

[@gov.scot](mailto:Redacted@gov.scot) _____ ; Redacted@gov.scot; Redacted@gov.scot

Subject: RE: SRC follow up to DRS Meeting

Hi Redacted,

I have recently joined Redacted's team to support delivery of the DRS in Scotland. I look forward to working with you and colleagues at SRC as we progress the programme.

This is just a short note to ask whether there is any update on the below email exchange and, in particular, whether SRC is keen to participate in a session with Zero Waste Scotland and SG analytical colleagues to further explore costs to the retail sector.

Happy to discuss next steps over the phone if easier.

Thanks and look forward to hearing from you.

Redacted

Redacted

Circular Economy Unit

Environmental Quality and Circular Economy Division, Directorate for Environment and Forestry, Scottish Government

Redacted

Phone: Redacted

Mobile: Redacted

From: Redacted <Redacted@brc.org.uk>

Sent: 18 January 2019 17:03

To: Redacted <Redacted@gov.scot>

Cc: Redacted <Redacted@gov.scot>; Redacted <Redacted@brc.org.uk>; Redacted <Redacted@gov.scot>;

Redacted <Redacted@gov.scot>; Redacted _____

<Redacted@gov.scot>; Redacted <Redacted@gov.scot>

Subject: RE: SRC follow up to DRS Meeting

Thanks for the note Redacted, We'll discuss this over the weekend and come back to you at the start of next week. I think in principle we'd be keen to do this, but we'll need to sort out some logistics first before we can be more definite.

Have a good weekend

Redacted

From: Redacted@gov.scot <Redacted@gov.scot>

Sent: 18 January 2019 16:16

To: Redacted <Redacted@brc.org.uk>

Cc: Redacted@gov.scot; Redacted <Redacted@brc.org.uk>; Redacted@gov.scot; Redacted@gov.scot;

Redacted@gov.scot; Redacted@gov.scot

Subject: RE: SRC follow up to DRS Meeting

M P

Thanks very much for sending this. Sorry for the delay in responding.

I've shared with our economist who may come back with some questions. Following that it might be helpful to set up a workshop in the second ½ of February to discuss where there are differences between the various estimates of these costs and what might be driving them? I'd envisage something which brought together your experts, ZWS and our economists to see if we can reach a shared understanding of the costs to the retail sector.

Given calendars it might be worth booking that meeting in now and we can always cancel if we reach agree by e-mail. Redacted can co-ordinate a time and location if you can give an indication of when the key people would be available from your side. Would that suit?

I also wanted to check whether you would be comfortable with me sharing this work with Deloitte who are currently carrying out some financial modelling work for us?

Thanks

Redacted

From: Redacted <Redacted@brc.org.uk>
Sent: 21 December 2018 11:06
To: Redacted <Redacted@gov.scot>
Cc: Redacted <Redacted@gov.scot>; Redacted <Redacted@brc.org.uk>
Subject: RE: SRC follow up to DRS Meeting

Redacted, really good to catch up on Wednesday, and I appreciate the clear discussion. As promised, please find attached the final report on our research into DRS costs. I've cc'd my colleague Redacted (who leads on this issue for the BRC) who is much closer to the research than I, so feel free to point any questions to us. Hopefully the assumptions are clear. I'm off from today until the 7th of January, but we'd certainly welcome a discussion in the New Year, and I would imagine Members would be keen to engage as well. Have a good Christmas
Redacted

From: Redacted
Sent: 06 December 2018 08:11
To: 'Redacted@gov.scot' <Redacted@gov.scot>
Cc: 'Redacted@gov.scot' <Redacted@gov.scot>
Subject: SRC follow up to DRS Meeting

Dear Redacted,

Thanks for taking the time to meet with me last month. BRC colleagues and I have taken the headline points from that meeting and discussed them with Members, both individually, and collectively. We're also able to share some of the findings from research commissioned by us over the summer from Resource Futures – who have modelled some of the costs of a DRS for the UK, and Scotland. I'm happy to meet up before Christmas to discuss this in more detail, but I thought I'd share our main reflections now.

- 1.) **Scotland only Scheme:** As anticipated, Members were very concerned at the practical implications of Scotland de facto going alone on a DRS. Labelling is obviously a significant concern, but the segregation of lines required has very significant impacts on warehousing space, staff time, and product range. A number of Members suggested the costs would make a number of product ranges unviable in Scotland – with the extra costs far outweighing any profits. Consequently some ranges would continue, some would be removed, and other materials might also be considered. It's worth noting these issues become even more severe the wider the scope of the scheme. Members are attempting to estimate the

costs for those lines which would be retained – their best estimate is it would add 50% to the existing DRS costs.

