1.5p)           | 1.26% | 1.58% | 0.78% | 0.19% |

Source: Kantar Data for Zero Waste Scotland

\* The proportional price of the deposit increase for beer first rises between 33cl & 1 pint, before dropping. This is due to the average price being lower for the pint size compared to the smaller 33cl size. This is predominantly due to the fact that a majority of craft and imported beer is sold in the 33cl format, pushing up the price compared to that of the pint size, which is more utilised by domestic and lower price options.

## 18. Annex D: Test Run of Business Forms

### Annex D.1: Test run of business form methodology details

1. In total three workshops were undertaken. Three or four respondents participated in each workshop. In addition, six telephone interviews were conducted with either one, two or three respondents.
2. Workshops/interviews were undertaken between the 18 November and 2 December 2019.
3. Participants were recruited through the DRS Implementation Advisory Group (IAG) Scheme Administrator working group, the IAG Producer working group and the IAG Retailer working group.
4. Everyone who volunteered and was able to make the workshops was accepted. Where workshop attendance was not possible, telephone interviews were also conducted. The only people who came forward and couldn't be included in the test were those who weren't available for the initial workshops and/or did not respond to the offer of a telephone interview within the feedback collection period. The trade association members of the IAG Scheme Administrator Group put forward representatives to take part, e.g. the Society of Independent Brewers (SIBA), the National Federation of Retail newsagents (NFRN) and the British Soft Drinks Association (BSDA). Mull and Iona Community Trust were also interviewed as they had expressed an interest in becoming a Voluntary Return Point.
5. An incentive of £50 compensated workshop attendees for travel costs and time and encouraged participation.
6. In total, three moderators were involved in the test.
7. Stimulus materials used during the group discussions/depth interviews were DRS business forms.
8. All research projects undertaken comply fully with the requirements of ISO 20252, the GDPR and the MRS Code of Conduct.

Table of participants:

**Annex D Table 1. Participants in Test Run of Business Forms**

| <b>Form(s) tested</b>   | <b>Organisation</b>                               | <b>Number of represent-atives</b> | <b>Participant involvement in DRS working groups</b>   |
|---|---|-----------------------------------|--|
| <b>‘Producer Registration form’ and ‘A Scheme Administrator for Scotland’s Deposit Return Scheme: Application Form and Operational Plan Template’</b> | Coca Cola European partner                        | 1                                 | Member of Scheme Administrator working group.  |
|   | C&C Tennent’s                                     | 1                                 | Organisation representation in both Scheme Administrator and Producer & Distributor working groups (not participant).                        |
|   | Dunns Food and Drink                              | 1                                 | Not a member of any working groups.  |
|   | Nestle Waters                                     | 1                                 | Not a member of any groups at point when provided feedback. Now a member of the Producer & Distributor group.                                |
|   | Scottish Beer and Pub Association                 | 1                                 | Member of Scheme Administrator and Producer & Distributor working groups.  |
|   | AB InBev  | 1                                 | Member of the Producer & Distributor working group.  |
|   | Bestway/ Batleys Wholesale                        | 1                                 | Not a member of any working groups.  |
|   | Highland Spring/ Natural Source Water Association | 1                                 | Member of Scheme Administrator working group. Organisation representation in the Producer & Distributor working group (not participant).     |
| <b>‘Applicant Form for Return Point Exemption and Voluntary Return Point Approval’</b>  | MICT  | 2                                 | Not members of any working groups.   |
|   | NFRN  | 2                                 | Member of the Scheme Administrator and Retailer working groups (1 participant only).   |
|   | Aldi  | 1                                 | Organisation representation in both Scheme Administrator and Retailer working groups (not participant).                                      |
|   | Scottish Grocer’s Federation                      | 1                                 | Member of Scheme Administrator and Retailer working groups.  |
|   | ACS   | 1                                 | Member of Retailer working group.  |
|   | Sainsbury’s                                       | 1                                 | Member of Scheme Administrator and Retailer working groups.  |
|   | Waitrose  | 3                                 | Member of Retailer working group (1 participant only). Organisation representation in Scheme Administrator working group (not participants). |

**Annex D.2: Original Scottish DRS business forms tested**  
**Form 1: 'Producer Registration Form'**

**Deposit Return  
Scheme Scotland:**  
Producer Registration

Please read the guidance document: "Deposit Return Scheme Scotland: Producer Guidance" before filling in this form.

By 1 March every year you must register or be registered with your environmental regulator. You can either join the Scheme Administrator or register yourself. The Scheme Administrator will register you, and assume most of your legal obligations under the Scheme.

If you choose to register yourself, you will be responsible for meeting all of your obligations under the Scheme.

To register as a producer, you'll need the following information:

- The name and address of the legal entity being registered.
- Company Registration number, if applicable
- Where the producer is a partnership, the names of all the partners.
- SIC code for the activities carried out by the producer.
- Contact details of a contact person for the producer.
- The name and Universal Product Code (UPC) for each product placed onto the Scottish Market in the previous calendar year.
- For each UPC:
  - The number of scheme articles placed on the market for retail sale in Scotland in the previous calendar year. This should be broken down by material type (PET plastic; Steel; Aluminium; Glass).
  - The number of scheme articles the producer anticipates it will place on the market for retail sale in Scotland in the calendar year in which the application is being made. This should be broken down by material type (PET plastic; Steel; Aluminium; Glass).
- Your operational plan that demonstrates how you intend to comply with your legal obligations under the scheme.

Once you have completed the form you will need to pay the correct fee using a credit or debit card:

- Large producer (turnover → £2m) TBC.
- Medium producer (turnover ← £2m) TBC.
- Micro producer (← 5000 containers) TBC.

It's quicker to register online. If you can't do this or need help to do this, call us on 03000 996699, or email: [sccd@sepa.org.uk](mailto:sccd@sepa.org.uk)

If you want to communicate with us through sign language, the Contact Scotland BSL service will give you access to an online interpreter.

## After you apply

You will receive an automatic e-mail confirming that we have received your application. Please check the details you provided are correct.

Within 35 days you will be sent an e-mail confirming your registration as a producer, and a link to your entry on the public register. Keep this safe, as retailers may ask to see it, in order to comply with their own obligations.

## Applicant type

**Are you registering as:**

Brand owner based in the UK

Importer based in the UK

**Are you registering as: (required)**

Individual/ Sole Trader

Individual/ Sole Trader Trading As \_\_\_\_\_

Partnership Names of all partners: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Partnership Trading As \_\_\_\_\_

Company/ PLC  
Company Registration number: \_\_\_\_\_

Other Please specify: \_\_\_\_\_

**Are you registering as a:**

Large producer (definition TBC)

Medium producer (definition TBC)

Micro producer (definition TBC)

### Business Details

|   |  |
|---|--|
| Name of the producer  |  |
| Address of registered or principal office                                       |  |
| Telephone number  |  |
| Address for correspondence (if different from above)                            |  |
| Telephone number (if different from above)                                      |  |
| UK Standard Industrial Classification (SIC)<br>Code for your business activity: |  |

### Contact Details

|                  |  |
|------------------|--|
| Forename         |  |
| Surname          |  |
| Position         |  |
| Email address    |  |
| Telephone number |  |

## Number of scheme articles placed on the market for retail sale in Scotland in the previous calendar year

Please see the guidance document for definitions of scheme articles.

Number of scheme articles placed on the market for retail sale in Scotland in the previous calendar year:

| SCHEME ARTICLE BREAKDOWN (FOR PREVIOUS CALENDAR YEAR)                    |                                      |                            |         |  |   |  |
|--|--------------------------------------|----------------------------|---------|--|---|--|
| Brand  | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode | Other unique ID and data capture markers | No of packs anticipated placing on market | No of containers anticipated placing on market |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is PET       |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Glass     |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Aluminium |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Steel     |                                      |                            |         |  |   |  |

NB: All barcodes will be validated on entry

## Number of scheme articles you anticipate placing on the market for retail sale in Scotland in this calendar year

Please see the guidance document for definitions of scheme articles.

Number of scheme articles to be placed on the market for retail sale in Scotland in the current calendar year:

| FORECASTED SCHEME ARTICLE BREAKDOWN (FOR YEAR THAT THE APPLICATION IS BEING MADE) |                                      |                            |         |  |   |  |
|---|--------------------------------------|----------------------------|---------|--|---|--|
| Brand   | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode | Other unique ID and data capture markers | No of packs anticipated placing on market | No of containers anticipated placing on market |
|   |                                      |                            |         |  |   |  |
|   |                                      |                            |         |  |   |  |
|   |                                      |                            |         |  |   |  |
|   |                                      |                            |         |  |   |  |
|   |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is PET                |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Glass              |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Aluminium          |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Steel              |                                      |                            |         |  |   |  |

NB: All barcodes will be validated on entry

## Operational plan

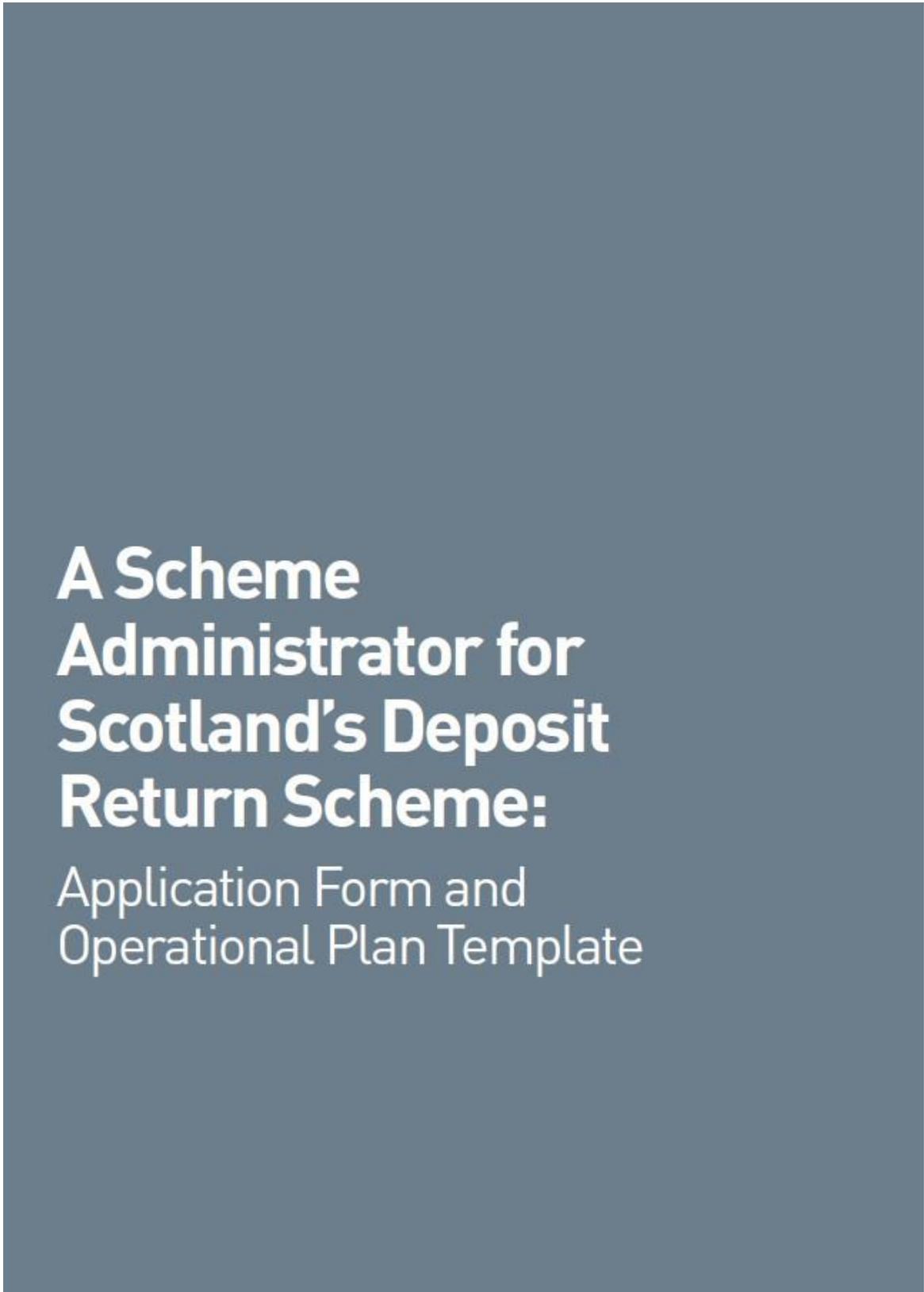
Please include your operational plan. This document should outline how you plan to fulfil your legal obligations under the Scheme. The guidance document contains a sample template for you to use.



