Scotland Food & Drink

Report into Potential Impacts of Scotland's Deposit Return Scheme

December 2022

Background

Scotland Food & Drink was asked to gather information about the potential impacts of Scotland's Deposit Return Scheme (DRS) on producers to inform the final stage of pre-launch discussions and decisions regarding DRS. These primarily involve Circularity Scotland Ltd, SEPA and the Scottish Government with relevant stakeholders feeding in. Issues which are yet to be clarified include: return point operator exemptions, online take back, producer fees and timescales, as well as whether smaller producers will be given the option to opt out of the scheme at launch, with a subsequent review to determine the long-term arrangements.

We agreed to survey our producer members to gather additional information about the impacts. This is to ensure those making the decisions have as much information as possible. We share the overall priority of preserving the environmental benefits of the scheme whilst avoiding unnecessary damage to Scotland's drink supply chain which is an important part of our economy, including in our rural and island communities. Businesses along the supply chain are particularly fragile due to extremely volatile demand and supply side pressures.

We believe there is an underlying principle to consider, as with all regulation, that those who are evidentially not a significant contributor to the problem that the regulation is attempting to solve should be afforded every possible effort to help them avoid its impacts. Evidence that premium, low volume product is not destined for litter or landfill includes demographic data for premium drink purchases and recycling rates, alongside litter surveys.

The further evidence below, in combination with the information provided previously by us and others since the DRS was first proposed, makes a strong argument for swift decision making and clear guidance as a priority. We have repeatedly said that it would be hard to overstate the potential impact of DRS on smaller producers or their level of concern.

In our view the survey results demonstrate this again and show beyond doubt that there is a clear need for an opt out option at launch, given the breadth of issues that businesses are facing and the lack of capacity to manage the flow of information, the process changes, and the time and costs to make those changes.

It is worth noting that the survey ran for a single day. We are confident that if it ran for longer, or was widened beyond our membership, we would have received significantly more responses. We do not expect the nature of those responses to deviate significantly from what we received, as there was a high degree of consistency between the responses.

Summary of Survey Results

Responses: 55

Turnover of respondents:

Total: £88 million+ | Median: £440,000

No. of Employees of respondents:

Total: 2,500+ | Median: 4

No. of articles placed on market by respondents:

Total: 28 million+ | Median: 21,000

Please note: not all respondents submitted turnover, employee or article figures and some larger businesses responded, skewing the total figure, which is why we included the median level. The proposed threshold of 5 million articles/year combined with SME turnover would significantly limit the number of articles being considered for an opt out. We estimate this threshold would remove a total of less than 4% of material from circulation, and that this would be mostly glass. The real-life impacts would be much less than 4% due to the nature of the products which are already unlikely to end up as litter or in landfill. This could be tested post-launch as part of the scheme's review, which we could support.

Key Findings

As shown by the full set of responses included in the appendix, a large volume of detailed and powerful testimony was provided at short notice by a wide range of Scottish businesses. It shows without question that Scotland's DRS continues to cause deep concern for producers.

The main findings are:

1. Key requirements are not yet sufficiently clear for most businesses – these include many of the fundamental elements of what is needed to comply.
2. Some of the known/expected requirements present a genuine risk to business viability because of the time and cost implications of complying.
3. Financial implications are potentially severe, as are the administrative impacts, with further details gathered through the survey that expand our understanding of this area.

In the following pages we have broken down the findings into specific areas and used selected quotes and information to highlight the themes/trends from the information gathered.

Administrative Impacts

We understand that those making the decision about a smaller producer exemption are particularly interested in the specific administrative and process changes that might cause a disproportionate impact.

We therefore asked our members “which of the pre-launch activities such as time/process changes to comply concern you most about DRS?”

The word cloud for these responses shows “cost” and “time” are the top references. It is unsurprising to see “cost” highlighted as time and process implications are ultimately linked to an underlying cost which must be managed. Other issues that were highlighted included the change to barcodes, the administrative challenge of operating in a Scotland only scheme, new labels, bottles and managing a producer fee.

Our view:

The root cause of the problem is the lack of additional capacity to firstly understand and then plan and deliver the changes needed to comply with what is a complex scheme. This is compounded by the fact that key elements of the scheme remain uncertain including the precise requirements for registering, fees, timescales, and online take back. However, even once these are known, responses show that the expected capacity (time and costs) needed to become compliant is likely to be beyond the ability of many to manage.

Selected responses (full table in appendix):

- “There is a very large admin burden with DRS. It is a complex scheme which I and other colleagues need to understand. There is a huge amount of documentation and agreements to read which takes time and effort with many factors still unknown. We have to sign off a legal agreement without knowing the full details of the scheme. We must set up new systems and reporting to record sales in Scotland. We need to modify sales and accounting software to allow for the deposit out and in. We must go through every customer to confirm if they sell in Scotland or not. We need to contact many customers, including wholesalers to confirm if they sell in / out of Scotland. We need everyone in our business to understand the implications and check that customers do too. We have own label customers who may stop buying if the admin burden is too great, so we need to speak with all of them. We may need to change labels for some customers and add barcodes for own label. All of this takes time and costs money. We are very busy trying to survive at present and DRS represents a significant additional burden in terms of time, paperwork, admin and set up."

- "Planning and admin - We have already spent 1 month in person hours trying to understand the implications and plan for the implementation of the scheme for us. We estimate it will be a minimum of another month of a persons time to put in place the admin and processes the scheme will require. We do not have the manpower resources to this and grow/run our business, unlike the multinationals who have been on the board of the scheme administrator and influenced the scheme architecture. We will need to re-barcode our labels due to the requirement to be GS1 certified. Cost in new label artwork and set up. Pre launch we will need to start to move over to the new labels which will require another 50% warehouse space (which we do not have) to store the bottles so we can have a clean step over to the new labels."
- "The biggest challenge is that this is a Scotland-only scheme when the domestic market we all operate in is the whole of the UK. All of our customers in the UK have online selling, so Scottish based retailers will sell to consumers outside Scotland, and English based retailers will sell to consumers within Scotland. I have been advised by CS that I must request, every month, a report from all of my UK retail accounts advising how many of my scheme articles have been sold to Scottish-based consumers. This is a huge administrative burden."
- "We are a very small team, the constant drip of changing information does not allow you to plan ahead with confidence, we will have label changes to make but we do not know what they will be, some large customers are demanding a separate bar code for Scotland only products which we can't work with as the costs are too high and we can not segregate stocks."
- "We are only one of a vast number of SMEs operating in Scotland who launch several new products each month - some of them limited to only a few hundred bottles - and to have to (a) await pre-authorisation for these going forward and (b) most likely pay for the service, this is going to add huge time and cost to the business, so much so that the market will become untenable for our products."
- "Changing labels to include a new compliant barcode. Altering the website to include a postcode lookup to identify Scottish customers."
- "Bar codes on bottles that don't have them currently, different bar codes for Scotland/England for same bottle, barcodes for (currently) 95 different brands/bottles which is growing"
- "Lack of detail on the entire scheme, it is difficult to find an area or single point to start - barcodes, costs to pay and time taken to register it all"
- "Warehousing - currently we have 2 brands with 9 sku's. Post DRS we will have 18 sku's. We sell to Scotland and UK thru amazon - they only accept one version of your sku not one for Scotland and one for the rest. Massive increase in handling."
- "Process - it is geared up to large CPG firms selling items in plastic containers. Not small producers selling in glass bottles."