- 2.) **Costs of the scheme to Retail:** Our research (which I'll share in full when we next meet) indicates that our 'targeted' DRS approach (AI and PET) would cost retailers around £60-£70 million per annum (on the assumption Capital Expenditure is annualised over seven years). This research was predicated on UK-wide compatibility – so the Scottish scheme would potentially be significantly higher (and less effective) without the savings inherent in scale.
- 3.) **Glass:** Our Members are very concerned at proposals to include glass. On an economic level, including glass will increase the costs of the scheme from around £60 million to around £120 million per year. Those costs are particularly acute in small format stores, and for online retailers. For small format stores many will have to either lose significant store or warehouse space for storing glass. For on-the-go food retailers, many don't sell glass products and therefore don't have waste streams or systems in place – which would be a significant burden. We remain unpersuaded that over a seven year period the additional £400 million cost of including glass will be offset by the public policy benefits.
- 4.) **Timetable:** Members felt the aim of an operational scheme within two years was optimistic. To bring a scheme in that time, which was different from the rest of the UK, and wide in scope, is unlikely to be realistic. This is a very complicated system; and it's never been implemented before within such an integrated market as the UK to complement an existing household recycling scheme. Those factors are worth considering when contemplating other precedents on implementation, either in Europe or on other Scottish public policy.
- 5.) **RVMs:** There are concerns setting too wide a scope will de facto create a monopoly for one RVM manufacturer who would then have an opportunity to maximise profit – especially within the proposed timetable.
- 6.) **Handling Fees:** Our research found break even handling fees for small shops would be around 5-10p per container (depending on whether glass is included). They'd be likely to be around 1-3.5p for larger stores. We'd also note online systems would be likely to require much higher fees – but there are no relevant international comparisons to assist there. Please note these fees depend on UK-compatibility, as explained elsewhere a Scotland-only scheme would likely require higher fees.
- 7.) **Retail Industry:** Members from different sectors within retail are concerned the practical issues germane to their operations may not be fully recognised. There are enormous differences between how hospitality, food-to-go, high street, convenience, online, and grocery retailers operate. Two points arose from this:
 - a. Firstly, Members are happy to organise store visits for Ministers, or officials, to understand the practical issues related to implementing a DRS in their store. The SRC is happy to set up the initial contacts for this.
 - b. Members reflected on the creation of an advisory group. They are comfortable with the SRC sitting on that group. However, they are concerned that considering the impact of DRS on retail operations is so significant, and that retail operations are so diverse, that there should be a number of retail voices around that meeting table. This is particularly relevant if the Government considers this group to be the start of a process to develop an industry-led management company. SRC Members have been clear retailers should have a majority voice on such a body as the operational effects, and handling fees, are essential to the successful running of the scheme. Without control of the DRS it's hard to see how retailers can mitigate the very significant liabilities inherent in the scheme.
- 8.) **Online:** A number of Members wanted to understand in more detail how the scheme would engage with online retail. It was made clear that whilst some grocery retailers might choose to opt in (as they have both delivery fleets and optimised systems) there would have to be exemptions for retailers who don't control their logistical operations. Those who use, for example courier companies, or indeed businesses which act as collaborative platforms, could not realistically comply with returns (although the products would have to carry the deposit).

Apologies for the length of response, but this is an issue our Members are deeply vested in, and we're keen the Scottish Government understands the practical implications of their decisions before coming to a final decision. Happy to discuss this in person, or by phone, in the coming days if that's convenient.

Kind regards

Redacted

Redacted

Head of Policy and External Affairs
Scottish Retail Consortium

Redacted
Redacted



This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This e-mail (and any files or other attachments transmitted with it) is intended solely for the attention of the addressee(s). Unauthorised use, disclosure, storage, copying or distribution of any part of this e-mail is not permitted. If you are not the intended recipient please destroy the email, remove any copies from your system and inform the sender immediately by return.
Communications with the Scottish Government may be monitored or recorded in order to secure the effective operation of the system and for other lawful purposes. The views or opinions contained within this e-mail may not necessarily reflect those of the Scottish Government.

Tha am post-d seo (agus faidhle neo ceanglan còmhla ris) dhan neach neo luchd-ainmichte a-mhàin. Chan eil e ceadaichte a chleachdadh ann an dòigh sam bith, a’ toirt a-steach còraichean, foillseachadh neo sgaoileadh, gun chead. Ma ’s e is gun d’fhuair sibh seo gun fhiosd’, bu choir cur às dhan phost-d agus lethbhreac sam bith air an t-siostam agaibh agus fios a leigeil chun neach a sgaoil am post-d gun dàil.
Dh’fhaodadh gum bi teachdaireachd sam bith bho Riaghaltas na h-Alba air a chlàradh neo air a sgrùdadh airson dearbhadh gu bheil an siostam ag obair gu h-èifeachdach neo airson adhbhar laghail eile. Dh’fhaodadh nach eil beachdan anns a’ phost-d seo co-ionann ri beachdan Riaghaltas na h-Alba.

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.

For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>

This email has been scanned by the Symantec Email Security.cloud service.
For more information please visit <http://www.symanteccloud.com>