### Declaration

- I declare that all the information provided in this registration form is accurate and complete.
- I declare that I am authorised to act on behalf of the producer.

**Form 2: A Scheme Administrator application form, originally entitled 'A Scheme Administrator for Scotland's Deposit Return Scheme: Application Form and Operational Plan Template'**



**A Scheme  
Administrator for  
Scotland's Deposit  
Return Scheme:**  
Application Form and  
Operational Plan Template

**The Deposit and Return Scheme for Scotland Regulations 2020 (“the Regulations”) require any organisation wanting to operate as a Scheme Administrator for Scotland’s Deposit Return Scheme to apply in writing to Scottish Ministers.**

A Scheme Administrator is defined in the Regulations as a person that has been approved to submit applications for registration on behalf of producers and to discharge the obligations on behalf of those producers under the Regulations in relation to managing the collection and financial payments associated with returned containers.

Applicants completing and submitting this form to Scottish Ministers are, where approved, committing to fulfilling the legal obligations required of a Scheme Administrator under regulation 13 of the Regulations.

This includes:

- Accepting the return of scheme packaging from wholesalers and retailers on behalf of producers for whom they have registered and paying them a deposit for each item accepted.
- Collecting scheme packaging from return point operators, hospitality retailers and distance retailers in accordance with pre-arranged timescales, on behalf of producers for whom they have registered.
- Making payments of deposits and handling fees to return point operators, hospitality retailers and distance retailers in accordance with pre-arranged timetables, on behalf of producers for whom they have registered.
- Meeting collection targets for scheme packaging in relation to scheme packaging of producers for whom they have registered.
- Collecting and keeping information about scheme articles sold by producers for whom they have registered and scheme packaging handled by the scheme administrator.
- Providing that information and any other information requested by Scottish Ministers or SEPA for the purposes of monitoring compliance.
- Providing information to Scottish Ministers or SEPA within 28 days of any material change in circumstances either for the Scheme Administrator or information provided.
- Notifying Scottish Ministers if a decision is taken to stop acting as a Scheme Administrator.

Upon submitting this form, Scottish Ministers have 28 days from receipt to approve or reject the application and will provide notification of the decision within 7 days of this decision.

If the application is rejected, then the reasons will be included in any correspondence and there is further 28-day period during which the applicant can request a review of the decision. The review process is detailed in Part 6 of the Regulations. The review may be carried out in writing or through a hearing if requested by the applicant or the Scottish Ministers.

Where the application is approved, it will take effect from the date of decision until any withdrawal of approval by Scottish Ministers in accordance with the grounds in regulation 17. The business name provided in this application will then be added to the public list of approved Scheme Administrators, maintained by Scottish Ministers, and the Annual Operational Plan published online.

## 1.0: Contact Information

| Scheme Administrator Registration Details                             |  |
|---|--|
| Organisation name<br>(including any business names)                   |  |
| Registered or principal office address, postcode and telephone number |  |
| Address for service of notices (if different from above)              |  |
| Company/Charity registration number if relevant                       |  |
| VAT Registration number if relevant                                   |  |
| Contact name  |  |
| Job Title   |  |
| Telephone number  |  |
| Email address   |  |

Print name: \_\_\_\_\_

Job title: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

(applicant)

## 2.0: Founding Documents

A copy of the founding documents of the Scheme Administrator should be submitted with this application. Where they exist, this should include a copy of articles of association and memorandum of association used to form the constitution of the company. As a minimum this should define the purpose of the Scheme Administrator, any subscribers to the formation of the company or body, any director roles and responsibilities and administrative arrangements.

Where this isn't available at the time of application, then they should be submitted once drafted and submitted to Scottish Ministers as a material change in information since the submission of the original application.

## 3.0: Producer membership agreement

Scheme Administrators are taking on potential significant liabilities for the Producers that they are acting on behalf of. Specifically, this is in relation to the payment of redeemed deposits and the operation of the necessary infrastructure to meet obligated collection targets.

You must therefore supply with this application a copy of the agreement, covering the rules and procedures that producers on whose behalf the applicant intends to register will be required to adhere to. We suggest that as a minimum this demonstrates:

- A copy of the contract between the parties, which outlines the obligations to be undertaken by both parties.
- How financial risk is to be allocated between the parties .
- How the Scheme Administrator intends to identify that producers have sufficient funds to cover their financial obligations under the scheme.
- How producer fee(s) are to be calculated and charged, including the process and frequency at which such fees will be reviewed.
- Data submission requirements and verification processes including frequency of reporting of containers placed onto market .
- Any requirements to allow the identification of scheme containers and updating or changing packaging specifications.
- Processes for termination of membership and how containers placed onto the market while a member will be handled if membership is terminated.

## 4.0: Producer Registration

All producers must be registered with SEPA in order for their products (contained in scheme packaging) to be sold by anyone in Scotland. A Scheme Administrator that has been approved following submission of this application may register on behalf of producers.

Completing the tables below will provide the necessary information required under the Regulations to allow SEPA to progress registration. A table should be completed for each producer on whose behalf the Scheme Administrator is acting.

In relation to producers operating as producers before [1 April 2020], a first application for producer registration should be submitted by [1 May 2020]. It will be possible to submit applications from [1 January 2020].

Once registered, a producer will continue to be registered unless their registration is cancelled by SEPA in accordance with regulation 9. However, a further application for registration in relation to a registered producer should be submitted to SEPA annually, before 1 March.

If the timescales above do not apply to a producer because they become a producer after [1 May 2020], an application for registration is refused, or their registration has been cancelled, an application for registration should be submitted to SEPA within 28 days of:

- that producer becoming a producer,
- that producer receiving notification that a previous application has been refused, or
- that producer receiving notification that a previous registration has been cancelled.

Where this application is approved, producer details included will be passed onto SEPA for registration i.e. there is no need to submit these separately again. SEPA will contact the named individual for the Scheme Administrator to discuss payment of the regulation fee for each producer.

When registering producer details in future years, the forms below can be submitted direct to SEPA. There is no need to notify Scottish Ministers of the registering of producers, or where a Scheme Administrator stops acting on behalf of a producer, unless it has a substantial impact on the Operational Plan e.g. a major producer is added or removed requiring changes to key infrastructure or financial arrangements.

In year 1, the number of articles placed onto the Scottish market in the previous calendar year should be estimated including providing a range where required. It is recognised that until the scheme is operational that imperfect data exists to use for reporting this detail.

A Scheme Administrator must collect and keep information for producers they have registered for a minimum of four years from the date on which the information is collected. This information must include:

- Number of articles [each producer] place(s) onto the market.
- The primary material from which the packaging used for those articles is made.
- The number of items of scheme packaging returned directly to the producer or Scheme Administrator from wholesalers or retailers.
- The number of items of scheme packaging collected by the producer from return points, hospitality retailers and distance retailers.

SEPA are required, under the regulations, to publish and maintain a list of registered producers. The purpose of this list is to allow retailers to ensure that they are only purchasing containers for sale that fulfil the requirements of these regulations. The additional details being captured will provide the necessary granularity to be certain down to the individual SKU that it is registered as a scheme article and can be sold in Scotland.

**Producer Registration Details**

|   |  |
|---|--|
| Organisation name   |  |
| Address, postcode and telephone number of registered or principal office  |  |
| Telephone number  |  |
| Address for service of notices (if different from above)  |  |
| Company registration number (as kept by Companies House)  |  |
| Names of all partners (where the Producer is a partnership)   |  |
| UK Standard Industrial Classification (SIC 2007) Code for relevant activities   |  |
| Total No of scheme articles first placed onto the market for retail sale in Scotland in previous calendar year            |  |
| Total No of scheme articles forecast for the year that the application is being made (providing breakdown in table below) |  |
| Contact name  |  |
| Job Title   |  |
| Telephone number  |  |
| Email address   |  |

Print name: \_\_\_\_\_

Job title: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

(applicant)

**FORECASTED SCHEME ARTICLE BREAKDOWN (FOR YEAR THAT THE APPLICATION IS BEING MADE)**

| Brand  | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode | Other unique ID and data capture markers | No of packs anticipated placing on market | No of containers anticipated placing on market |
|--|--------------------------------------|----------------------------|---------|--|---|--|
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
|  |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is PET       |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Glass     |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Aluminium |                                      |                            |         |  |   |  |
| Total number of Scheme Articles, where the primary material is Steel     |                                      |                            |         |  |   |  |

## 5.0: Annual Operational Plan

A Scheme Administrator must fulfil a number of obligations on behalf of all the Producers that it is acting on behalf of. Specifically, these include:

- Accepting the return of scheme packaging from wholesalers and retailers – this obligation only extends to scheme packaging sold in Scotland by a producer registered through the Scheme Administrator to the wholesaler or retailer returning it.
- Paying a deposit to the retailer or wholesaler for each item of packaging returned as above.
- Collecting scheme packaging from return point operators, hospitality retailers and distance retailers in accordance.
- Setting out the timescales within which these collections will be made and operating within them.
- Making payments of deposits and handling fees to return point operators, hospitality retailers and distance retailers .
- Setting out the timescales within which these payments will be made and operating within them.
- Meeting collection targets for collection of scheme packaging.

Collection targets for producers are detailed in schedule 3 of the Regulations and relate to a percentage of the total number of scheme articles made available by that producer for retail sale in Scotland in any one year.

Where the targets apply to the Scheme Administrator, they relate to a percentage of the collective number of scheme articles placed on the market by all producers registered through that Scheme Administrator during the same year. The targets are:

- 1 January 2022 - 31 December 2022: 70% of total number of containers.
- 1 January 2023 – 31 December 2023: 80% of total number of containers.
- 1 January 2024 – 31 December 2024 (and each subsequent calendar year): 90% of total number of containers (with each packaging material type achieving a minimum 85% collection rate).

In relation to the obligations above, a “reasonable handling fee” for return point operators and distance retailers should take account of the following

- Costs of purchase, lease, maintenance or upkeep of any infrastructure, including any vehicles, used exclusively for collection and storage of scheme articles.
- Costs of materials used for collection and storage of scheme articles.
- Rental value of floor space used exclusively for collection and storage of scheme articles.
- Staff time dedicated to the collection and storage of scheme articles.
- For hospitality premises that do not operate a return point, a reasonable handling fee should take account of the cost of materials used for collection and storage of scheme articles.

This Operational Plan should set out how, as a Scheme Administrator, you will fulfil these obligations on behalf of producers you have registered. Therefore, the detail contained should take account of the size and number of producers that are covered by this plan and, by extension, the scale of the responsibility being adopted.

An Operational Plan must provide sufficient detail to demonstrate to Scottish Ministers that the proposals for discharging the obligations are realistic. The application should also demonstrate that, if approved, the entity applying has sufficient resources, knowledge and detailed proposals that it is likely to be able to subsist for a period of at least five years.

## 5.0: Annual Operational Plan

A Scheme Administrator must inform the Scottish Ministers and SEPA in writing of any material change in the information provided in the application. This includes any significant changes to the operational plan. In that event we will request an updated operational plan. A Scheme Administrator may include an updated operational plan when notifying the Scottish Ministers of a material change if it considers it helpful.

As a guide, you should notify the Scottish Ministers where there are changes in your:

- Number of producers that you are acting on behalf of, that increases or decreases the number of containers by 10% or more of a specific material.
- Where producer estimates of scheme articles placed on the market change significantly from those provided at the time of registration.
- Data verification, infrastructure or delivery approach to achieving targets.

Once approved, a Scheme Administrator must comply with its obligations under the Regulations. The Scottish Environment Protection Agency (SEPA) will monitor compliance with this throughout the year. If you fail to comply with the obligations placed on the Scheme Administrator then Scottish Ministers may withdraw your approval meaning you can no longer operate as a Scheme Administrator.

The Full Business Case for Scotland's Deposit Return Scheme identified a number of additional environmental, economic and social benefits that could be realised through the implementation of a Deposit Return Scheme.

Any Scheme Administrator could play a significant role in delivering some of these benefits. A section is included in this template offering applicants the opportunity to identify what, if any, of these benefits their proposed operational plan will support, either directly or working with others. This section will NOT be part of the approval process, as there are no obligations to deliver these under the Regulations.

|                   |  |
|-------------------|--|
| Organisation name |  |
|-------------------|--|

## OPERATIONAL PLAN

### Scheme Articles placed onto market by represented Producers (for year that the application is being made)

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is PET |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Glass |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Aluminium |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Steel |  |
|--|--|

## SECTION 1: DATA VERIFICATION

You must demonstrate how you will verify the accuracy of information both from producers on containers placed onto the market and also for containers collected from return points.

