

DEPOSIT RETURN SCHEME

MUCH OF SWA'S lobbying efforts in recent months have been focused on the Scottish Government's Deposit Return Scheme proposal. SWA is a member of the Implementation Advisory Group and we also attend a working group covering the setting up of the Scheme Administrator and groups looking at DRS from the perspective of wholesalers; retailers and producers. Behind these meetings lie significant efforts to liaise with key partners such as the Scottish Grocers Federation and British Glass. We are also taking professional advice on financial and legal aspects of the proposal.

We are now reaching the first Parliamentary phase of the process. The Cabinet Secretary for the Environment, Climate Change and Land Reform has laid proposed Regulations in the Scottish Parliament that will create the legal framework for the Scottish Government's Deposit Return Scheme.

The draft Regulations are available on the Scottish Government website at <https://consult.gov.scot/environment-forestry/deposit-scheme-for-scotland> together with a consultation on the draft regulations. Members have until 10th December to respond to the Scottish Government consultation.



The regulations

1. Prohibit the marketing or sale in Scotland of single-use drinks containers made of PET, steel, aluminium or glass, if the producer of those articles is not registered with the Scottish Environment Protection Agency (SEPA). The producer is either the brand owner (for products branded in the United Kingdom) or the importer (for products from outside the United Kingdom). This would include wholesalers that import product(s).
2. Require that a 20p deposit is applied each time one of those single-use drinks containers is sold in Scotland. The seller must also make clear that the packaging can be returned in exchange for reimbursement of the deposit. These obligations do not apply to products sold in export (duty-free) shops, on hospitality premises where a closed-loop exists, or for sale to a consumer outside Scotland.
3. Require producers to collect a target percentage (90% by year 3) of the scheme packaging which they place on the market in a calendar year, by collecting their own scheme packaging from retailers and return points and accepting the return of their scheme packaging from wholesalers. Producers will reimburse deposits for any packaging returned or collected.
4. Provide for targets which will increase over the first three years of the scheme's operation (70% in year 1, 80% in year 2 and 90% in year 3).
5. Provide for producers to appoint a scheme administrator to meet the above obligations on their behalf. Anyone seeking to act as a scheme administrator must be approved by the Scottish Ministers.
6. Require retailers to operate a return point at premises from which sales of scheme products are made. This involves accepting (subject to certain exceptions) packaging returned by consumers, reimbursing deposits for that packaging and retaining the packaging for collection by or on behalf of producers. A wholesaler selling direct to the final consumer would also have to act as a return point for packaging.
7. Retailers may only sell products if the producer of that article is a registered producer. A wholesaler importing product(s), would be classed as a 'producer'.
8. Provide that, where specified criteria are met, the Scottish Ministers may exempt a retailer from acting as a return point and may approve any other person who wishes to act as a return point. This would allow a group of retailers to support a communal return point, for example, in a shopping centre.
9. Require retailers selling products by means of distance sales (e.g. through an online grocery sale and delivery service) to provide takeback services from the site of delivery to consumers who have purchased those items. This would include wholesalers who operate an B2C online platform.

The draft regulations currently indicate a commencement date of 1st April 2021 for key provisions concerning the scheme's operation. It is at this point that DRS would be considered fully operational. SWA does not believe this is an achievable commencement date.

The Scottish Parliament's Environment Committee has published its evidence timetable and its call for written evidence. SWA has written to the convener to signal our interest in giving evidence on an issue which will have massive consequences for members.

<https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/112832.aspx>

The Committee's deadline for written submissions will be 15th October and SWA will be encouraging and supporting as many members as possible to make submissions so the Committee understands the significant impact DRS will have on the wholesale sector.