- “Most founders/directors of a [smaller] company who would be the ones to complete all this paperwork and set up the scheme for their business, have multiple other jobs to do making their product, driving sales etc.. so yet again further stress and pressure are put on small businesses that simply want to make a living and do something they are passionate about.”
- “Costs (changes to packaging) Time (processing of DRS requirements) Costs (pay-forward requirement) Probity (lack of SME presence on Circularity board)”
- “Cashflow. Where do I find many 10's of thousands of pounds to get this off the ground for my business.”
- “Please rest assured we want to make our industry more circular and sustainable but the challenges of a Scotland only system for DRS are innumerable but the main ones are: Process implications and operational for developing potentially Scottish specific SKUs. Cashflow implications of becoming ready against a fixed timeline in a very difficult trading environment.”
- “There is a gigantic amount of information to get our heads around. As a two person business, our roles are already full with operating a distillery so with the short timescale, complicated and burdensome compliance required, we simply don't have the time or resources to turn our attention to what is actually required of us. Also there seems massive uncertainty as to what exactly we're required to do, since CSL don't even know at this stage what we're all needing to do.”

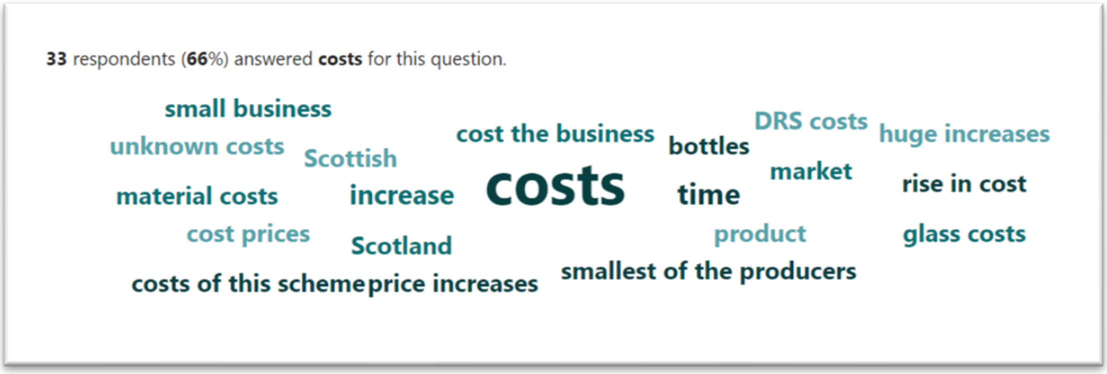
Many similar additional comments are provided in the appendix. Several suggest that synchronising the timings for smaller producers with the wider UK rollout would alleviate many of these concerns, assuming a smaller producer exemption is not offered across other parts of the UK. We expect plans for the UK rollout to be announced shortly.

Business Viability

Question nine asked if “the DRS represent[s] a genuine risk to the ongoing viability of your business.”

92.73% of respondents answered yes to this question and provided detailed answers to justify that opinion.

The word cloud from these answers is as follows:



Our view:

We were genuinely surprised to see such a high proportion of respondents say they consider the scheme to be a threat to their business’s viability. Combined with the detailed answers as to why this is the case, there is no doubt that the scheme needs to be adapted to protect smaller producers more than it does currently.

Selected responses to this question include:

- “We are already at the minimum margin with the increase of fuel, electric etc which had put all out costs up”
- “Costs rising beyond limits of viability. Administrative burden on part-time endeavour becoming too great.”
- “The cost pressures, time pressures and the scheme as it is currently designed mean that we feel it is very likely to mean our business will fail as a result of the scheme”.
- “By the time of launch, our product will potentially cost customers 30 - 40p more than it currently does. I appreciate that 20p is simply a deposit, but all our other costs are rising and plus the scheme article administration charge, a 40p rise is not unlikely. We sell a £2 soft drink so a 40p increase is significant and whether consumers will be willing / able to spend that, we just don't know.”
- “1. Brexit resulted in the reduction of sales opportunities into Europe as costs increased and logistics is significantly more expensive. 2. COVID and the pandemic meant that 90% of our customers were closed for much of 2020 and some of 2021 and we still have not recovered all this business. 3. 2022 – significant cost increased across the board which we have to pass on before DRS costs. We are concerned that with proposed sales price increases that we

have to implement in January 2023 will already challenge our viability but DRS on top of this could be the straw that breaks the camels back."

- "I know of two Scottish cider makers who have said they simply won't bother and will concentrate on selling into England. Packaged products are about 35% of our turnover and we risk losing it all to big businesses with inferior, cheaper products who will have the financial and administrative capacity to make these changes."
- (Answered No) "Surely an independent Scottish business that sells Scotch Whisky should not be forced out of the Scottish market by Scottish Government legislation…? My business would continue, as 70% of my sales are export, but there would definitely be a negative financial impact."
- "We are a small team with limited resource, finance and muscle, the costs to change could reach £100k our estimate currently is £80k we simply do not have that available for something that does not stimulate more business."
- "Due to the time, resource and financial implication as above. We would need to close, not expand as we are wanting to, not produce whisky as we are planning to and that will lead to loss of current jobs and multiple potential jobs in the future. If multiple companies close on our islands, the loss of revenue form tourism will be catastrophic."

The comments above are not isolated and we expect would be replicated if the survey was extended to more businesses.

Financial Implications

The appendix below includes further information about the financial implications. For many businesses these are expected to be significant. It is also clear that there are still many unknown implications.