Applications should include all relevant information but as a minimum it should include the following:

- The format of information requested from Producers that you will be acting on behalf of.
- A monitoring plan, to demonstrate how information from producers you are acting on behalf of will be checked for accuracy. This should include methodology to be adopted, checks carried out both at the beginning and during the year and frequency of monitoring.
- Contractual arrangements to allow additional checks to undertaken if errors are suspected in the submitted information.
- The systems and processes are in place to complete checks and submit a robust data set to SEPA ahead of the deadline for the relevant year.
- How changes to producer data will be captured and reported to SEPA in a timely manner.
- How will retailers know how to identify scheme articles from producers that you are acting on behalf of.
- How will you verify that containers collected by return points are scheme packaging.
- How would you manage both non-scheme packaging or scheme packaging belonging to another Scheme Administrator that was returned?
- How will information from return points be analysed, to identify fraud and misreporting of data.
- How will information on scheme packaging returned will be reconciled with material collected, to confirm collection of this packaging and evidence performance against regulated targets.
- Systems and processes in place to prevent data being corrupted or changed when in possession of the organisation.

## SECTION 2: INFRASTRUCTURE AND LOGISTICS

You must demonstrate how the infrastructure and logistics is either in place or will be secured to deliver the proposed approach to servicing return points and verifying delivery against required targets.

Applications should include all relevant information but as a minimum it should include the following:

- How are retailers, hospitality premises and voluntary return points being advised to collect and present scheme packaging for collection?
- What are arrangements for customer service and complaint management from retailers, hospitality premises and voluntary return points?
- How are you identifying return points and ensuring that they have access to the required infrastructure and information ahead of collections commencing?
- How are you going to service the number of return points where producer packaging is likely to be returned to?
- How frequently will you collect packaging from different types of retail and hospitality premises and how has this frequency been established?
- How are you going to service ad hoc collection arrangements or where additional resources are required to complete collections?
- Reimbursing the deposit in full for scheme packaging returned by retailers or wholesalers.
- What infrastructure will be used to identify and verify that containers returned belong to producers that you are acting on behalf of?
- How are you ensuring this infrastructure is appropriately sized and can provide either redundancy or if additional capacity is required?
- How are you ensuring legal compliance with all required regulations and standards for delivery of necessary infrastructure and logistics?
- How will packaging collected be recycled, including the length of contract and security of this end destination?

## SECTION 3: DELIVERING COLLECTION TARGETS

You must demonstrate how you intend to achieve the specified collection targets for the calendar year that this operating plan is being submitted for.

Applications should include all relevant information but as a minimum it should include the following:

- A communications plan to detail how the scheme will be promoted and the channels to be used.
- How will this communications plan be delivered and resources and expertise to be deployed.
- Key messages to be used to engage key audiences in how to participate and the benefits of participating.
- How will awareness of corporate branding be increased, and positive associations constructed, to build awareness of activities.
- Materials and collateral to be developed for producers and retailers to use in communicating their involvement.
- What information will be provided to the public to ensure that they understand the scheme and allow them to engage with your organisation.
- How will partnership activity be leveraged in communication and engagement activities to maximise impact.
- How will you identify geographical areas or demographic groups that are not performing and target these to enhance performance?
- Intention to operate, or work with others, to establish voluntary return points where there are significantly more containers returned than sold.
- How will target performance be monitored and remediation plans developed if there is slippage against the target in year.

## SECTION 4: FINANCING

You must demonstrate how the financing is in place or will be secured to deliver the proposed approach for those producers that you are acting on behalf of and to deliver against required targets.

Applications should include all relevant information but as a minimum it should include the following:

- A breakdown of costs and revenue streams in the format of a P&L account and Summary Balance Sheet for a 5-year period.
- How will increased costs or reduced revenues will be compensated for to ensure sufficient financing is available?
- What is being proposed as a retail handling fee and how has this been calculated?
- Specify the proposed time limit for payment of refunded deposits and handling fee to retailers.
- Demonstrate that there are no liquidity issues caused by payment terms and conditions for income and expenditure e.g. any observatory period required for financial auditors to define deposits as unredeemed.
- Engagement of a financial auditor to verify that financial statements are stated in line with international accounting standards.
- Evidence of insurance and sufficient indemnity cover.
- Description of corporate governance approach and the systems and processes that will be established to prevent and mitigate fraud and theft.
- A statement that demonstrates sufficient funds are or will be made available to cover these costs. Where appropriate your statement should demonstrate that there is access to sufficient borrowing resources.
- Supporting evidence of this needs to be provided and included with the submission of this application. Examples include:
  - A letter from your bank regarding any overdraft facilities.
  - Documentation which shows that a holding company, sister company or another company is able to and will supply financial support if required.

## SECTION 5: ADDITIONAL BENEFITS

The Scottish Government identified a number of environmental, economic and social benefits that could be realised by the introduction of a Deposit Return Scheme. Many of these benefits are out with the scope of the Regulations but are of significant interest to the public and the Scottish Parliament.

Any organisation acting as a Scheme Administrator could support the realisation of these benefits. This section provides an opportunity to identify what additional benefits, going beyond fulfilling regulatory obligations, would be supported by your organisation and the proposed approach to acting as a Scheme Administrator.

Examples identified by Scottish Government are included under each area however this is not intended to be an exhaustive list and if other benefits have been identified by your organisation then these should be included too.

This section is NOT part of the approval process for the application to act as a Scheme Administrator.

### Environmental Benefits

Examples could include:

- How quality of materials collected will be maximised and % to high value or closed loop recycling.
- How producer fees are being used to affect onto market container design to improve recyclability and maximise recycle value.
- How communication channels and materials are being used to support messaging beyond in-scope DRS materials e.g. utilising advertising space at return points to promote litter prevention, reuse or recycling.
- Contribution to sector sustainability strategies and generating USP for producers to support growth in their categories.
- Operational decisions and efficiencies that reduce or minimise the environmental impact of operations e.g. backhauling material as part of logistics operations, BREEAM certification for buildings and low carbon energy choices.

- Circular economy exemplar practices e.g. leasing of RVMs or other equipment, integrating circular procurement principles into purchasing activity, identifying reuse and remanufacturing opportunities to provide a second life for equipment where it is no longer suitable for DRS operations.

### Economic

Examples could include:

- Payment of the Living Wage and signing up to the Scottish Business Pledge.
- Utilising materials in Scotland to support economic activity through either existing reprocessing capacity or attracting new infrastructure.
- Providing additional security to existing collection infrastructure by using these facilities.
- Supporting economies of scale in collections to allow otherwise unviable recycling e.g. collection of colour separated glass from distilleries.
- How contracts and terms and conditions utilised maximise the opportunities and minimise challenges for small to medium-sized businesses.
- Creation of employment opportunities for groups including apprenticeships and those furthest from the labour market.

### Social

Examples could include:

- Supporting financial contributions to community organisations e.g. facilitating donations to good causes via Reverse Vending Machines.
- The use of community clauses in major contracts issued and the creation of opportunities for the third sector to be involved in delivery.
- Providing access to data to support projects with societal benefits e.g. targeting health projects in areas with high consumption of sugar drinks.
- Supporting community and formal education through establishment of an education resources and learning hub.
- Creation of additional return points to maximise accessibility in economically deprived areas e.g. in areas where ownership of a private vehicle is especially low.

# **Scotland's Deposit Return Scheme:**

Application form for Return  
Point Exemption and Voluntary  
Return Point Approval

**The Deposit and Return Scheme for Scotland Regulations 2020 ("the Regulations") require all retailers who sell, to consumers on their premises, in-scope drinks for take away to also operate a return point, allowing the public to return empty packaging and redeem their 20p deposit.**

The principle behind this is that it should be as simple for the public to return an empty container as it was to buy the drink originally.

The Regulations also allow for return points to be operated from other types of premises, recognising that there may be circumstances where additional return points are required or that alternative premises may offer an equally convenient option. These are defined as voluntary return points, as they are not automatically required to act as a return point.

The Scottish Government recognise that where multiple retailers and/or voluntary return points are in close proximity to each other, it may not be necessary for all organisations to act as a return point to maintain this principle.

The Regulations therefore allow exemptions to be considered by Scottish Ministers in situations such as:

- One retailer agrees to act as a return point on behalf of one or more other retailers.
- Retailers collaborate to establish a voluntary return point, (which could allow automated returns) rather than each retailer individually taking manual returns.
- A voluntary return point being established by someone other than retailers and agreeing to act on behalf of one or more retailers.

This application form may be used by retailers looking to apply for an exemption or organisations looking to become a voluntary return point. These have been combined into one form as, in many circumstances, we anticipate such applications will be connected. The form itself is split into sections and you only need to complete the sections relevant for the situation you are applying for.

Please note that the registration of voluntary return points is intended to capture those who wish to act as an alternative return point for retailers and/or those who want to operate a permanent non-retail return point. It is not intended to capture organisations that want to collect containers on an ad hoc basis or from a specific audience e.g. a group doing fund raising.

## Information relating to a return point exemption

Applications for an exemption to act as a return point will be assessed against two key criteria:

- 1) There is an alternative return point located within reasonable proximity to the premises, and the operator of that return point has agreed to accept the return by consumers of items of scheme packaging on behalf of the retail applicant for an exemption, and
- 2) If the exemption is granted, this will still provide consumers with reasonable access to a return point throughout the area of the local authority in which the retail premises are located.

Both of these criteria must be met for the Scottish Ministers to grant the exemption.

Scottish Ministers must consider a submitted application for exemption and make a decision within 28 days of receipt of the application. They must, within 7 days of that decision:

**Where granted:** notify the retailer of that decision in writing and the date that the exemption takes effect.

**Where refused:** notify the retailer of the refusal and give reasons for the refusal in writing.

A retailer who has been granted an exemption must clearly display information at the retailer's premises indicating:

- that by virtue of an exemption granted under these Regulations, they do not operate a return point, and
- the location of the alternative return point.

An exemption may be revoked by Scottish Ministers where there has been a material change of circumstances against the two key criteria identified above. Before revoking this, a written notice of the reason for the decision and the date on which it takes effect will be provided.

## Information relating to a voluntary return point application

Applications to act as a voluntary return point will be assessed against the accessibility of the return point, requiring information on the physical location, routes of access and proposed hours of operation.

Confirmation will also be required that all registered producers, or a Scheme Administrator acting on their behalf, has agreed that the organisation may operate a return point on their behalf in that location.

Scottish Ministers must consider an application and make a decision within 28 days of receipt of the application. Within 7 days of the decision:

**Where granted:** notify the applicant of that decision in writing and the date that it takes effect.

**Where refused:** notify the applicant of the reasons for the refusal in writing.

Approved return points will be added to a list of registered voluntary return points, maintained by Scottish Ministers. All return point operators are required to:

- Accept an item of clean, empty, identifiable scheme packaging returned to them .
- Refund the 20p deposit for each item returned.
- Retain the packaging for collection by, or on behalf of, a producer or scheme administrator .
- Display information on a complaints procedure and contact details of SEPA.

Scottish Ministers may cancel the registration of a return point where they are not fulfilling these obligations. Before cancelling this, a written notice of the reason for the decision and the date on which it takes effect will be provided.

## SECTION 1: APPLICATION FOR RETURN POINT EXEMPTION

**Part 1:** to be filled in by the business applying for the exemption

| Business 1: applying for exemption                             |  |
|--|--|
| Organisation name  |  |
| Address and postcode of retail premises applying for exemption |  |
| Address for service of notices (if different from above)       |  |
| Company/Charity registration number                            |  |
| Contact name   |  |
| Job Title  |  |
| Telephone number   |  |
| Email address  |  |

Print name: \_\_\_\_\_

Job title: \_\_\_\_\_

Signed: \_\_\_\_\_  
(applicant)

Date: \_\_\_\_\_

Tick box

- Confirmation that you have an agreement in place with the alternative return point identified in this application?
- Agreement to display information informing customers that not acting as return point and location of alternative return point – A5 minimum and visible at point of purchase and entry to store.
- Commitment to notify Scottish Government of change in circumstances or if alternative return point no longer acting on behalf.

### Question 1: physical location

**1a: Are the retailers or voluntary return points physically connected e.g. part of the same block of buildings or located in the same level in a shopping centre?**

Yes  No

If Yes, go to 2. If No, go to 1b.