The Committee has invited views on—

- 1. Scope (materials)** – the types of container proposed to be covered and excluded and any specific issues. Currently this covers PET, metal and glass. SWA has been campaigning to get glass taken out of the scheme.
- 2. Scope (retailers)** – implications of the scheme applying to all retailers selling single-use drinks containers, including online retailers, and exclusion of businesses such as pubs and restaurants that sell drinks for on-site consumption.
- 3. Costs and operational impacts** – costs anticipated for your business, service or sector and the appropriateness of the proposed financing model (that the scheme will be funded via unredeemed deposits, revenue from the sale of materials and a producer fee). SWA is compiling a 'DRS Wholesaler Impacts' report and a request for member data has been circulated, including cash flow implications, separately to members.
- 4. Environmental impacts** – whether the proposed scheme will have the desired impact on increasing recycling rates and reducing littering, and how that impact can be maximised. What key environmental risks need to be considered and mitigated? Will the scheme incentivise producers to change or modify materials/packaging?
- 5. Level of deposit** – implications and appropriateness of a charge being a uniform 20p. A uniform deposit is likely to lead to retailers and consumers upsizing products.
- 6. Consumer and social impacts or risks** – accessibility to consumers and what impacts are anticipated on different groups, including those with disabilities, those without private transport, and those living in rural areas.
- 7. Local authorities** – implications of the proposed scheme for local authorities, including impacts on kerbside collections.
- 8. Timing** - implications of the proposed timeframe (a minimum 12-month implementation period from the passing of legislation). SWA is compiling information about the possible timeline required if members are required to purchase or build additional warehouse capacity to deal with the commercial and logistical implications of cross border trade and the requirement of Scotland only SKUs and labelling. There remains a lack of clarity around the labelling and fraud challenges associated with a Scotland only DRS.
- 9. Governance** – how the scheme should be administered, and appropriateness of the proposal for scheme administrator that is industry-led, privately owned and operated on a not-for-profit basis. SWA has taken part in the IAG Scheme Administrator working group to ensure the wholesale channel was represented. However, the Regulations as drafted only cover producer involvement in the Scheme Administrator although it's anticipated that retailers may choose to take part.
- 10. Broader waste policy context** – will the scheme achieve its intended purpose in isolation, or does its success depend on the performance of broader measures? How should the scheme co-operate with any other proposed schemes in the UK? A new reformed Extended Producer Responsibility scheme is due to be introduced by the UK and Scottish Governments in 2023. Given the cross border trading challenges there is a strong argument for the introduction of a UK wide approach.
- 11. Any further issues** or views not falling under the above areas.

We expect the Committee will publish its report into the Regulations in mid-December.

The Scottish Government will then bring the Regulation back to Parliament for a further 40 days prior to a decision being taken in March.



DRS: HOUSE OF COMMONS

MEANWHILE, the House of Commons Environment, Food and Rural Affairs Committee published its report on plastic food and drink packaging.

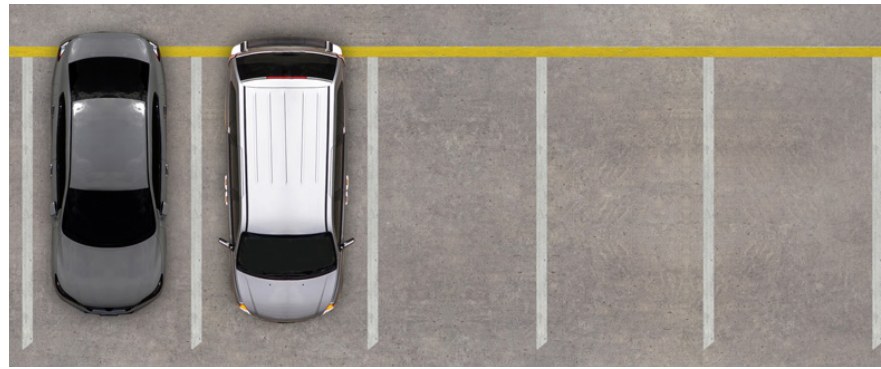
<https://publications.parliament.uk/pa/cm201719/cmselect/cmenvfru/2080/208002.htm>

While the report signalled support for DRS, it says: "We acknowledge concerns that an all-in model for the DRS might be a threat to kerbside recycling. However, extending producer responsibility so that producers, rather than local authorities, are fully responsible for the cost of dealing with plastic waste would reduce the financial impact of a DRS on local authorities.

"The Government must monitor the financial impact on local authorities carefully."

The report also notes: "A DRS scheme should ideally be applied consistently across the UK.

"The Government should ensure that it learns from and collaborates with the Scottish Government as it introduces a DRS in Scotland."



WORKPLACE PARKING LEVY

PRIOR to the summer recess SWA chief executive Colin Smith, gave written and oral evidence to the Rural Economy and Connectivity Committee on WPL which was introduced as an amendment to the Transport Bill.

There were in excess of 100 amendments brought forward on WPL. However, the Scottish Government only accepted amendments from the Green MSP John Finnie who proposed the levy.



SWA raised concerns about the economic impacts on employees and employers as well as raising concerns about implications for those working on industrial estates and employees working night shifts when public transport alternatives wouldn't be available. We encouraged and supported opposition MSPs to bring forward relevant amendments.