Our view:

Costs vary per business, and are relative in terms of their impact, so it is difficult to analyse them. That said, responses show the level of financial impact is expected to be severe on producers as well as along the supply chain, and for consumers. It is also of note that many producers highlighted the range of cost pressures which are already threatening their viability. Absorbing further costs is simply not possible for many. The final key point is that the cost implications go far beyond the deposit or producer fee, with most expecting the cost of implementation to be double the deposit value due to the costs and time involved and lack of economies of scale. This suggests that reducing producer fees alone will not solve the issues for most businesses.

Selected responses:

- "I will close my business due to cash flow and the perceived impact on unit costs."
- "In-bottle costs rising to unsustainable degree (currently small producers pay 2 to 3 times as much for glassware due to economies of scale for suppliers). As a small producer, I'm generally close to the limits of viability"
- "The Registration fee is just another cost to the business when the basics have increased by well over 100% in the last few months and will continue to do so in 2023. The as yet, unknown cost of pre-registering each label/product and the time to do so is unfathomable. If we incorporate these plus the proposed 20p deposit fee, we would optimistically be looking at a new cost to the business of around 30p per unit sold in Scotland. As a cost, this will incur a margin through distribution and is likely to add between 75p and a £1 to each bottle sold."
- "It will cost us in the region of £0.50 per container, so £29,500 to implement. This is more than our annual profit so has a very real chance of bankrupting us."
- "I would envisage additional costs per unit of around £0.50-£0.60. All of this is entirely hypothetical because, ultimately, without major reform of both fees and administrative burden imposed upon the "craft" drinks industry by the scheme, I won't be signing the Producer Agreement. If that means ceasing trading in Scotland at 11.59.59 on 15th August 2023, it'll be with a heavy heart, but so be it."
- "Margins are so small in beer and getting worse. Producers fee is over 50% of our margin when we send through wholesale. Big producers can force pricing down to meet DRS increase, we can't they will have increased price advantage. E-commerce - if forced to "take back", we are bust - 80% of our business is online."
- "There are two major costs and one smaller cost. The smaller cost is management and staff time to set up DRS. It will cost us thousands of pounds in staff time to set everything up and get the appropriate support from

bookkeepers, accountants, computer software suppliers, dealing with customers, lawyers etc. The two bigger costs are the producer fee and deposit payment. We believe the producer fee is being reviewed, but the original estimate of c3.5 to 4.5p per unit sold is very high for us as we sell low value items. We will have to pay between 20p per case and £1.08 per case in producer fees. We only sell at £3 - £7 per case so the additional cost will be disproportionately high. This fee will be passed on to customers as we cannot afford to absorb it. We will go out of business if we do not put prices up to allow for the fee."

- "Having the cost-per-article tied to uk-wide Vs scotland-wide barcodes also unfairly disadvantages smaller producers, as there is no chance in the world they will be able to produce a Scotland-only packaging run, and again that includes the Scottish cider makers, as it will cut them out of the English market."
- "£0.50 / bottle with additional cost to complete"
- "In the schemes current form, if implemented, we would clear stocks and wynd up the business before the inevitable bankruptcies begin. Currently we have a small profit margin per bottle and with increased costs, DRS, increase in spirits duty in February we just wouldn't be viable"
- "On top of the deposit & the producers fee, we will need to pass on an admin fee. We therefore see us having to add c50p onto each unit sold (5cl - 1.5L). Given that we will see the full impact of the other cost price increases in early 2023 (glass, liquid etc) and an excise duty change next year too, this could result in 3 separate price changes within 12 months. We have absorbed a lot of the price increases this year, to enable our business to recover post COVID but we cannot keep having our margin squeezed without passing this on. As a small team, who are already stretched across production, sales, marketing & events, we will probably need to employ a part time admin assistant to help with the additional administration required to be DRS compliant, at a cost of around £500 per month."
- "Financial implications would be an increase of between £1.50 - £2.50 per unit (and I expect it to much nearer £2.50) for every bottle we produce, and not including the actual upfront costs to us as a small producer which could run into several thousand pounds in registration fees and additional label printing alone"
- "Potentially new labels to incorporate barcode system (we have just rebranded design & labels costing us £20K), unable to afford to do it again..! Staff training and additional administration activities to manage DRS, currently don't have enough resources, so would require an additional person. (£16k / annum + pension) Additional storage area / building for scheme articles being returned to the distillery or dropped off by consumers (£15k, planning, building control and construction costs) Additional security and insurance premium to cover returned scheme items as they are now a commodity should the building be broken into to take items (£350 / annum + potential damage of break in £1500)"
- "If we chose to have a UK wide SKU, we will need to find approximately £40,000 to cash flow the 2.4 months pre-payment of 20p. One accounts staff member, 2 hours per day to report Scottish sales £10400 Plus the article scheme fee....still unknown Uk Wide SKU total cost £50,200 + fee If we chose to go down the route

of 2 SKU, 1 for Scotland and 1 for rest of UK, Cost of redesigning 30 label sets - £6000, Minimum quantity of each new label set - £150,000"

- "We estimate the direct cost per item will be 15-20p to us as a small business [this is on top of deposit]. Currently - 4.5p per item to CSL (at present although not finalised yet!) as we will will have to have UK wide EANs due to warehouse and logistical constraints. Extra Labelling costs - 2p per item Costs of bottle return from online trade 20p/bottle - 25% of total bottles so average per bottle 5p Human cost 9.3hrs per week (25%) at £12/hr Ave 52 Weeks = £5803/100000 = 5.8p per bottle Total per bottle 4.5+2+5+5.8 = 18.2p
- "We will require to employ an additional part-time member of administrative staff to manage the scheme, as we currently have no resource with whom to do so. In Orkney labour is scarce, and so we are 1. concerned that we will not get the right person to help and 2. we cannot see how we can find the financial resource."
- "Massive time constraint to a small business, struggling to recover from Covid, with a 97% increase in our electricity rates."

Conclusion

It is inescapable from these survey responses and the information gathered by many stakeholders previously, that the DRS as currently planned will cause significant disruption, job losses and business closure. It is also clear this can still be avoided with some pragmatic changes which would not significantly impact on the environmental benefits we all want to see. We recognise that there are challenges with an opt out but consider that these can be overcome and are less of a challenge overall compared to that facing smaller producers with trying to comply.

It is also clear that more clarity is needed in the immediate future to ensure all those involved understand the requirements. This includes larger businesses and retailers, who we also represent. Our focus on smaller producers is simply because of the level of the level of threat to their business.

