SCOTTISH DEPOSIT RETURN SCHEME: KEY LEARNINGS FROM THE PERSPECTIVE OF THE RETAIL INDUSTRY

The Scottish Retail Consortium has been engaged in discussions with the Scottish Government and key stakeholders since 2017 on the development of a Scottish deposit return scheme. Below is a short list of the key learnings from that engagement.

1) **Deposit Return is not a simple scheme**. Introducing a DRS is enormously disruptive to the operations of a retail business. That's because the store has to be transformed into a facility for accepting waste material, with all the associated regulatory and logistical impacts involved.

2) **That change is very costly and takes time**. If stores are to be expanded that requires planning permission (the Scottish Government introduced permitted development rights to facilitate this). Large stores will need multiple very expensive machines; smaller ones face a choice of making the investment without knowing how many containers are required.

3) **The whole process (logistical delivery) is very costly.** The SRC estimated in 2019 this would cost around £250 million – around half of which would be recoverable in due course through handling fees.

4) That cost was significantly **inflated by the inclusion of glass**. Grocery retailers report from trials that glass is also posing a significant health and safety hazard.

5) **Building an online return system has proved nearly impossible**. The challenge is to provide a reasonable service without creating a model which is too popular and therefore merely replicates the existing household system.

6) **Government should have clear answers to technical questions before publishing the regulations.** Two years after the initial regulations were passed retailers are awaiting confirming on a myriad of queries – for example what mitigations are needed to transport fresh food and waste containers in the same vehicle.

7) The creation of a **scheme administrator is an immensely complex operation.** Establishing a company of the scale to administer a scheme requires long negotiations, significant upfront capital, sufficient human resources to connect and build relationships with key DRS stakeholders. Even once it's established the new organisation will need time to come to speed – and establish the capacity to deliver the scheme.

8) **External factors have further hampered delivery**. Food and drink businesses have been heavily impacted by the pandemic and EU exit.

9) **VAT remains a concern to all businesses due to the complexity it adds.**

10) The **changes to the drinks market** should not be underestimated. Adding a 20p deposit to all drinks will have a greater effect on some products (multipacks of kids juice vs bottles of Champagne).

11) Policymakers need to examine DRS in **the context of other relevant policy initiatives** (for example labelling changes, packaging EPR…) to ensure the timeframes are aligned and to reduce the risk of perverse incentives.

12) **Ultimately policy decisions which make the scheme more complex or comprehensive increase its cost.** That cost will be borne by consumers through changes in price, range, or availability. At this time, we are not confident Scottish consumers have been prepared for this.