The Bill will return at Stage 3 in the coming weeks and we will attempt to revisit our main areas of concern and encourage MSPs to table amendments.

<http://www.parliament.scot/parliamentarybusiness/report.aspx?r=12135>



IF THE UK leaves without a deal on 31st October we will no longer have tariff-free or frictionless access to the EU Single Market or be able to claim EU origin or compliance for goods we export to non-EU destinations. We will effectively lose any preferential status deriving from EU membership and have to commence trading under so-called WTO rules, complete with relevant border controls.

This will affect:

- Imports and exports
- Certification and recognition of standards
- Labelling & health marks
- Transport and logistics
- Free movement and employment

As well as sitting on the SG Brexit Food Resilience Group, SWA is working with our partners in FWD and attending meetings with officials from the UK Government's Defra/DexEU to get updates on government planning and to feed in input from members.

NON-DOMESTIC RATES BILL

THE Local Government Committee took evidence on the Bill from Kate Forbes, the Minister for Public Finance and Digital Economy on 11th September. [NDR Ministerial evidence](#)



The Scottish Government is proposing moving to a three-year rate revaluation with the next being due in 2022. It isn't proposing a fee for appeals unlike England.

The SWA had previously lobbied successfully that the Scottish Government shouldn't go ahead with an additional out of town levy which had been recommended by the Barclay Review into NDR.

At the latest FWD meeting, Defra officials suggested there might be 1.5 - 2 days' worth of queues in Kent and hauliers with the wrong paperwork won't be allowed to travel through the short strait particularly through the Eurotunnel. They accept the delays will reduce the availability and choice of fresh produce and the timing of 31st Oct is worse than the previous deadline, as the UK growing season is coming to an end and there will be additional warehousing pressures due to Christmas. UK Government officials think disruption will improve after 3 months.

SWA would encourage members to log on to the Scottish Government's Prepare for Brexit website. There are helpful webinars on everything from supply chain logistics to human resources and regulations and tariffs. The site will help you to assess the potential impact a No Deal Brexit might have on your business. SMEs can also apply there for financial assistance through the Brexit Support Grant which provides up to £4,000 to help small to medium-sized enterprises in Scotland manage a wide range of Brexit impacts.

<https://www.prepareforbrexit.scot>

Members will also find the Brexit Hub useful <https://brexitfoodhub.co.uk/> It has information from a number of food and drink and transport organisations.

The UK Government also has a number of dedicated websites of its own offering advice on specific issues:

gov.uk/guidance/the-food-and-drink-sector-and-preparing-for-eu-exit
euexit.campaign.gov.uk

FIRST MINISTER ANNOUNCES PROGRAMME FOR GOVERNMENT



FOLLOWING the summer recess, the First Minister announced the Scottish Government's [Programme for Government](#)

The following relevant bills will be introduced over the next year:

- **Circular Economy Bill** – to “enable further action to tackle our reliance on single use products”. This will include plans to charge for single use coffee cups.
- **Continuity Bill** – “to maintain alignment with EU law in devolved areas after EU exit”.
- **Good Food Nation Bill** – will place responsibility on Ministers and selected public bodies to set out policy statements on food. Responses from the recent consultation were published on 11th September . <https://www.gov.scot/publications/good-food-nation-proposals-legislation-consultation-analysis-report/>
- **Transient Visitor Levy Bill** – The “Tourist Tax” will create a discretionary power for local authorities to apply a tax or levy on overnight visitors. Scottish Government has launched a consultation <https://www.gov.scot/publications/consultation-principles-local-discretionary-transient-visitor-levy-tourist-tax/> Closing date of 2nd December 2019.

HFSS BILL NEXT YEAR

The First Minister also announced there will be a Bill to restrict HFSS Food promotions in next year's programme.

The Scottish Government has just published the responses to its public consultation on their proposed approach for restricting the promotion and marketing of targeted foods that are high in fat, sugar or salt (HFSS) where they are sold to the public.

SWA is seeking an early meeting with the Scottish Government to discuss the results, our concerns about restrictions and the next steps the government will take, given the lack of clarity in the public's responses.

Amongst the 700 responses there were mixed views with individuals being more in favour of restrictions. Key concerns from industry organisation respondents included:

- i. The potential negative impact on businesses generally and specifically on smaller and specialist businesses that may be disproportionately disadvantaged;
- ii. Concern about conflict with and the undermining of a number of existing approaches and requirements (such as reformulation)
- iii. A view that other approaches to better inform customers of the contents of HFSS foods and encourage them towards healthier choices might be more effective than the proposed restrictions.