**1b: If not physically connected, are retailers or voluntary return points within 20m of each other and have a clear line of sight?**

Yes  No

If Yes, go to 2. If No, go to 4.

### Question 2: opening times

**Will this be open at the same times as the retailer(s) identified in this application?**

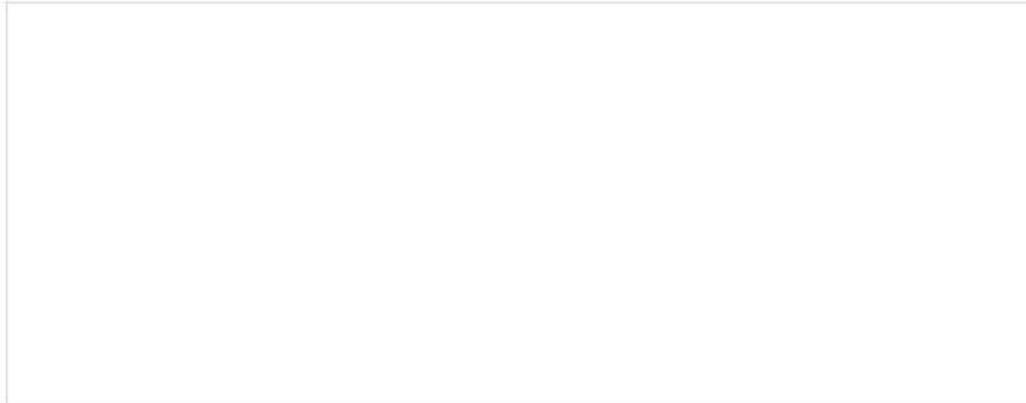
Yes  No

If Yes, go to 3. If No, go to 4.

### Question 3: additional information

Please include any additional information which you believe will support your application. This might include:

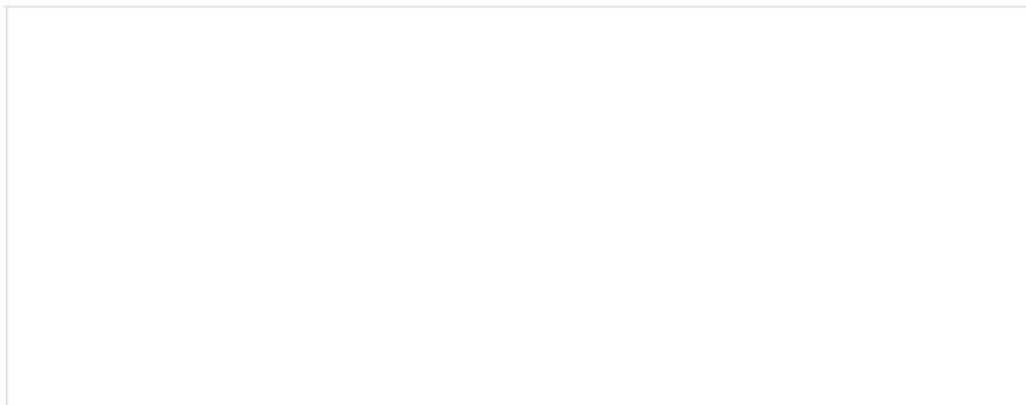
- a map identifying the retailer and return point and the route between them.
- details of any obstacles in between e.g. a road.
- any elevation difference i.e. slope or stairs.



### Question 4:

If the answer is no to all of the above questions, please explain how you consider the proposed exemption is compatible with the principle of it being as simple to return the container as it is to purchase it? You may wish to include

- a map identifying the retailer and return point and the route between them.
- details of any obstacles in between e.g. a road.
- any elevation difference i.e. slope or stairs.



## Part 2: to be filled in by the operator of the alternative return point

| Alternative Return Point Details                            |  |
|---|--|
| Organisation name   |  |
| Address and postcode of alternative return point            |  |
| If another voluntary return point, please fill in Section 2 |  |
| Address for service of notices (if different from above)    |  |
| Company/Charity registration number                         |  |
| Contact name  |  |
| Job Title   |  |
| Telephone number  |  |
| Email address   |  |

Print name: \_\_\_\_\_

Job title: \_\_\_\_\_

Signed: \_\_\_\_\_  
(applicant)

Date: \_\_\_\_\_

Tick box

- Confirmation that you are agreeing to act as a return point for other retailer(s) identified in this application and we have permission to contact you to verify this agreement is in place?
- Confirmation that you have considered the number of containers likely to be returned and have arrangements in place to manage this?
- Commitment to notify Scottish Government of change in circumstances or if no longer acting on behalf of retailer(s) identified in this application.

## SECTION 2: APPLICATION FOR VOLUNTARY RETURN POINT

| Alternative Return Point Details  |  |
|---|--|
| Organisation name<br>(including business or trading names if different)   |  |
| Address and postcode of proposed return point   |  |
| Address or telephone number of registered or principal office of proposed return point operator (if different from above) |  |
| Address for service of notices (if different from above)  |  |
| Company/Charity registration number   |  |
| Contact name  |  |
| Job Title   |  |
| Telephone number  |  |
| Email address   |  |

Print name: \_\_\_\_\_ Job title: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

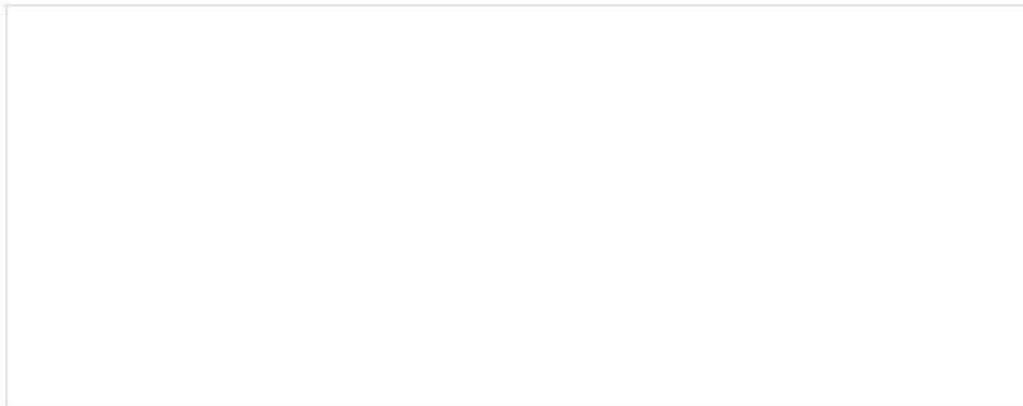
(applicant)

### Applications must include:

- A map showing the physical location of the proposed return point if there is a large site covered by the address details provided.
- Proposed operating hours including any proposed seasonal operations.
- Visibility and accessibility of the proposed location including highlighting routes of access.

In order to assist in development of an overview of the network of return points throughout Scotland the following information would also be helpful:

- An estimate of the number of containers you expect to capture.
- The source of these containers e.g. acting on behalf of local retailers, high numbers of additional containers arising due to tourism etc.
- Why the proposed location has been chosen i.e. why do you think it will be convenient for people to return the containers there?
- Where offering an alternative return point for retailers, demonstrate how this will be as convenient for the public as return to those retailers.
- How will resources be secured to establish and operate the return point e.g. financing the purchase of machine or staff to facilitate the returns.
- Additional benefits you are proposing to deliver through the return point e.g. creating employment opportunities for long-term unemployed.



Tick box

- Confirmation that you are agreeing to fulfil the requirements of acting as a return point under the Regulations?
- Commitment to notify Scottish Government of change in circumstances or if no longer wishing to act as a return point?
- Confirmation that you have agreement with registered producers and/or Scheme Administrator(s) to operate as a return point on their behalf?

**Annex D.3: Updated Scottish DRS business forms**

**Form 1: 'Scotland's Deposit Return Scheme: Application form for producer registration'**

# Scotland's Deposit Return Scheme:

Application form for producer  
registration

Please read the guidance document: "Deposit Return Scheme Scotland: Producer Registration Guidance" before filling in this form.

By **1 March every year** you must register or be registered with the Scottish Environment Protection Agency (SEPA). You can either join the Scheme Administrator or register yourself. The Scheme Administrator will register you, and assume most of your legal obligations under the Scheme.

If you choose to register yourself, you will be responsible for meeting all of your obligations under the Scheme.

To register as a producer, you'll need the following information:

- The name and address of the legal entity being registered.
- Company Registration number, if applicable
- Where the producer is a partnership, the names of all the partners.
- SIC code for the activities carried out by the producer.
- Contact details of a contact person for the producer.
- The name and European Article Number (EAN) for each product placed onto the Scottish Market in the previous calendar year and in the calendar year the application is being made.
- For each EAN:
  - The number of scheme articles placed on the market for retail sale in Scotland in the previous calendar year. This should be broken down by material type (PET plastic; Steel; Aluminium; Glass).
  - The number of scheme articles the producer anticipates it will place on the market for retail sale in Scotland in the calendar year in which the application is being made. This should be broken down by material type (PET plastic; Steel; Aluminium; Glass).
- Your operational plan that demonstrates how you intend to comply with your legal obligations under the scheme.

Once you have completed the form you will need to pay the correct fee using a credit or debit card:

- Micro producers (turnover <£85,000): zero fee
- All other producers: £360

It's quicker to register online. If you can't do this or need help to do this, call us on 03000 996699, or email: [scc@sepa.org.uk](mailto:scc@sepa.org.uk)

If you want to communicate with us through sign language, the Contact Scotland BSL service will give you access to an online interpreter.

## After you apply

You will receive an automatic e-mail confirming that we have received your application. Please check the details you provided are correct.

Within 35 days you will be sent an e-mail confirming your registration as a producer, and a link to your entry on the public register. Keep this safe, as retailers may ask to see it, in order to comply with their own obligations.

## Applicant type

**Are you registering as (please select all that apply):**

Brand owner based in the UK

Importer based in the UK

**Are you registering as:**

Individual/ Sole Trader

Individual/ Sole Trader Trading As

Partnership Names of all partners:

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Partnership Trading As

Company/ PLC  
Company Registration number  
(as kept by Companies House):

Other Please specify:

---

---

---

**Are you registering as a:**

Micro producer (Turnover < £85,000)

Other producer (Turnover > £85,000)

### Business Details

|   |  |
|---|--|
| Organisation name (including any business names)                            |  |
| Address of registered or principal office                                   |  |
| Telephone number of registered or principal office                          |  |
| Address and telephone for correspondence (if different from above)          |  |
| UK Standard Industrial Classification (SIC) Code for your business activity |  |

### Contact Details

|  |  |
|--|--|
| Forename                                 |  |
| Surname                                  |  |
| Job title                                |  |
| Email address                            |  |
| Telephone number                         |  |
| Notifications preference (Email or Post) |  |

## Number of scheme articles placed on the market for retail sale in Scotland in the previous calendar year

Please see the guidance document for definitions of scheme articles.

Number of scheme articles placed on the market for retail sale in Scotland in the previous calendar year:

| SCHEME ARTICLE BREAKDOWN (FOR PREVIOUS CALENDAR YEAR)                    |                                      |                            |                    |  |                              |  |
|--|--------------------------------------|----------------------------|--------------------|--|------------------------------|--|
| Brand  | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode/EAN number | Other unique ID and data capture markers | No of packs placed on market | No of scheme articles placed on market |
|  |                                      |                            |                    |  |                              |  |
|  |                                      |                            |                    |  |                              |  |
|  |                                      |                            |                    |  |                              |  |
|  |                                      |                            |                    |  |                              |  |
|  |                                      |                            |                    |  |                              |  |
| Total number of Scheme Articles, where the primary material is PET       |                                      |                            |                    |  |                              |  |
| Total number of Scheme Articles, where the primary material is Glass     |                                      |                            |                    |  |                              |  |
| Total number of Scheme Articles, where the primary material is Aluminium |                                      |                            |                    |  |                              |  |
| Total number of Scheme Articles, where the primary material is Steel     |                                      |                            |                    |  |                              |  |

NB: All barcodes will be validated on entry

## Number of scheme articles you anticipate placing on the market for retail sale in Scotland in this calendar year

Please see the guidance document for definitions of scheme articles.