We look forward to further discussions, ideally ahead of the producer registration window opening, so we can reach agreement on the key outstanding issues.

For questions or comments about this report, please contact Joe Hind, Policy Manager for Scotland Food & Drink: joe@foodanddrink.scot.

Appendix - Full Responses to Key Questions

Which of the pre-launch activities such as time/process changes to comply concern you most about DRS?
Extra staff Labour. Movement of containers to recycling area. Issuing of postal returns label at £4 a time.
Having to have software to distinguish Scottish sales from rUK. Having to pay for new labels for scheme articles otherwise having to pay fees for all articles placed to rUK. Having to take back anybody's empties which contravenes our SALSA accreditation and is an environmental health risk. If opt out of return point then having to pay someone else to take our bottles. Time to create forecasts/actuals/process returns - only 2 staff. Having to provide free return postage for online sales.
The cost of plastic containers to house the return of bottles, as well as the labour cost
Lack of information regarding all costs, where/when they will be applied and who will bear them. Lack of information regarding barcode types and fees (as a small craft producer, don't use barcodes currently). Lack of info regarding existing lines held in stock and whether the fees are applicable in retrospect to existing stock currently vintage bottle conditioning.
Cost to implement (upfront cost, threshold for inclusion, cash flow issues, SEPA registration fee) Administration requirements (may need extra staffing) Obligations for online take-back (unmanageable and too costly) The speed on which the scheme is being implemented without final details being agreed with CSL (complex contract, obligation for CSL failure, no control of producer fee) Storage requirements for hospitality component of our business
As yet we do not have a definitive set of compliance measures to prepare for. Having attended, and spoken at a recent SWA CPG at Parliament, we were surprised and very concerned that the next proposed CPG on the subject is not until after registration closes in February. Given the number of unanswered questions, and genuinely concerned feedback that hasn't been accounted for, this only highlights the risks of registering for an unknown outcome. Our greatest single concern, at the moment, is the requirement to register each new product label being launched in Scotland with a proposed minimum timeframe of 6 weeks. We are only one of a vast number of SMEs operating in Scotland who launch several new products each month - some of them limited to only a few hundred bottles - and to have to (a) await pre-authorisation for these going forward and (b) most likely pay for the service, this is going to add huge time and cost to the business, so much so that the market will become untenable for our products. We will also need to pre-allocate products for the Scottish market only in order to have the correct number of Scotland-specific labels printed - many of these are likely to be sold through online Scottish retailers and end up in other parts of the UK, and not be returned for reimbursing the producer fee. Furthermore, given the average consumer shelf life of a bottle of whisky is over 1 year, those reimbursements that do happen put a massive strain on immediate cash flow.
New processes, registration fees, online takeback requirement, cashflow issues are a major concern for small businesses
Unfair terms to the proposed contract for CS when plan has not been finalised or transparent and no alternative option available.

Proposed e-commerce bottle return process with excessive cost and carbon footprint to return end users deposit. Annual producer fee has not been set. Industry shared costs if CS have financial issues, unfairly burden on small producers. No online access or streaming to the recent limited number in-person event hosted by CS, which leans towards their lack of transparency. Lack of communication or suitable representative for small producers with CF, only major producers involved in consultation. General lack of transparency with the forecasted figures. How the proposed collections on glass will affect local authority income given the loss in recyclable materials, mainly glass.
I have lots of concerns as we are a hospitality business foremost but with a micro distiller and also do retail. All 3 areas are not clear and there are huge logistical and administrative issues on all sides with a lots of "to be confirmed areas". At present planning is impossible and not financially viable and until guidance is clear how can we realistically plan or dedicate time to this. DRS is directly risking jobs in late 2023 if we reduce or suspend any elements of the business for cost savings (eg stop retail or stop distilling) and this would be to save the time associated with administering DRS.
Storage of returned products, interrupted cashflows awaiting 20p reimbursement, new labelling, duty implications
Changing labels to include a new compliant barcode. Altering the website to include a postcode lookup to identify Scottish customers.
bar codes on bottles that don't have them currently, different bar codes for Scotland/England for same bottle, barcodes for (currently) 95 different brands/bottles which is growing - telling these customers as most people don't know. Don't know what the cost of the fees will be.
We're now less than 9 months from the proposed launch date of the DRS and critical details surrounding producer fees and online takeback (amongst a plethora of other key issues) remain.
Lack of detail on the entire scheme, it is difficult to find an area or single point to start - barcodes, costs to pay and time taken to register it all - we're in the middle of Christmas sales and they host a conference which has not been shared.
Lack of clarity on charges and VAT. Apparent total lack of DRS knowledge in the UK.
warehousing - currently we have 2 brands with 9 sku's. Post DRS we will have 18 sku's. We sell to Scotland and UK thru amazon - they only accept one version of your sku not one for Scotland and one for the rest. Massive increase in handling.
There is a very large admin burden with DRS. It is a complex scheme which I and other colleagues need to understand. There is a huge amount of documentation and agreements to read which takes time and effort with many factors still unknown. We have to sign off a legal agreement without knowing the full details of the scheme. We must set up new systems and reporting to record sales in Scotland. We need to modify sales and accounting software to allow for the deposit out and in. We must go through every customer to confirm if they sell in Scotland or not. We need to contact many customers, including wholesalers to confirm if they sell in / out of Scotland. We need everyone in our business to understand the implications and check that customers do too. We have own label customers who may stop buying if the admin burden is too great, so we need to speak with all of them. We may need to change labels for some customers and add barcodes for own label. All of this takes time and costs money. We are very busy trying to survive at present and DRS represents a significant additional burden in terms of time, paperwork, admin and set up. I have personally spent a lot of time on it and have meetings with colleagues in the coming weeks to go over everything that is required and get others on to the jobs we must complete. This