The paper proposed restrictions on multi-buys (e.g. products sold together to obtain a discount or products given for free as a result of a purchase) and the sale of unlimited amounts for a fixed charge (e.g. unlimited refills for £X). It outlined that the Scottish Government was **not** proposing to restrict temporary price reductions (e.g. £X off) and multi-packs (i.e. multiple items sold as a single item).

- Individual respondents noted that removing these promotions would increase the costs of these foods for consumers. There was specific concern that those on a low income may be dependent on these low cost foods and that removing promotions would make them more expensive but would not make other foods more affordable.
- Individual respondents noted that removing these promotions was unfair to those who eat sensibly;
- Manufacturer and industry representative body respondents felt these restrictions should not apply because they would disproportionately disadvantage small businesses that rely on these types of promotional mechanism and do not have the same ability as larger businesses to find other ways to provide low prices. They also flagged the implications for packaging, specifically that it would be costly to design packaging purely for the Scottish market, which would be required to avoid making value claims;
- Retailer respondents described how multi-buys are used during festive periods to purchase presents. Restriction of these would increase costs for consumers; and
- Manufacturer respondents noted that the restrictions would also prevent the marketing of healthier or reformulated products (such as lower sugar soft drinks) in the discretionary categories, which would reduce the incentive for developing these alternatives.

<https://www.gov.scot/publications/reducing-health-harms-foods-high-fat-sugar-salt-consultation-analysis/>

FOOD STANDARDS SCOTLAND PUBLISHES OUT OF HOME RESPONSES

FOOD STANDARDS SCOTLAND has published [Analysis of its Public Consultation on Improving the Out of Home Food Environment in Scotland](#) which ended in February.

The key findings of the report include:

- Most respondents (90%) agreed to the proposed list of business types for inclusion in an Out of Home strategy.
- Respondents were in favour of reducing excessive calorie contents by changing recipes (79%), reducing portion sizes (73%) and ensuring the availability of single serve pack sizes (70%).
- Fewer respondents were in favour of the application of maximum calorie (30%) or energy density limits (24%) and excluding high calorie items (24%).
- Almost all respondents agreed that consumers should be able to access small or half portions (95%).
- The majority of respondents (68%) were in favour of mandatory calorie labelling at the point of choice. Although there was some concern around the impact this would have on small and medium sized businesses, the majority (61%) were not in favour of exempting any businesses.
- Food businesses were asked what additional support they would require to provide calorie labelling on menus. Training and support, financial aid or incentives, and expert assistance to support implementation were the main types of support called for.
- Most respondents agreed with a wide range of proposed improvements to children's menus, including increasing fruit and vegetables (88%), reducing sugary drinks (86%), providing children's portions from adult menus (82%) and reducing reliance on chips (79%), and fried and breaded products (78%).
- Most respondents (81%) agreed that a range of actions should be adopted by the public sector to support healthy eating OOH, principally on the grounds that the public sector needed to stand as an example of good practice.



FSS also commissioned research into the OOH Environment from Kantar <https://www.foodstandards.gov.scot/publications-and-research/publications/the-out-of-home-environment-in-scotland-june-2015-june-2018>

As well as Qualitative consumer research <https://www.foodstandards.gov.scot/publications-and-research/publications/qualitative-consumer-research-on-eating-outside-the-home>



SCOTTISH POLITICIAN OF THE YEAR AWARDS

WHOLESALE members are invited to be our guest at the SWA's table at the Herald's Scottish Politician of The Year Awards, on 21st November at Prestonfield House, Edinburgh.

This is your chance to meet Scottish MSPs and your local politicians' in an environment that is anything but stuffy!

These awards are an annual highlight of the country's political and social calendar and the ongoing fallout from the Brexit vote and changes to government means this year's event will be the focus of huge interest.

Since they were established in 1999, The Herald has always seen the awards as a way of bringing people together to promote high standards of political performance and foster constructive relationships between the worlds of politics and business.

The evening is enjoyed by elected officials, key decision makers, commentators and opinion formers and is seen as a means to make new contacts and relationships and renew old acquaintances.

The event is always memorable but as well as being hugely enjoyable it also recognises the excellent work carried out at both Holyrood and Westminster and recognises politicians – at a national and local level – who have helped to shape events.

Ministerial guests at SWA table 2018, included Jackson Carlaw, Ash Denham and Angela Constance.

Seats are very limited, if you would like to join us please email joanne@scottishwholesale.co.uk.

<http://newsquestscotlandevents.com/events/politicianawards/>