Number of scheme articles to be placed on the market for retail sale in Scotland in the current calendar year:

| FORECASTED SCHEME ARTICLE BREAKDOWN (FOR CALENDAR YEAR THAT THE APPLICATION IS BEING MADE) |                                      |                            |                      |  |  |  |
|--|--------------------------------------|----------------------------|----------------------|--|--|--|
| Brand  | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode / EAN number | Other unique ID and data capture markers | No of packs anticipated placed on market | No of scheme articles anticipated placed on market |
|  |                                      |                            |                      |  |  |  |
|  |                                      |                            |                      |  |  |  |
|  |                                      |                            |                      |  |  |  |
|  |                                      |                            |                      |  |  |  |
|  |                                      |                            |                      |  |  |  |
| Total number of Scheme Articles, where the primary material is PET                         |                                      |                            |                      |  |  |  |
| Total number of Scheme Articles, where the primary material is Glass                       |                                      |                            |                      |  |  |  |
| Total number of Scheme Articles, where the primary material is Aluminium                   |                                      |                            |                      |  |  |  |
| Total number of Scheme Articles, where the primary material is Steel                       |                                      |                            |                      |  |  |  |

NB: All barcodes will be validated on entry

## Operational plan

Please include your operational plan. This document should outline how you plan to fulfil your legal obligations under the Scheme. The guidance document contains a sample template for you to use.

### Declaration

I declare that all the information provided in this registration form is accurate and complete at the time of completion.

I declare that I am authorised to act on behalf of the producer.

I commit to notify SEPA of change in circumstances or information provided in this form.

Signed (applicant): \_\_\_\_\_ Print name: \_\_\_\_\_

Date: \_\_\_\_\_ Job title: \_\_\_\_\_

(applicant)

Producer Registration

7

**Form 2: 'A Scheme Administrator for Scotland's Deposit Return Scheme:  
Application Form and Operational Plan Template'**

**A Scheme  
Administrator for  
Scotland's Deposit  
Return Scheme:  
Application Form and  
Operational Plan Template**

**The Deposit and Return Scheme for Scotland Regulations 2020 (“the Regulations”) require any organisation wanting to operate as a Scheme Administrator for Scotland’s Deposit Return Scheme to apply in writing to Scottish Ministers.**

A Scheme Administrator is defined in the Regulations as a person that has been approved to submit applications for registration on behalf of producers and to discharge the obligations on behalf of those producers under the Regulations in relation to managing the collection and financial payments associated with returned containers.

Applicants completing and submitting this form to Scottish Ministers are, where approved, committing to fulfilling the legal obligations required of a Scheme Administrator under regulation 13 of the Regulations. This includes:

- Accepting the return of scheme packaging from wholesalers and retailers on behalf of producers for whom they have registered and paying them a deposit for each item accepted
- Collecting scheme packaging from return point operators, hospitality retailers and distance retailers in accordance with agreed timescales, on behalf of producers for whom they have registered
- Making payments of deposits and handling fees to return point operators, hospitality retailers and distance retailers in accordance with pre-arranged timetables, on behalf of producers for whom they have registered
- Meeting collection targets for scheme packaging in relation to scheme packaging of producers for whom they have registered
- Collecting and keeping information about scheme articles sold by producers for whom they have registered and scheme packaging handled by the scheme administrator
- Providing that information and any other information requested by Scottish Ministers or SEPA for the purposes of monitoring compliance.
- Providing information to Scottish Ministers or SEPA within 28 days of any material change in circumstances either for the Scheme Administrator or information provided
- Notifying Scottish Ministers if a decision is taken to stop acting as a Scheme Administrator

Upon submitting this form, Scottish Ministers have 28 days from receipt to approve or reject the application

and will provide notification of the decision within 7 days of this decision.

If the application is rejected, then the reasons will be included in any correspondence and there is a further 28-day period during which the applicant can request a review of the decision. The review process is detailed in Part 6 of the Regulations. The review may be carried out in writing or through a hearing if requested by the applicant or the Scottish Ministers.

Where the application is approved, it will take effect from the date of decision until any withdrawal of approval by Scottish Ministers in accordance with the grounds in regulation 17. The business name provided in this application will then be added to the public list of approved Scheme Administrators, maintained by Scottish Ministers, and the Annual Operational Plan published online.

## 1.0: Contact Information

| Scheme Administrator Registration Details                             |  |
|---|--|
| Organisation name<br>(including any business names)                   |  |
| Registered or principal office address, postcode and telephone number |  |
| Address for correspondence (if different from above)                  |  |
| Company/Charity registration number if relevant                       |  |
| VAT Registration number if relevant and available                     |  |
| Contact name  |  |
| Job Title   |  |
| Telephone number  |  |
| Notifications preference (email or post)                              |  |

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

Print name: \_\_\_\_\_

Job title: \_\_\_\_\_

(applicant)

## 2.0: Founding Documents

A copy of the founding documents of the Scheme Administrator should be submitted with this application. Where they exist, this should include a copy of articles of association and memorandum of association used to form the constitution of the company. As a minimum this should define the purpose of the Scheme Administrator, any subscribers to the formation of the company or body, any director roles and responsibilities and administrative arrangements.

Where these are not available at the time of application, then they should be submitted once drafted and submitted to Scottish Ministers as a material change in information since the submission of the original application.

## 3.0: Producer membership agreement

Scheme Administrators are taking on potential significant liabilities for the Producers that they are acting on behalf of. Specifically, this is in relation to the payment of redeemed deposits and the operation of the necessary infrastructure to meet obligated collection targets.

You must therefore supply with this application a copy of the agreement, covering the rules and procedures that producers on whose behalf the applicant intends to register will be required to adhere to. We suggest that as a minimum this demonstrates:

- A copy of the contract between the parties, which outlines the obligations to be undertaken by both parties.
- How financial risk is to be allocated between the parties.
- How the Scheme Administrator intends to identify that producers have sufficient funds to cover their financial obligations under the scheme.
- How producer fee(s) are to be calculated and charged, including the process and frequency at which such fees will be reviewed.
- Data submission requirements and verification processes including frequency of reporting of containers placed onto market .
- Any requirements to allow the identification of scheme containers and updating or changing packaging specifications.
- Processes for termination of membership and how containers placed onto the market while a member will be handled if membership is terminated.

## 4.0: Producer Registration

All producers must be registered with SEPA in order for their products (contained in scheme packaging) to be sold by anyone in Scotland. A Scheme Administrator that has been approved following submission of this application may register on behalf of producers.

Completing the tables below will provide the necessary information required under the Regulations to allow SEPA to progress registration. A table should be completed for each producer on whose behalf the Scheme Administrator is acting.

In relation to producers operating as producers before [1 April 2020], a first application for producer registration should be submitted by [1 May 2020]. It will be possible to submit applications from [1 January 2020].

Once registered, a producer will continue to be registered unless their registration is cancelled by SEPA in accordance with regulation 9. However, a further application for registration in relation to a registered producer should be submitted to SEPA annually, before 1 March.

If the timescales above do not apply to a producer because they become a producer after [1 May 2020], an application for registration is refused, or their registration has been cancelled, an application for registration should be submitted to SEPA within 28 days of:

- that producer becoming a producer,
- that producer receiving notification that a previous application has been refused, or
- that producer receiving notification that a previous registration has been cancelled.

Where this application is approved, producer details included will be passed onto SEPA for registration i.e. there is no need to submit these separately again. SEPA will contact the named individual for the Scheme Administrator to discuss payment of the regulation fee for each producer.

When registering producer details in future years, the forms below can be submitted direct to SEPA. There is no need to notify Scottish Ministers of the registering of producers, or where a Scheme Administrator stops acting on behalf of a producer, unless it has a substantial impact on the Operational Plan e.g. a major producer is added or removed requiring changes to key infrastructure or financial arrangements.

In year 1, the number of articles placed onto the Scottish market in the previous calendar year should be estimated including providing a range where required. It is recognised that until the scheme is operational that imperfect data exists to use for reporting this detail.

A Scheme Administrator must collect and keep information for producers they have registered for a minimum of four years from the date on which the information is collected. This information must include:

- Number of articles [each producer] place[s] onto the market.
- The primary material from which the packaging used for those articles is made.
- The number of items of scheme packaging returned directly to the producer or Scheme Administrator from wholesalers or retailers.
- The number of items of scheme packaging collected by the producer from return points, hospitality retailers and distance retailers.

SEPA are required, under the regulations, to publish and maintain a list of registered producers. The purpose of this list is to allow retailers to ensure that they are only purchasing containers for sale that fulfil the requirements of these regulations. The additional details being captured will provide the necessary granularity to be certain down to the individual SKU that it is registered as a scheme article and can be sold in Scotland.

## Applicant type

**Are you registering as (please select all that apply):**

Brand owner based in the UK

Importer based in the UK

**Are you registering as:**

Individual/ Sole Trader

Individual/ Sole Trader Trading As

Partnership Names of all partners:

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---

---

Partnership Trading As

Company/ PLC  
Company Registration number  
(as kept by Companies House):

Other Please specify:

---

---

---

**Are you registering as a:**

Micro producer (Turnover < £85,000)

Other producer (Turnover > £85,000)

**Business Details**

|  |  |
|--|--|
| Organisation name (including any business names)                             |  |
| Address of registered or principal office                                    |  |
| Telephone number of registered or principal office                           |  |
| Address and telephone for correspondence (if different from above)           |  |
| UK Standard Industrial Classification (SIC) Code for your business activity: |  |

**Contact Details**

|  |  |
|--|--|
| Forename                                 |  |
| Surname                                  |  |
| Job title                                |  |
| Email address                            |  |
| Telephone number                         |  |
| Notifications preference (Email or Post) |  |

Print name: \_\_\_\_\_

Job title: \_\_\_\_\_

Signed: \_\_\_\_\_

Date: \_\_\_\_\_

(applicant)

**BREAKDOWN OF SCHEME ARTICLES PLACED ON THE MARKET  
(FOR THE PREVIOUS CALENDAR YEAR)**

| Brand  | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode/EAN | Other unique ID and data capture markers | No of packs placed on the market | No of scheme articles placed on the market |
|--|--------------------------------------|----------------------------|-------------|--|----------------------------------|--|
|  |                                      |                            |             |  |                                  |  |
|  |                                      |                            |             |  |                                  |  |
|  |                                      |                            |             |  |                                  |  |
|  |                                      |                            |             |  |                                  |  |
|  |                                      |                            |             |  |                                  |  |
| Total number of Scheme Articles, where the primary material is PET       |                                      |                            |             |  |                                  |  |
| Total number of Scheme Articles, where the primary material is Glass     |                                      |                            |             |  |                                  |  |
| Total number of Scheme Articles, where the primary material is Aluminium |                                      |                            |             |  |                                  |  |
| Total number of Scheme Articles, where the primary material is Steel     |                                      |                            |             |  |                                  |  |

**BREAKDOWN OF SCHEME ARTICLES ANTICIPATED TO BE PLACED ON THE MARKET  
(FOR THE CALENDAR YEAR THAT THIS APPLICATION IS BEING MADE)**

| Brand  | Stock Keeping Unit (SKU) Description | Primary packaging material | Barcode/EAN | Other unique ID and data capture markers | No of packs anticipated placed on market | No of scheme articles anticipated placed on market |
|--|--------------------------------------|----------------------------|-------------|--|--|--|
|  |                                      |                            |             |  |  |  |
|  |                                      |                            |             |  |  |  |
|  |                                      |                            |             |  |  |  |
|  |                                      |                            |             |  |  |  |
|  |                                      |                            |             |  |  |  |
| Total number of Scheme Articles, where the primary material is PET       |                                      |                            |             |  |  |  |
| Total number of Scheme Articles, where the primary material is Glass     |                                      |                            |             |  |  |  |
| Total number of Scheme Articles, where the primary material is Aluminium |                                      |                            |             |  |  |  |
| Total number of Scheme Articles, where the primary material is Steel     |                                      |                            |             |  |  |  |

## 5.0: Annual Operational Plan

A Scheme Administrator must fulfil a number of obligations on behalf of all the Producers that it is acting on behalf of. Specifically, these include:

- Accepting the return of scheme packaging from wholesalers and retailers – this obligation only extends to scheme packaging sold in Scotland by a producer registered through the Scheme Administrator to the wholesaler or retailer returning it
- Paying a deposit to the retailer or wholesaler for each item of packaging returned as above
- Collecting scheme packaging from return point operators, hospitality retailers and distance retailers in accordance
- Setting out the timescales within which these collections will be made and operating within them
- Making payments of deposits and handling fees to return point operators, hospitality retailers and distance retailers
- Setting out the timescales within which these payments will be made and operating within them.
- Meeting collection targets for collection of scheme packaging.