is a lot of work and will require additional staff hours to ensure we do everything in time. We are a small company so don't have many other people to help.
1. We can apply for exemption as a Return Point as the Co-op is less than 500m from our Brewery Shop which is the difference between us keeping our shop open and closing in July 2023 with the loss of 1.25 jobs. If this exemption is NOT approved by CSL we will close the shop. 2. We will need to register our Company Information and Product Barcodes on the CSL website portal before 28th February. The most cost effective way for us to manage this new scheme is to use new barcodes for Scotland only to avoid any further surcharges for scheme articles that are sold out with Scotland. This involves managing our labels stocks between now and July. This will result in our price per bottle label being higher as the order quantities for labels will be for stock needed for less than a 12 month period which is how we usually order our labels. Increased cost per label for bottles. Challenges Absolute final confirmation is required from CSL regarding advance payment Day 1 requirements for producers and whether producers under 10,000 units per annum will or will not have to pay this. This is a significant cost to small companies based on the likelihood of the DR scheme being delayed past August 2023. No producer is going to sign the Producers Agreement until these challenges are ironed out. This needs to be done before 28th February 2023 at the very latest. Even without the Day 1 Advance Payment requirement being confirmed. If we are not required to do this but based on an average number of units sold in a 12 month period, it is anticipated that we will need to find around £35,000 additional funds for cashflow. We will be required to pay CSL 4.45p per bottle producers fee plus the 20p per bottle redeemable deposit that we then recover through adding a line to our invoices to whoever we sell to but we need to pay CSL by direct debit before we have received payment from our customers. A monthly estimate of sales would be 66,000 scheme articles which would be £16,200 in advance of any payment of invoices or recovery of the 20p deposit that would be passed onto our wholesalers/customers but most get at least 30 days credit. In what will be a very challenging year (2023) with a proposed 18% price increase to our customers based on price increases to us of CO2, energy, raw materials, packaging and logistics, cashflow will be our biggest challenge. We may already loose existing customers if we have to add 4.45p to the price of our products as well as the deposit. We have 3 customers that sell into England but are based in Scotland and it is very likely that the administration for them to sell a Scottish SKU into England will not be worth the administration involved and we will lose these sales.
Cost to producers from packaging requirements. I mostly deal with very, very small cider producers, most of whom do not use barcodes and do not have the financial resources to buy them (GS1 barcodes come with an annual or per-barcode cost) nor have the time and resources to completely rebrand their packaging. Some will, but most simply will not bother and will be cut out of the Scottish market (including some Scottish producers).
Time to complete, additional admin burden, cost, uncertainty
The biggest challenge is that this is a Scotland-only scheme when the domestic market we all operate in is the whole of the UK. All of our customers in the UK have online selling, so Scottish based retailers will sell to consumers outside Scotland, and English based retailers will sell to consumers within Scotland. I have been advised by CS that I must request, every month, a report from all of my UK retail accounts advising how many of my scheme articles have been sold to Scottish-based consumers. This is a huge administrative burden, both for me but probably even more-so for the retailers, who will presumably have to provide this information to hundreds, possibly thousands, of suppliers. None of the other countries where such a scheme has been launched have faced this administration nightmare of one part of the market operating independently

to the rest of the market. Packaging - we currently include the barcode on the gift tube - we will now need to incur costs to redesign a back label to incorporate the barcode. Effectiveness - I have huge doubts that the way the scheme has been set up will actually allow it to achieve the desired environmental wins. Glass is already well recycled in Scotland via the kerb-side uplifts. I read just last week that Falkirk Council are considering stopping the kerb-side pick-ups to encourage consumers to use the DRS. That means that all glass items that are not part of the DRS (e.g. food jars etc) will not be recycled and will go direct to landfill. Meanwhile the council state this will lose them a revenue stream of ~ £250K / annum, at a time when they are considering closing pools and leisure facilities due to a lack of funding. This makes no sense. The requirement to send a sample bottle to CS for every single product we release. I am a single cask bottler, and typically will release ~ 30 to 40 casks per annum (so 30 to 40 unique products). Each will have its own unique GS1 barcode, but all are in exactly the same bottle. Which means if the RVM can accept one of these , it can accept them all. Yet I have been advised by CS I will require to send a bottle to them for each product (i.e. 30 to 40 bottles per annum). That incurs cost and time for me, but also has a negative environmental impact - wasted glass, packaging used, carbon footprint re carriage - and all unneccessary. Online take-back - not something that would impact me directly as I don't have a web-shop, but this goes entirely against the whole ethos of the DRS and what it should be trying to achieve. This will have a packaging burden, a cost burden and a carbon footprint impact. The producer agreement - at 24 pages long, in written in complex legal jargon, this is a minefield for producers to navigate. Most of us are not lawyers, nor do we employ lawyers. If CS want producers to go on this journey with them, they need to make it simple. Costs and cashflow - I saw a promotional video for DRS claiming that the scheme is cost-neutral. That simply is not true. In addition to the annual fee, we also have the producer costs per scheme article placed on the market. Further, talk of advance payments to CS - that isn't acceptable to any producers.
WE are a very small team, the constant drip of changing information does not allow you to plan ahead with confidence, we will have label changes to make but we do not know what they will be, some large customers are demanding a separate bar code for Scotland only products which we can't work with as the costs are too high and we can not segregate stocks. The cost burden is a significant issue in particular cashflow customers like Tesco, Asda, Carlsberg, Mathew Clark do not pay quickly so we will have to fund the deposit value from our own cashflow which is going to be a serious challenge.
Time needed to make changes for producer obligations alongside hospitality, physical and e-commerce changes. Cashflow required
The lack of knowledge during the planning and setup of the scheme seems very apparent. The scheme seems cumbersome and expensive and very unfair that nearly the full cost of the scheme is to be covered by the producer only. The administration of the scheme alone would require another employee, no thought seems to have been given to the man hours let alone the costs.
1. Collecting the product data from a number of different overseas suppliers 2. Lots of our products are from small niche suppliers who do not use barcodes, and who have no incentive to do this just for a tiny market. Some don't use GS1 barcodes but use a different norm. GS1 does not like to allow importers to register products, so we might not even be able to get round it that way. However, even if we do manage to get a barcode registered, we will have cases of existing stock in the UK without the codes and we will need to open every box and relabel each bottle before it goes to Scotland. This is really time-consuming and very expensive; it will often make a price uncompetitive.

