

18 May 2022

To the Net Zero, Energy and Transport Committee

PROPOSED DEPOSIT RETURN SCHEME IN SCOTLAND

We write to this committee with specific reference to the application of the forthcoming Deposit Return Scheme (DRS) in Scotland. As a small craft spirits producer based in Scotland, we are monitoring the further publication of information relating to the application of the DRS in August 2023 with great interest. While we recognise that there is a need for reform in the way that all waste is produced and handled in Scotland, we are alarmed at the apparent complexity and cost of implementing the DRS and specifically, how it ultimately impacts on the future viability of small craft distilleries like ours in the capacity of Producers under the scheme.

It is noted that Producers require to join the DRS, either directly with SEPA or through Circularity Scotland (CS), necessitating an annual fee of £360. We also note that there is a requirement for £0.20 per bottle for the deposit to be paid, irrespective of the amount of bottles ultimately recycled. Additionally, we also note the application of a handling fee that will be charged to Producers at a yet to be agreed amount, such amount to cover any shortfall in running the scheme.

Our concerns for the implementation and operation of the scheme revolve around three specific areas:

- 1) The cost of the scheme can be significant for small Producers. While we note that there is an £85,000 turnover limit for the application of the registration fee, this equates to fairly low volumes of production for our industry of around 200 bottles sold per month. Our concern is that the total combined fees and costs to administer their charging, collection and payment, will be significant as a proportion of turnover and, in addition to increases in costs generally in utilities and other base costs, this will be unsustainable for small Producers to support.
- 2) That the cost to run the scheme is significant and as Producers, we have had no say in the supporting infrastructure and determination of value-for-money in the implementation of the scheme. We note that Circularity Scotland as Scheme Administrators has obtained over £18m of funding to operate¹ and that the overheads of that organisation are likely substantial². Along with the costs of other supporting organisations such as the scheme auditors, waste transfer businesses, and supply of Reverse Vending Machines (RVMs), the ongoing operating fees are significant and the burden of this cost will be met primarily by Producers and Consumers in terms of unclaimed deposit amounts, annual registration costs, and ongoing handling fees. While we note that the sale of bulk waste goods will also contribute to operating costs, we again have no insight or control of this commodity based market to assess or assure best value-for-money.
- 3) That despite Zero Waste Scotland advising that they have “carried out wide collaboration and engagement with stakeholders across Scotland”³ and that they have set up and facilitated an ‘Industry Advisory Group’, that ourselves and many of our peers in the craft spirits sector have had little or no opportunity to input or help steer the operation of the scheme nor invited to attend events, briefings or consultations on it.

¹ [Circularity Scotland | Scottish National Investment Bank \(thebank.scot\)](https://www.circularityscotland.com/our-team)

² [Our Team | Circularity Scotland Ltd](https://www.circularityscotland.com/our-team)

³ Zero Waste Scotland - Annual Report of Accounts 31 March 2020 ([application-pdf](#))

As an industry we are truly supportive of any change that impacts positively on the environment, and have already collectively invested heavily in sustainability throughout the entire supply-chain. From more sustainable and reusable packaging, to energy reduction and waste minimisation measures, there are multiple examples of fantastic initiatives carried out by small Producers in an attempt to positively impact on the environment around us. The DRS as currently structured though seems punitive for us as an industry when considering the scheme costs in addition to the many other rising operating and raw material costs we are faced with. We appreciate that something needs to be done, but firmly believe there is a better way to implement it. For instance:

- a) We ask that consideration be given to the threshold for registration on the scheme be based on volume of bottles sold (suggested as between 10,000 to 20,000 units PA) and not the turnover costs of the organisation. We consider it unfair that Producers of a small volume of higher cost units are faced with the same administration and registration costs of organisations who sell a much higher volume of units and therefore contribute far more to waste and environmental impact. Perhaps a staged registration cost would also be well placed, with larger Producers sharing a fairer burden of costs?
- b) Consideration that the scheme be applicable in stages, with the first stage focused on removing PET/plastic bottles from waste streams, followed by aluminium and glass. In terms of environmental impact, it is observed that plastic has a far more damaging effect on the environment than aluminium and glass, and that littering is potentially more prevalent for plastic. Staging the DRS implementation will also assist in facilitating consumer buy-in to the scheme, and will drive Producers of plastic bottles to consider switching to glass.
- c) Delay the introduction of the scheme until more and deeper consultation with the industry is undertaken, including Producers and Return Point Operators, so that feedback is acknowledged, understood and accommodated accordingly. At this time, it appears that the scheme has already been subject to delays but risks significant challenges if there is an attempt to push through as intended in August 2023 without further stakeholder engagement. We also note that the VAT position on the deposit amount is not yet agreed and this too will have an impact on how the scheme functions and is administered by Producers, Wholesalers, and Retailers. A delay, while unattractive, will facilitate eventual roll-out and subsequent operation.

We stress again that, as an industry, we are fully supportive of a Deposit Recycling Scheme and that the intent of the scheme to protect our environment through a circular economy is the right thing to do. We believe though that the scheme as currently constructed is challenging to introduce, damaging to small Producers, and represents poor value-for-money to those that will ultimately pay for the operation of the scheme – Consumers and Producers.

In your capacity as the Net Zero, Energy and Transport Committee, we ask that you please consider the points above and raise this topic with as many stakeholders as possible to take additional steps that will make the DRS more effective and supportive of the whole economy in Scotland. Should the opportunity for more engagement be presented, we would be pleased to meet with you to articulate our concerns in more detail in the interests of finding a way to benefit the scheme, stakeholders, consumers and, most importantly, our environment.

With thanks and kind regards,

Chris Payne
Head Distiller – Shoogles Spirits