Collection targets for producers are detailed in schedule 3 of the Regulations and relate to a percentage of the total number of scheme articles made available by that producer for retail sale in Scotland in any one year.

Where the targets apply to the Scheme Administrator, they relate to a percentage of the collective number of scheme articles placed on the market by all producers registered through that Scheme Administrator during the same year. The targets are:

- 1 January 2022 - 31 December 2022: 70% of total number of containers
- 1 January 2023 - 31 December 2023: 80% of total number of containers
- 1 January 2024 - 31 December 2024 (and each subsequent calendar year): 90% of total number of containers (with each packaging material type achieving a minimum 85% collection rate).

In relation to the obligations above, a “reasonable handling fee” for return point operators and distance retailers should take account of the following

- Costs of purchase, lease, maintenance or upkeep of any return vending machines and any vehicles, used for collection and storage of scheme articles
- Costs of materials used for collection and storage of scheme articles
- Rental value of floor space used exclusively for collection and storage of scheme articles.
- Staff time dedicated to the collection and storage of scheme articles
- For hospitality premises that do not operate a return point, a reasonable handling fee should take account of the cost of materials used for collection and storage of scheme articles.

This Operational Plan should set out how, as a Scheme Administrator, you will fulfil these obligations on behalf of producers you have registered. Therefore, the detail contained should take account of the size and number of producers that are covered by this plan and, by extension, the scale of the responsibility being adopted.

An Operational Plan must provide sufficient detail to demonstrate to Scottish Ministers that the proposals for discharging the obligations are realistic and will allow the Scheme Administrator to subsist for a period of at least five years. The application should also demonstrate that, if approved, the entity applying has sufficient resources, knowledge and detailed proposals that it is likely to be able to subsist for a period of at least five years.

A Scheme Administrator must inform the Scottish Ministers and SEPA in writing of any material change in the information provided in the application. This includes any significant changes to the operational plan. In that event we will request an updated operational plan. A Scheme Administrator may include an updated operational plan when notifying the Scottish Ministers of a material change if it

considers it helpful.

As a guide, you should notify the Scottish Ministers where:

- The number of producers that you are acting on behalf of changes, to the extent that it increases or decreases the number of containers by 10% or more of a specific material
- Where producer estimates of scheme articles placed on the market change significantly from those provided at the time of registration
- There are changes to the data verification, infrastructure or delivery approach to achieving targets

Once approved, a Scheme Administrator must comply with its obligations under the Regulations. The Scottish Environment Protection Agency (SEPA) will monitor compliance with this throughout the year. If you fail to comply with the obligations placed on the Scheme Administrator then Scottish Ministers may withdraw your approval meaning you can no longer operate as a Scheme Administrator.

Scottish Ministers will be assessing the ability of applicants to fulfil obligations under the regulations and not assessing the "quality" of the proposed

approach.

The Full Business Case for Scotland's Deposit Return Scheme identified a number of additional environmental, economic and social benefits that could be realised through the implementation of a Deposit Return Scheme.

Any Scheme Administrator could play a significant role in delivering some of these benefits. A section is included in this template offering applicants the opportunity to identify what, if any, of these benefits their proposed operational plan will support, either directly or working with others. This section will NOT be part of the approval process, as there are no obligations to deliver these under the Regulations.

|                   |  |
|-------------------|--|
| Organisation name |  |
|-------------------|--|

## OPERATIONAL PLAN

### Scheme Articles placed on the market by represented Producers (for the previous calendar year)

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is PET |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Glass |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Aluminium |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Steel |  |
|--|--|

### Scheme Articles anticipated to be placed on the market by represented Producers (for the calendar year that the application is being made)

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is PET |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Glass |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Aluminium |  |
|--|--|

|  |  |
|--|--|
| Total number of Scheme Articles, where the primary material is Steel |  |
|--|--|

## SECTION 1: DATA VERIFICATION

A successful application must demonstrate how the scheme administrator intends to comply with regulations 10 and 11 on behalf of any producer registered or to be registered by them; and information demonstrating that they are likely to subsist for a period of at least five years.

In order to properly comply with obligations under regulation 10(d) and 11(b) to (i) on behalf of producers, and regulation 16, we expect that the Scheme Administrator will need to be able to verify the accuracy of information provided to them by producers; and the information available on containers collected from return points.

Please demonstrate how you will verify the accuracy of information both from producers on containers placed onto the market and also for containers collected from return points.

Applications should include all relevant information. The following information will help us assess whether your operational plan is viable:

- How will information from return points be analysed, to identify fraud and misreporting of data
  - How will information on scheme packaging returned will be reconciled with material collected, to confirm collection of this packaging and evidence performance against regulated targets
  - Systems and processes in place to prevent data being corrupted or changed when in possession of the organisation
- The format of information requested from Producers that you will be acting on behalf of
  - Information demonstrating how information from producers you are acting on behalf of will be checked for accuracy (for example in the form of a monitoring plan). This should include methodology to be adopted, frequency and method of checks to be carried out and frequency of monitoring
  - Information demonstrating what will be done if errors are suspected in the submitted information.
  - The systems and processes in place to complete checks and submit a robust data set to SEPA ahead of the deadline for the relevant year
  - How changes to producer data will be captured and reported to SEPA in a timely manner
  - How you intend that retailers will know how to identify scheme articles from producers that you are acting on behalf of or how you will mitigate their difficulty in doing so
  - How you will verify that containers collected by return points are scheme packaging
  - How you would manage both non-scheme packaging or scheme packaging belonging to another Scheme Administrator or producer that was returned

## SECTION 2: INFRASTRUCTURE AND LOGISTICS

You must demonstrate how the infrastructure and logistics is either in place or will be secured to deliver the proposed approach to servicing return points and verifying delivery against required targets.

In order for your application to be considered you must provide the following information:

- How frequently will you collect packaging from return point operators, retailers offering takeback service and hospitality retailers, and how has this frequency been established?
- How frequently will you pay to the retailers and return points listed above a sum equal to a deposit for each item of scheme packaging collected?
- How frequently will you pay to the retailers and return points listed above a reasonable handling fee, if charged, for each item of scheme packaging collected?

Applications should include all relevant information but the following information will help us assess whether your operational plan is viable:

- How are retailers, hospitality premises and voluntary return points being advised to collect and present scheme packaging for collection?

- What are arrangements for customer service and complaint management from retailers, hospitality premises and voluntary return points?
- How are you identifying return points and ensuring that they have access to the required infrastructure and information ahead of collections commencing?
- How are you going to service the number of return points where producer packaging is likely to be returned to?
- How are you going to service ad hoc collection arrangements or where additional resources are required to complete collections?
- Reimbursing the deposit in full for scheme packaging returned by retailers or wholesalers.
- What infrastructure will be used to identify and verify that containers returned belong to producers that you are acting on behalf of?
- How are you ensuring this infrastructure is appropriately sized and can provide either redundancy or if additional capacity is required?
- How are you ensuring legal compliance with all required regulations and standards for delivery of necessary infrastructure and logistics?
- How will packaging collected be recycled, including the length of contract and security of this end destination?

## SECTION 3: DELIVERING COLLECTION TARGETS

You must demonstrate how you intend to achieve the specified collection targets for the calendar year that this operating plan is being submitted for.

Applications should include all relevant information but the following information will help us assess whether your operational plan is viable:

- A communications plan to detail how the scheme will be promoted and the channels to be used
- How will this communications plan be delivered and resources and expertise to be deployed
- Key messages to be used to engage key audiences in how to participate and the benefits of participating
- How will awareness of corporate branding be increased, and positive associations constructed, to build awareness of activities
- Materials and collateral to be developed for producers and retailers to use in communicating

their involvement

- What information will be provided to the public to ensure that they understand the scheme and allow them to engage with your organisation
- How will partnership activity be leveraged in communication and engagement activities to maximise impact
- How will you identify geographical areas or demographic groups that are not performing and target these to enhance performance?
- Intention to operate, or work with others, to establish voluntary return points where there are significantly more containers returned than sold
- How will target performance be monitored and remediation plans developed if there is slippage against the target in year.

## SECTION 4: FINANCING

You must demonstrate how the financing is in place or will be secured to deliver the proposed approach for those producers that you are acting on behalf of and to deliver against required targets.

Applications should include all relevant information but the following information will help us assess whether your operational plan is viable:

- A breakdown of costs and revenue streams in the format of a P&L account and Summary Balance Sheet for a 5-year period.
  - How will increased costs or reduced revenues will be compensated for to ensure sufficient financing is available?
  - How do you propose to agree a 'reasonable' handling fee' with retailers?
  - Specify the proposed time limit for payment of refunded deposits and handling fee to retailers.
  - Demonstrate that there are no liquidity issues caused by payment terms and conditions for income and expenditure e.g. any observatory period required for financial auditors to define deposits as unredeemed.
- Engagement of a financial auditor to verify that financial statements are stated in line with international accounting standards.
  - Evidence of insurance and sufficient indemnity cover.
  - Description of corporate governance approach and the systems and processes that will be established to prevent and mitigate fraud and theft.
  - A statement that demonstrates sufficient funds are or will be made available to cover these costs. Where appropriate your statement should demonstrate that there is access to sufficient borrowing resources.
  - Supporting evidence of this needs to be provided and included with the submission of this application. Examples include:
    - A letter from your bank regarding any overdraft facilities.
    - Documentation which shows that a holding company, sister company or another company is able to and will supply financial support if required.

## SECTION 5: ADDITIONAL BENEFITS

The Scottish Government identified a number of environmental, economic and social benefits that could be realised by the introduction of a Deposit Return Scheme. Many of these benefits are out with the scope of the Regulations but are of significant interest to the public and the Scottish Parliament.

Any organisation acting as a Scheme Administrator could support the realisation of these benefits. This section provides an opportunity to identify what additional benefits, going beyond fulfilling regulatory obligations, would be supported by your organisation and the proposed approach to acting as a Scheme Administrator.

Examples identified by Scottish Government are included under each area however this is not intended to be an exhaustive list and if other benefits have been identified by your organisation then these should be included too.

This section is NOT part of the approval process for the application to act as a Scheme Administrator.

### Environmental Benefits

Examples could include:

- How quality of materials collected will be maximised and % to high value or closed loop recycling.
- How producer fees are being used to affect onto market container design to improve recyclability and maximise recyclate value.
- How communication channels and materials are being used to support messaging beyond in-scope DRS materials e.g. utilising advertising space at return points to promote litter prevention, reuse or recycling.
- Contribution to sector sustainability strategies and generating USP for producers to support growth in their categories.
- Operational decisions and efficiencies that reduce or minimise the environmental impact of operations e.g. backhauling material as part of logistics operations, BREEAM certification for buildings and low carbon energy choices.

- Circular economy exemplar practices e.g. leasing of RVMs or other equipment, integrating circular procurement principles into purchasing activity, identifying reuse and remanufacturing opportunities to provide a second life for equipment where it is no longer suitable for DRS operations.

### Economic

Examples could include:

- Payment of the Living Wage and signing up to the Scottish Business Pledge.
- Utilising materials in Scotland to support economic activity through either existing reprocessing capacity or attracting new infrastructure.
- Providing additional security to existing collection infrastructure by using these facilities.
- Supporting economies of scale in collections to allow otherwise unviable recycling e.g. collection of colour separated glass from distilleries.
- How contracts and terms and conditions utilised maximise the opportunities and minimise challenges for small to medium-sized businesses.
- Creation of employment opportunities for groups including apprenticeships and those furthest from the labour market.

### Social

Examples could include:

- Supporting financial contributions to community organisations e.g. facilitating donations to good causes via Reverse Vending Machines.
- The use of community clauses in major contracts issued and the creation of opportunities for the third sector to be involved in delivery.
- Providing access to data to support projects with societal benefits e.g. targeting health projects in areas with high consumption of sugar drinks.
- Supporting community and formal education through establishment of an education resources and learning hub.
- Creation of additional return points to maximise accessibility in economically deprived areas e.g. in areas where ownership of a private vehicle is especially low.

# Scotland's Deposit Return Scheme:

## Application form for Return Point Exemption

This form is for:

- Retailers seeking to be exempted from operating a return point, where another retailer or voluntary return point operator has agreed to take back containers on their behalf; or
- Retailers who have agreed to take back containers on behalf of one or more other retailer(s), and who wish to act as an alternative return point; or
- Existing voluntary return point operators who have agreed to take back containers on behalf of one or more retailer(s)

The Deposit and Return Scheme for Scotland Regulations 2020 (“the Regulations”) require all retailers who sell, to consumers on their premises, in-scope drinks for take away to also operate a return point, allowing the public to return empty packaging and redeem their 20p deposit. (NB: for the sake of brevity, the word “retailer” in this form should always be taken to mean a retailer selling drinks as described above.)