3. The time needed to understand the implications of the scheme- the definition of importer is different from the definition for HMRC and this is creating confusion. We feel there has been very little guidance given to small UK companies who are based outside Scotland but who need to implement significant changes in order to be compliant. 4. We don't fully understand how the VAT and accounting will work. We think we will need to make changes to our invoices and our VAT returns. 5. We are very concerned that many wine producers have recently had to make unexpected changes to bottles types because of the existing glass shortages. We have not been given any information about the tolerances for weight variation in the RVM machines, so we don't know how we can handle these products. We think that we might need to get the registered with a new barcode and relabelled; this will be a significant logistical problem. 6. We have recently taken steps to try to expand our Scottish sales by appointing a part-time sales executive. We are very concerned that it will not be possible to get all of our products registered in Scotland because of barcode issues and bottle weight variability. This will particularly affect the high-end small production wines in which we specialise. We may have to rethink the viability of investing in Scotland as the scheme is extremely challenging for low-volume suppliers of specialist products. 7. We are concerned about how we will obtain the essential data from our Scottish customers when we already know they will be reluctant to share commercial information with us.
Administrative time - we are a small team who are already stretched. Cashflow / cost - the need for us to put monies upfront & pay the SEPA registration fee too Launch timing - it's a busy time of the year. Time & cost to relabel products if necessary.
We are already in survival mode, deciphering how to implement the scheme's requirements, update labels, ensure we have spare cash for day 1, it's something we don't need right now. There's never been a worse time.
Considerable amount of time to sign up to the scheme and input all product information, change labelling. Signing up to a scheme where there's no clear costs and which holds producers liable for costs if the scheme doesn't make a profit.
(1) Staff training, (2) finding a financially viable solution to allow on-line purchasers to return empty bottles (3) convincing UK wide buyers to accept two prices dependent on destination of bottles (4)
Internal software changes that are required. Order processing to be split between UK and Scotland not possible. UK Invoicing and Sottish invoicing on the same Product not possible. Split UK and Scottish SKUS not possible. Agreeable payment terms and consumer agreements - still CSL has unconfirmed costs has caused delays with even costing and calculating prices. Unconfirmed VAT - unable to make strategic decisions. Some customers (wholesale) do not currently have the functionality to declare to us the Scottish orders - data will most likely be after the order.
1. Are we a producer and a retailer and a hospitality venue? 2. Where does VAT come in? 3. How can the online sales take-back possibly work? 4. For sales through Amazon, we have to cover up our barcode with theirs. How does that work with the CSL barcode - UK or Scottish. 5. Sales to wholesalers in England, where some bottles come to Scotland, and to wholesales in Scotland where some bottles go to rest of UK. 6. Cashflow... 7. Given that our small team can't possibly absorb the additional work, I'll have to take

on another body, albeit part-time, seriously undermining our already low margins. 8. The sheer time all this is taking up is outrageous.
Time, label changes, double SKUs, upfront payments, online take back, administrative burden, anti competitive, too complicated,
To be honest, this whole scheme is a complete waste of time if it only applies to Scotland and in my opinion is a vote chasing exercise by The Scottish Government that does nothing to tackle the litter problem that blights every part of the country, and by targeting businesses that are currently struggling to survive against the very large producers - who will equally be hugely impacted by this scheme shows just how out of touch this whole scheme is and how little The Scottish Government understands what they are proposing with DRS.
Barcoding. Legislation states incorporating a unique barcode is not going to be madatory. Circularity Scotland Producer Agreement - requires a GS1 unique barcode. This would be an ongoing financial cost just to have a barcode meeting CSL's own requirements.
Process - it is geared up to large CPG firms selling items in plastic containers. Not small producers selling in glass bottles.
- VAT - whatever the VAT status of the deposit it will increase VAT admin time. We can't plan how we will handle VAT post DRS launch until the VAT status is confirmed. There does not appear to have been any progress on clarifying the VAT status in the in the last eight months. We are being expected to register with Circularity Scotland when this detail has not been confirmed. At the very least DRS should be postponed until the VAT status is confirmed. - Neither Circularity Scotland, Sepa nor the Scottish Government have listened to the concerns of SME producers nor hospitality eg launching in the middle of the Edinburgh Festival, and the lack of progress on resolving on-line take back. Instead each party passes the buck to the other. - The Circularity Scotland conference raised more questions than it answered. We are told Circularity Scotland has been set up by the drinks industry to administer the scheme for industry, but none of the directors appear to have any experience of the drinks industry. I am left wondering if the current thirst for DRS schemes around the world is being driven by lobbyists for the plastics industry whose primary objective is to save the PET bottle. - Circularity Scotland want a forecast of sales. Given SEPA was hacked last year I am particularly concerned about sharing such confidential data with Circularity Scotland. - I want our bottles to be recycled, but the DRS that Scotland has developed is unnecessarily complicated. It could be so much simpler, and more efficient, if the deposit was applied at the point of retail sale, instead of when the product enters the 'Scottish Supply Chain'. This would take out areas of potential mal-practice, and reduce admin, and ease the cash flow implication of the scheme.
Forecasting our production levels, we are brand new and have not moved into wholesale yet, so we have no idea what implications and costs are involved moving in to the next stage with DRS. We need to know the costs involved before making a decision on wether we take the next step as a business. Currently we recieve our gin through contract distilling, and only attend festivals and local markets as well as selling online. We have no storage space for returns, no real cashflow for upfront costs other than production costs. I fear having to employ someone purely to work the the DRS scheme as I also have 2 full time businesses. Financially for Foghouse, this could be a dealbreaker.
Our big concern is that the DRS system is still incomplete and all parties involved have differing information on their websites (VAT not resolved, scheme item security, bar

codes on bottles, where the bottles go back to ie manufacturer or glass recycling plant etc) Security concerns - All recyclables have now become a commodity and as such need to be secured (1,000 bottles = £200) So town waste bins will be emptied on the streets in search of scheme items or premises broken into! Time - Most founders/directors of a company who would be the ones to complete all this paperwork and set up the scheme for their business, have multiple other jobs to do making their product, driving sales etc.. so yet again further stress and pressure are put on small businesses that simply want to make a living and do something they are passionate about. For Scotland wishing to be the food & drink destination in Europe by 2030, this is not the right way to go about it. Being on an island we also have no idea how this is going to work for processing the scheme bottles and we have had no answers when we have queried this. The carbon footprint and environmental impact for an island due to this scheme is not sensible.
Uncertainty around pricing and compliance.
Storage, financial, processing, time.
Costs (changes to packaging) Time (processing of DRS requirements) Costs (pay-forward requirement) Probity (lack of SME presence on Circularity board)
Cashflow. Where do I find many 10's of thousands of pounds to get this off the ground for my business.
The scheme is already unclear with elements still not decided which does not give confidence that the scheme will work effectively. Time spent trying to understand the scheme and its implications are definitely a pre-launch concerns.
Return Point Operator: whether our distillery visitor centres will need to act as RPOs, or whether they'll be able to apply for exemptions with Zero Waste Scotland. Issues around safe storage of containers, training staff, frequency of collections from rural sites etc. Producer: still waiting for some clarity on the cutover period around 16th August 2023, how we will invoice retailers for Scottish volumes with UK wide barcodes etc.
Please rest assured we want to make our industry more circular and sustainable but the challenges of a Scotland only system for DRS are innumerable but the main ones are: Process implications and operational for developing potentially Scottish specific SKUs. Cashflow implications of becoming ready against a fixed timeline in a very difficult trading environment
The Lack of clear guidance. Still dont know about VAT. I operate from a small unit and therefore have no space to store the recycling that customers send back. Cash flow is a serious worry as we need to be able to pay on demand for returns.
There is a gigantic amount of information to get our heads around. As a two person business, our roles are already full with operating a distillery so with the short timescale, complicated and burdensome compliance required, we simply don't have the time or resources to turn our attention to what is actually required of us. Also there seems massive uncertainty as to what exactly we're required to do, since CSL don't even know at this stage what we're all needing to do. As a business we'l be waiting until the last minute before completing any registration, contract signing, etc.