The principle behind this is that it should be as simple for the public to return an empty container as it was to buy the drink originally.

The Regulations also allow for return points to be operated from other types of premises, recognising that there may be circumstances where additional return points are required or that alternative premises may offer an equally convenient option. These are defined as voluntary return points, as they are not automatically required to act as a return point.

The Scottish Government recognise that where multiple retailers and/or voluntary return points are in close proximity to each other, it may not always be necessary for all organisations to act as a return point to maintain this principle. The Regulations therefore allow exemptions to be considered by Scottish Ministers in situations such as:

- One retailer agrees to act as a return point on behalf of one or more other retailers
- Retailers collaborate to establish a voluntary return point rather than each retailer individually taking returns
- A voluntary return point being established by someone other than retailers and agreeing to act on behalf of one or more retailers

This application form may be used by retailers looking to apply for an exemption. Applications will be assessed against two key criteria:

- 1) There is an alternative return point located within reasonable proximity to the premises, and the operator of that return point has agreed to accept the return by consumers of items of scheme packaging on behalf of the retail applicant for an exemption, and

- 2) If the exemption is granted, this will still provide consumers with reasonable access to a return point throughout the area in which the retail premises are located.

Both of these criteria must be met for the Scottish Ministers to grant the exemption.

**NB:** Until an exemption is granted, the retailer must continue to act as a return point.

Scottish Ministers must consider a submitted application for exemption and make a decision within 28 days of receipt of the application. They must, within 7 days of that decision:

**Where granted:** notify the retailer of that decision in writing and the date that the exemption takes effect

**Where refused:** notify the retailer of the refusal and give reasons for the refusal in writing

A retailer who has been granted an exemption must clearly display information at the retailer’s premises indicating:

- that by virtue of an exemption granted under these Regulations, they do not operate a return point, and
- the location of the alternative return point

An exemption may be revoked by Scottish Ministers where there has been a material change of circumstances against the two key criteria identified above. Before revoking this, a written notice of the reason for the decision and the date on which it takes effect will be provided.

## How to fill in this form

**I am a retailer seeking to be exempted from operating a return point and another retailer or existing voluntary return point operator has agreed to take back containers on my behalf.**

You should:

- Fill in Section A;
- Ask the retailer or existing voluntary return point which has agreed to take back containers on your behalf to fill in Section B and return to you;
- Send the completed Sections A and B to [XXX].

**I am a retailer seeking to be exempted from operating a return point and the operator of a new voluntary return point (not yet approved) has agreed to take back containers on my behalf.**

You should:

- Fill in Section A (ignore section B);
- Send this form to the operator of the new voluntary return point which has agreed to take back containers on your behalf;
- They will attach your partially completed Retailer Exemption Application form to their application to set up a new voluntary return point.

**I am a retailer who has agreed to take back containers on behalf of another retailer, and act as an alternative return point.**

You should:

- Fill in Section B;
- Send this partially completed form to the retailer seeking an exemption, on whose behalf you will be taking back containers;
- They will fill in Section A of this form and send the fully completed form to [XXX].

**I am the operator of an existing approved voluntary return point and I have agreed to take back containers on behalf of one or more retailer(s).**

If you have agreed to take back containers on behalf of only one retailer, you should:

- Fill in Section B;
- Send this partially completed form to the retailer seeking an exemption;
- They will fill in Section A of this form and send the fully completed form to [XXX].

If you have agreed to take back containers on behalf of more than one retailer, you should:

- Ask these retailers seeking an exemption to, each, fill in Section A of this form and return to you their copy of their partially completed form;
- Fill in Section B of this form (you only need to complete it once);
- Send all partially completed copies of this form (provided by the retailers) alongside your partially completed copy of the form to [XXX].

## SECTION A: APPLICATION FOR RETURN POINT EXEMPTION

### Who should fill in this section?

A retailer applying for an exemption;

| Retailer Applying For Exemption Details                                       |  |
|---|--|
| Organisation name<br>(including business<br>or trading names if<br>different) |  |
| Address and postcode<br>of retail premises<br>applying for exemption          |  |
| Address for<br>correspondence (if<br>different from above)                    |  |
| Company/Charity<br>registration number<br>(where applicable)                  |  |
| Contact name  |  |
| Job Title   |  |
| Telephone number  |  |
| Email address   |  |
| Notifications preference<br>(Email or Post)                                   |  |

- I have an agreement in place with the alternative return point operator identified in Section B of this application or identified in the attached Voluntary Return Point application form?
- I will clearly display information informing customers of the fact that I am not acting as a return point and of the location of the alternative return point – A5 minimum and visible at point of purchase and entry to store
- I will notify Scottish Government of change in circumstances or if alternative return point no longer acting on behalf

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Print name: \_\_\_\_\_ Job title: \_\_\_\_\_

(applicant)

**Question 1: opening times**

Will the alternative return point be open at the same times as the retailer seeking an exemption identified in this section of the application?

Yes  No

If Yes, go to question 2  
If No, go to question 4

**Why are we asking this question?**

If the alternative return point is always open whenever your business is open, that makes it easier to show that consumers will still have reasonable access to a return point.

If the alternative return point isn't always open when your business is open, that might not be a problem if the difference is small (for example, if you normally open at 07:00 and they normally open at 07:15). Just tick No to this question and use the space under Question 4 to explain why the impact will be small. Your application will be considered on its merits.

**Question 2: physical location**

2a: Are the premises of the retailer seeking an exemption and the alternative return point physically connected e.g. part of the same block of buildings or located on the same level in a shopping centre?

Yes  No

If Yes, go to question 3  
If No, go to question 2b

2b: If not physically connected, are the premises of the retailer seeking an exemption and the alternative return point within 20m each other and have a clear line of sight?

Yes  No

If Yes, go to question 3  
If No, go to question 4

**Why are we asking this question?**

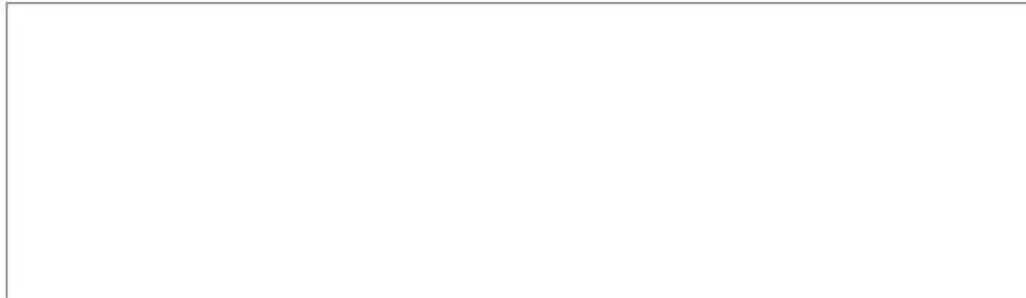
This question is included to give you the opportunity to tell us some information which could help make your application easier to process. It doesn't mean you will automatically get an exemption, but it gives you a simple way of showing you meet the condition of reasonable proximity to the alternative return point.

If you can't tick Yes to either Questions 2a or 2b, it's still possible that you could get an exemption if you meet the right conditions. Use the space under Question 4 to show how you meet the criteria of reasonable proximity and reasonable access. There is further guidance under Question 4.

**Question 3: additional information**

Please include any additional information which you believe will support your application. This might include:

- a map identifying the retailer seeking an exemption, the alternative return point and the pedestrian route between them
- details (text and/or images) of any obstacles in between e.g. a road
- any elevation difference i.e. slope or stairs



**Question 4: additional information**

If you have answered No to Question 1 and/or 2 above, we need some more information from you in order to demonstrate that your application fits with the principle that it should be as easy to return the container as it is to purchase it.

At a minimum, this should be a map identifying the retailer seeking an exemption and the alternative return point and the pedestrian route between them. This should also make clear the distance to travel between them on foot.

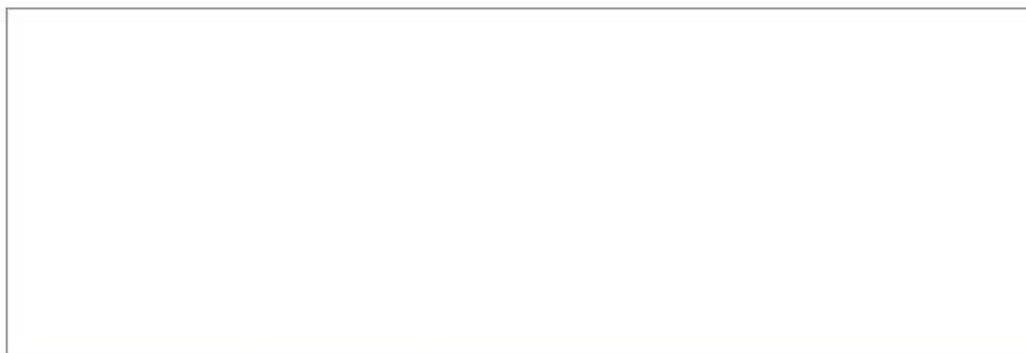
If you have told us that the alternative return point is not always open when your business is open, you should include a table comparing your opening times with theirs.

You should also consider including:

- details (text and/or images) of any obstacles in between e.g. a road
- any elevation difference i.e. slope or stairs

**NB:** applications will be judged on a case-by-case basis and what is reasonable may vary significantly between locations. As a guide only, Scottish Ministers are unlikely to approve an application where the distance on foot between your business and the alternative return point is more than:

- In a built-up urban area, 100 metres;
- In any other area, 200 metres.



## SECTION B: AGREEMENT TO TAKE BACK CONTAINERS ON ANOTHER RETAILER'S BEHALF

### Who should fill in this section?

- A retailer selling drinks, agreeing to take back containers on behalf of another retailer; or
- An existing voluntary return point operator, agreeing to take back containers on behalf of one or more retailers

| Alternative Return Point Operator Details                            |  |
|--|--|
| Organisation name (including business or trading names if different) |  |
| Address and postcode of alternative return point premises            |  |
| Address for correspondence (if different from above)                 |  |
| Company/Charity registration number (where applicable)               |  |
| Contact name   |  |
| Job Title  |  |
| Telephone number   |  |
| Email address  |  |
| Notifications preference (Email or Post)                             |  |

I agree to act as an alternative return point for the retailer(s) identified in section A of this application (and, where relevant, in the attached Retailer Exemption application forms) and you have permission to contact me to verify this agreement is in place.

I have considered the number of containers likely to be returned and have arrangements in place to manage this.

Please provide information to demonstrate this, including the number of other retailer premises you are currently acting and/or awaiting approval to act as an alternative return point for, and the number of containers you are expecting to receive in acting on behalf of all of those.

I will notify Scottish Government of change in circumstances or if no longer acting on behalf of retailer(s) identified within this application.

Signed (applicant): \_\_\_\_\_ Print name: \_\_\_\_\_

Date: \_\_\_\_\_ Job title: \_\_\_\_\_

(applicant)

**Form 4: 'Scotland's Deposit Return Scheme: Application form for Voluntary Return Point Approval'**

# Scotland's Deposit Return Scheme:

## Application form for Voluntary Return Point Approval

**This form is for:**

- A body/organisation intending to set up a voluntary return point to take back containers on behalf of one or more retailers who are seeking an exemption
- A body/organisation intending to set up a voluntary return point where no retailers are currently seeking an exemption in connection with this return point

The Deposit and Return Scheme for Scotland Regulations 2020 ("the Regulations") require all retailers who sell, to consumers on their premises, in-scope drinks for take away to also operate a return point, allowing the public to return empty packaging and redeem their 20p deposit. (NB: for the sake of brevity, the word "retailer" in this form should always be taken to mean a retailer selling drinks as described above.)

The principle behind this is that it should be as simple for the public to return an empty container as it was to buy the drink originally.

The Regulations also allow for return points to be operated from other types of premises, recognising that there may be circumstances where additional return points are required or that alternative premises may offer an equally convenient option. These are defined as voluntary return points, as they are not automatically required to act as a return point.

The Scottish Government recognise that where multiple retailers and/or voluntary return points are in close proximity to each other, it may not always be necessary for all organisations to act as a return point to maintain this principle. The Regulations therefore allow exemptions to be considered by Scottish Ministers in situations such as:

- One retailer agrees to act as a return point on behalf of one or more other retailers
- Retailers collaborate to establish a voluntary return point rather than each retailer individually taking returns
- A voluntary return point being established by someone other than retailers and agreeing to act on behalf of one or more retailers

This application form may be used by retailers or organisations looking to establish a voluntary return point. We also recognise that some groups (e.g. charities or community groups) may want to operate a return point without any specific retailers seeking an exemption as a result.

Please note that the registration of voluntary return points is intended to capture those who wish to act as an alternative return point for retailers and/or those who want to operate a permanent non-retail return point. It is **not** intended to capture organisations that want to collect containers on an ad-hoc basis or from a specific audience e.g. a group doing fund raising.

Applications to act as a voluntary return point will be assessed against the accessibility of the return point, requiring information on the physical location, routes of access and proposed hours of operation.

Confirmation will also be required that all registered producers, or a Scheme Administrator acting on their behalf, has agreed that the organisation may operate a return point on their behalf in that location.

Scottish Ministers must consider an application and make a decision within 28 days of receipt of the application. Within 7 days of the decision:

**Where granted:** notify the applicant of that decision in writing and the date that it takes effect

**Where refused:** notify the applicant of the reasons for the refusal in writing

Approved return points will be added to a list of registered voluntary return points, maintained by Scottish Ministers. All return point operators are required to:

- Accept an item of clean, empty, identifiable scheme packaging returned to them
- Refund the 20p deposit for each item returned
- Retain the packaging for collection by, or on behalf of, a producer or scheme administrator
- Display information on a complaints procedure and contact details of SEPA (Scottish Environmental Protection Agency)

Scottish Ministers may cancel the registration of a return point where they are not fulfilling these obligations. Before cancelling this, a written notice of the reason for the decision and the date on which it takes effect will be provided.

## How to fill in this form

### **I intend to set up a voluntary return point to take back containers on behalf of one or more retailers who are seeking an exemption.**

You should:

- Ask the retailers seeking exemptions, on whose behalf you will be taking back containers, to, each, fill in Section A of the Retailer Exemption Application form and return to you (you can make as many copies as you need);
- Fill in this form yourself;
- Send all the partially completed copies of the Retailer Exemption Application form (provided by the retailer(s)) alongside this completed form to [XXX].

### **I intend to set up a voluntary return point and there are no retailers currently seeking an exemption in connection with this return point.**

You should:

- Fill in this form and send it to [XXX].

## APPLICATION FOR VOLUNTARY RETURN POINT

### Who should fill in this section?

- An organisation/body other than a retailer selling drinks, agreeing to act as an alternative return point on behalf of one or more retailers or
- An organisation/body other than a retailer selling drinks, wanting to operate a return point without specific retailers seeking an exemption as a result and where you have agreement with producers or a scheme administrator to operate as an additional voluntary return point.

| Business details  |  |
|---|--|
| Organisation name (including business or trading names if different)  |  |
| Address and postcode of proposed return point (or grid reference for remote site)   |  |
| Address or telephone number of registered or principal office of proposed return point operator (if different from above) |  |
| Address for correspondence (if different from above)  |  |
| Company/Charity registration number (where applicable)  |  |
| Contact name  |  |
| Job Title   |  |

|  |  |
|--|--|
| Telephone number                         |  |
| Email address                            |  |
| Notifications preference (Email or Post) |  |

**Applications must include:**

- A map showing the physical location of the proposed return point if there is a large site covered by the address details provided
- Proposed operating hours including any proposed seasonal operations
- Visibility and accessibility of the proposed location including highlighting routes of access
- An estimate of the number of containers you expect to capture
- The number of retailers seeking an exemption in connection with this application, if any
- The source of these containers e.g. acting on behalf of local retailers, high numbers of additional containers arising due to tourism etc.
- Why the proposed location has been chosen i.e. why do you think it will be convenient for people to return the containers there?
- How will resources be secured to establish and operate the return point e.g. financing the purchase of machine or staff to facilitate the returns.

I agree to fulfil the requirements of acting as a return point under the Regulations

I will notify Scottish Government of change in circumstances or if no longer wishing to act as a return point

I have an agreement with registered producers and/or Scheme Administrator(s) to operate as a return point on their behalf

**Where you intend to operate as an alternative return point on behalf of one or more retailers seeking an exemption:**

I agree to act as an alternative return point for the retailer(s) identified in the attached Retail Exemption application form(s) and you have permission to contact me to verify this agreement is in place.

Signed (applicant): \_\_\_\_\_ Print name: \_\_\_\_\_

Date: \_\_\_\_\_ Job title: \_\_\_\_\_

(applicant)

## 19. Annex E: Cost pass-through

1. The potential for the producer fee to be passed on to consumers was assessed based on insights from economic theory, empirical studies of price effects of sugar/alcohol excise tax and evidence from comparable Deposit Return Schemes (DRS) in other countries.
2. Under conditions of perfect competition, the theoretical models predict a high rate of pass-through when demand is inelastic<sup>79</sup> relative to supply<sup>80</sup>. Available evidence (such as mean elasticities of demand for selected alcoholic drinks<sup>81</sup> and assumptions made in the literature<sup>82</sup> about the elasticity of supply in the beverage sector) suggests a relatively high potential for producers to pass through the majority of the costs.
3. In a monopoly case, the pass-through rate in the benchmark linear model is 50% and diverges either up or down depending on the curvature of the demand curve, potentially exceeding 100% in some cases (i.e. over-shifting).
4. In practice, most segments of the Scottish drinks market will lie somewhere in-between the monopoly and perfect competition cases. However, the available oligopoly models do not provide a prediction of the extent of pass-through.
5. All in all, the theoretical models appear to support the expectation that a large part of the producer fee will be passed on to consumers, although the precise extent of the pass-through depends on the specificities of each market segment. These models also suggest that, in some instances, over-shifting may occur. However, the models do not account for real-world pricing relationships, which may involve complex negotiations between producers, wholesalers and retailers.
6. A number of studies measure or estimate the pass-through of sugar and alcohol taxes in France and several locations in the United States. On balance, the empirical evidence in these studies suggests that taxes are generally passed on to consumers, although the extent of the pass-through varies widely.
7. The extent to which the pass-through rates described in the studies of excise taxes are likely to be replicated in the Scottish drinks market is uncertain. It is reasonable to expect that producers will attempt to pass the producer fee on to consumers. However, it is clear that, in some instances, the pass-through will be less than the producer fee; on the other hand, it cannot be ruled out that over-shifting may also occur. Finally, it should be noted that the purpose of sugar/alcohol taxes is to reduce consumption by increasing prices, which may have an impact on the manner in which producers and retailers react.

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<sup>79</sup> The price elasticity of demand is the percentage change in quantity demanded for a percentage change in price. Intuitively, it measures how sensitive demand is to a change in price.

<sup>80</sup> The price elasticity of supply is the percentage change in quantity supplied divided by the percentage change in price. Intuitively, it measures how sensitive supply is to a change in price

<sup>81</sup> [Sousa J \(2014\): Estimation of price elasticities of demand for alcohol in the United Kingdom](#)

<sup>82</sup> [CIE \(2018\): Monitoring the impacts of the NSW Container Deposit Scheme](#)

8. No systematic empirical evaluation/price monitoring appears to have been carried out in the European countries that have in place a DRS similar to the proposed Scottish scheme. However, the general view of the scheme administrators is that the costs for producers have been (in full or in part) passed on to consumers.
9. In Australia, a report<sup>83</sup> for the government of New South Wales (NSW) found that, on average, 82% of the additional costs for producers were passed through.
10. In conclusion, the evidence from comparable Deposit Return Schemes further supports the expectation that there is a significant potential for the producer fee to be passed through.
11. The cost implications for consumers also depend on the overall magnitude and duration of the additional costs for producers. Exemptions from environmental taxes or expectations of a reduction in the producer fee can act as a disincentive to increasing prices (although the limited available evidence suggests that producers are more likely to take a short-term perspective and increase prices rather than absorb some of the higher short-term costs in the expectation that the producer fee is reduced over time).

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<sup>83</sup> [IPART \(2018\): Monitoring the impacts on container beverage prices and competition](#)

## 20. Annex F: Industry assumptions

1. The final BRIA and FBC Stage 1 Addendum, published on 16 March 2020, represent the Scottish Government's final position on the costs and benefits associated with a DRS for Scotland. As this BRIA (p20) sets out, applying those costs and benefits to the new implementation timetable and taking account of the quicker ramp-up and updated population estimates, continues to show the clear economic case for proceeding with DRS.
2. DRS is a form of extended producer responsibility and it is right that, as industry has taken over leadership of the implementation of DRS, individual businesses including Circularity Scotland Ltd (CSL) as scheme administrator have been developing their own operating models for DRS and investigating potential costs associated with these.
3. The Scottish Government understands that CSL believes the number of drinks containers placed on the market in 2020 to be 2.7bn (compared to the 2.2bn modelled in Table 3 of the main document). In addition, CSL believes the number of return points in Scotland to be approximately 37,000 (compared to the 17,000 modelled in Table 3).
4. There is inevitably a degree of uncertainty attached to these figures. In particular, we consider that the impact of the COVID-19 pandemic means a degree of caution should be attached to numbers relating to 2020. The pandemic saw a shift from out-of-home consumption such as workplaces, pubs, and restaurants to in-home consumption (see Competition Assessment section for details). It is not clear how long-lasting these emerging trends will be and if, or to what extent, consumption patterns will return to those seen pre-pandemic.
5. Therefore, we remain committed to the assumptions set out in Table 3 as our final, and best, estimate of the costs and benefits associated with DRS. However, to provide an additional sensitivity analysis of the economic case for DRS, we have analysed the impact on the 25-year NPV of adopting the two numbers set out above (i.e. 2.7bn containers and 37,000 return points).

**Annex F Table 1. NPV Costs and Benefits of a DRS for Scotland (2.7 billion containers)**

| <b>Actor Name</b>   | <b>Costs (£m)</b> | <b>Benefits (£m)</b> | <b>Net Benefit (£m)</b> |
|---|-------------------|----------------------|-------------------------|
| Local Authorities   | - 45              | 219                  | 173                     |
| Business  | - 1,271           | 931                  | - 339                   |
| Regulator   | - 17              | 0                    | - 17                    |
| System Operator   | - 603             | 1,331                | 727                     |
| Society   | - 1,116           | 1,209                | 94                      |
| <b>Total</b>  | <b>- 3,052</b>    | <b>3,690</b>         | <b>638</b>              |
| Note. The DRS for Scotland is designed to optimise delivery against the four strategic outcomes and to be complementary to any future packaging EPR scheme. |                   |                      |                         |

**Figures may not sum due to rounding**

6. Table 1 shows that modelling the increased container numbers alone results in a slightly higher overall net NPV of £638 million (versus £615 million). This is due to the effect of more containers going to recycling, therefore reducing the use of virgin materials.

**Annex F Table 2. NPV Costs and Benefits of a DRS  
for Scotland (2.7 billion containers and 37,000  
return points)**

| <b>Actor Name</b>   | <b>Costs (£m)</b> | <b>Benefits (£m)</b> | <b>Net Benefit (£m)</b> |
|---|-------------------|----------------------|-------------------------|
| Local Authorities   | - 45              | 219                  | 173                     |
| Business  | - 1,325           | 931                  | - 394                   |
| Regulator   | - 17              | 0                    | - 17                    |
| System Operator   | - 603             | 1,331                | 727                     |
| Society   | - 1,116           | 1,209                | 94                      |
| <b>Total</b>  | <b>- 3,106</b>    | <b>3,690</b>         | <b>583</b>              |
| Note. The DRS for Scotland is designed to optimise delivery against the four strategic outcomes and to be complementary to any future packaging EPR scheme. |                   |                      |                         |

**Figures may not sum due to rounding**

7. Table 2 shows that the increase in return points offsets the higher net NPV when container numbers are increased. This is due to the additional number of businesses facing DRS related costs including a loss of floor space and any additional manual handling involved in container returns.
8. As Table 2 shows, even if we were to adopt the significantly higher container and return-point numbers suggested by industry, there would continue to be a strong economic case for DRS.



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Any enquiries regarding this publication should be sent to us at

The Scottish Government  
St Andrew's House  
Edinburgh  
EH1 3DG

ISBN: 978-1-80201-887-5 (web only)

Published by The Scottish Government, December 2021

Produced for The Scottish Government by APS Group Scotland, 21 Tennant Street, Edinburgh EH6 5NA  
PPDAS1028338 (02/22)

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