Planning and admin - We have already spent 1 month in person hours trying to understand the implications and plan for the implementation of the scheme for us. We estimate it will be a minimum of another month of a persons time to put in place the admin and processes the scheme will require. We do not have the manpower resources to this and grow/run our business, unlike the multinationals who have been on the board of the scheme administrator and influenced the scheme architecture. We will need to re-barcode our labels due to the requirement to be GS1 certified. Cost in new label artwork and set up. Pre launch we will need to start to move over to the new labels which will require another 50% warehouse space (which we do not have) to store the bottles so we can have a clean step over to the new labels. There is a significant risk that we will have a reasonable amount of stock that we will not be able to sell into Scotland without relabeling. The requirement to have online sales returned to site is not practical physically or financially. It will double the cost of all our online sales delivery. It will double the carbon footprint of all our online sales. It is estimated that processing of the returned bottles will require 25% of some ones hours for the week. We would also have to get Parcel Force to collect the bottles and they have yet to respond to our questions regarding collecting waste from our customers for return. As they are not SEPA registered for waste collection we believe they will refuse to collect on legal ground. As we have a retail outlet we will need to put in the infrastructure for collection which we have limited space for. We are yet to see the software CSL is planning to use for collection and they have given no indication that it will be compatible with our POS software. This will add another layer of complication to the scheme administration for us.
cost implication. tracking admin and compliance. cost implications to customer, competitiveness.
Cost
Timing - middle of summer, change to Bar codes - new labels required , deposits to be paid in advance - cash flow
For online take backs - having to create a partnership with potentialy every take back centre around the country. Not enought time to plan strategic cost increases to try and combat the loss in profit. Cashflow is difficult enough as it is - this will only get worse. Having to treat sales to Scotland and Rest of UK separately - not easy to achieve and administer.
We operate in Orkney, and to date we understand that Biffa have done absolutely nothing in relation to engagement with service providers or indeed freight or ferry providers to the Islands. The scheme suggests that all items collected from us (i.e. our bar recycling) will be taken away and we'll receive our 20p/item payment within 14-days, but logistically we believe this is impossible without a local sorting and administrative depot on Orkney, and we also feel seriously concerned about the environmental impact of implementing a less carbon efficient system of glass recycling in the Islands than the status quo offers (i.e. at present all recycling glass is stockpiled until a full shipload can depart Orkney. Moving this instead now via Biffa, presumably in skips weekly to a mainland Scotland sorting depot is ludicrous). We are a small company, with very small payroll and we've had a very tough couple of years to the stage we've just had to reduce our staffing to financially continue. We have no resource to administer and manage the DRS as proposed, and we have serious concerns related to the additional cost burden the scheme will place upon us.
The whole thing. We are located on one of the outer Orkney islands with very limited recycling options at present.
Planning new sku bar codes and ensuring minimal wastage of old coded products. Financing use of products not being changed. Rationalisation of sku's. Managing sales and relationships outwith Scotland.

SCOTLAND FOOD & DRINK

What are the financial implications of implementing DRS as you see them?
Per unit we will have staff costs, transport cost and mailing costs. It's impossible to put a figure on it at the moment.
Producer fees £365, cost of labels £13,000 deposits and article fees up front, cost of hiring someone to do the admin £15,000 per annum
£10,000 in drinks container charges, £5,000 in plastic crates, £5,000 in labour costs
In-bottle costs rising to unsustainable degree (currently small producers pay 2 to 3 times as much for glassware due to economies of scale for suppliers). As a small producer, I'm generally close to the limits of viability
We estimate costs to be in the region of £4000 a year to administer. That will equate to a cost of circa £1.60 per bottle sold which for us, makes our spirits too expensive to pass on to consumers when compared to other producers where the higher volumes they produce can absorb and spread more of the cost against each unit.
The Registration fee is just another cost to the business when the basics have increased by well over 100% in the last few months and will continue to do so in 2023. The as yet, unknown cost of pre-registering each label/product and the time to do so is unfathomable. If we incorporate these plus the proposed 20p deposit fee, we would optimistically be looking at a new cost to the business of around 30p per unit sold in Scotland. As a cost, this will incur a margin through distribution and is likely to add between 75p and a £1 to each bottle sold.
It will cost us in the region of £0.50 per container, so £29,500 to implement. This is more than our annual profit so has a very real chance of bankrupting us.
Unable to provide given the lack of final figures from CF
Hospitality - Huge admin / volume to man handle of dirty bottles and potentially damaged bottle. As a gin bar we use a huge amount of mixers (which are all recycled) but this will create huge labour problems for the team often late at night. This will force costs up further for consumers with zero benefit as we currently recycle anyway so it's creating admin for admins sake. All hospitality businesses are required to recycle and have different bins and picks ups and 97% of our annual waste was recycled by Tartan Waste last year. The costs of this are going to lead to further price inflation to cover staff time (our biggest cost) and this will impact consumer pockets without increasing our recycling in the bar at all. Distillery - For the production side with South Loch we will need to potentially alter packaging for DRS and I'm unclear as to how this will work yet. We have to decide on barcodes and if we are uk or Scotland only Retail - We sell spirits off-trade and this then means the bar potentially becomes a drop point as we are not closed loop. We are in no way able to safely handle returns on a busy evening both for food safety and staff time without huge costs or extra staff. There is also no transparency as to how this would work for returning money to us for cashflow as a SME this is potentially very dangerous as we risk paying out to find bottles are then not part of the scheme.

increasing storage areas - £10,000 Bottle return machine - £1000 new labelling £5000+
We are having to buy new barcodes, which is based on a subscription model, so this will be an additionally £100 annually. All of our labels are having to be redesigned to accommodate the new barcodes at the cost of approximately £3k. We will have to make changes to our website to include the ability to charge the deposit to Scottish customers. I expect this to cost approximately £2k. The scheme article administration fee will have to passed along to our wholesale customers and in turn the public. This will potentially make us less competitive. We can't afford (due to reduced runs sizes, limited storage space and slow moving SKUs) to have a Scotland specific SKU. The fact that we are then having to pay a additional administration charge for every Scheme Article feels pretty rough and again punishing small producers.
As SEPA and Circulatory Scotland are unable to tell me if I am a producer, wholesaler or retailer due to my business model this is impossible to say! SEE question 11 regarding purchases of bottles with no intention of returning for a refund - aka due to distance from purchase or whisky as a keepsake. It could cost up to £7600 currently.
Taking 2,000 units as an estimate for the forthcoming financial year; optimistic, perhaps, given the current economic climate; mandatory registration with SEPA at £365/pa would add circa £0.20/unit to my pricing. When including the bottle deposit, producer fees and additional administrative burden/expenses involved with these (which are much too onerous for a small, "one man band" to manage) and not even accounting for the online takeback proposals which are - to be completely frank - ridiculous; I would envisage additional costs per unit of around £0.50-£0.60. All of this is entirely hypothetical because, ultimately, without major reform of both fees and administrative burden imposed upon the "craft" drinks industry by the scheme, I won't be signing the Producer Agreement. If that means ceasing trading in Scotland at 11.59.59 on 15th August 2023, it'll be with a heavy heart, but so be it.
quite significant and actually unknown. Having to change anything with a small team has a financial impact and as such this may close the business.
I will close my business due to cash flow and the perceived impact on unit costs.
Margins are so small in beer and getting worse. Producers fee is over 50% of our margin when we send through wholesale. Big producers can force pricing down to meet DRS increase, we can't they will have increased price advantage. E-commerce - if forced to "take back", we are bust - 80% of our business is online.
There are two major costs and one smaller cost. The smaller cost is management and staff time to set up DRS. It will cost us thousands of pounds in staff time to set everything up and get the appropriate support from bookkeepers, accountants, computer software suppliers, dealing with customers, lawyers etc. The two bigger costs are the producer fee and deposit payment. We believe the producer fee is being reviewed, but the original estimate of c3.5 to 4.5p per unit sold is very high for us as we sell low value items. We will have to pay between 20p per case and £1.08 per case in producer fees. We only sell at £3 - £7 per case so the additional cost will be

disproportionately high. This fee will be passed on to customers as we cannot afford to absorb it. We will go out of business if we do not put prices up to allow for the fee. The problem is that higher costs will mean we sell less volume and generate less revenue, which is also a threat to our business. The cashflow impact of this will also be very significant as we have to pay the producer fee long before we get paid. The deposit is completely unaffordable. On average, we sell around 250,000 bottles in Scotland each month - more in summer and less in winter. This represents c. £50,000 deposit each month, but we don't get paid by customers for 1-2 months and sometimes longer. We only turn over around £150,000 per month and about 65% of that goes in packaging, transport and fixed costs, before we pay for staff and overheads. The deposit would effectively wipe out what is left and we do not have the financial resources to pay out deposits and wait for them to come in 2 months later. Cashflow is the issue and we will go out of business if we have to pay this up front as is being proposed. We already have loans and can't afford any more. There is nothing left spare and market conditions are very challenging as it is.
Clarity is still awaited from CSL regarding a few significant points that will affect our decision making over the next few months. a) whether small producers may be exempt for a further 18 month period (CSL to confirm what is the definition of a small producer i.e. how many units they produce per year). SIBA (Society of Independent Brewers) are working with CSL on behalf of the craft brewers in Scotland. It would be more helpful to Scottish producers if this scheme was NOT implemented until the rest of the UK have a similar scheme that readdresses the balance and is a level playing field. b) whether the number of return points will reduce back to the estimated and modelled 17,500 outlets for BIFFA collections and this may result in the 4.45p producers fee for glass being reduced but there is no confirmation of this yet. c) HMRC still need to confirm with Scottish Government if the 20p deposit is inclusive or exclusive of VAT. d) The proposed Close Loop System for hospitality businesses also requires additional resources for administration to report to CSL the products sold each month that has details of the barcodes. This excludes pubs & restaurants from selling products that do not have a registered barcode for selling in Scotland. The administration of this and particularly the work involved in setting up the EPOS system to provide reports to CSL on what has been sold each month, at the busiest time of year in hospitality, is challenging. This also means that our customers who take bottled products from us may reduce the number of SKU's they have to reduce the administrative burden and we could loose £100,000 of sales at one of highest profit margins for us. Many of our customers are small outlets in the Highlands who don't have fully integrated EPOS tills. e) On-line sales and the take back requirement will preclude online, home deliveries from being viable. This would result in the loss of 0.25 of a job.
The annual cost to producers not being tied to scheme articles is huge. Again, I deal with extremely small producers, and will often just bring up 200-400 bottles a year. If they are all being charged £400ish for the right to access the market it will become absolutely unfeasible, even without the added burden of admin, cost-per-article, and repackaging. Having the cost-per-article tied to uk-wide Vs scotland-wide barcodes also unfairly disadvantages smaller producers, as there is no chance in the world they will be able to produce a Scotland-only packaging run, and again that includes the Scottish cider makers, as it will cut them out of the English market.

£0.50 / bottle with additional cost to complete
Given the lack of clarity surrounding the costs, many of which are yet to be confirmed, it's difficult to give an exact number. However, the following will incur a direct cost to the business: Annual fee to CS Producer fee per article placed on the market Cost of redesigning the back label to incorporate the barcode on the bottle. Cost (in terms of man hours) of collating sales date every month from all UK customers to find exactly how many products have been sold to Scottish consumers. Additional admin costs of the monthly invoices that will need to be raised and issued to UK customers to recover the deposit. Additional admin costs of dealing with CS. Costs of sending packaging samples of every new product to CS so it can be tested re RVMs - glass cost + shipping packaging cost + courier cost + time / admin cost.
It is too difficult to say as there are constant changes but we anticipate a cash impact excluding the deposit element of £0.20 per unit if we have to create new labels, can artwork and re-printing aged dry goods not being able to be utilised. Plus finance costs to fund the changes and deposit. or £80k for a business that simply doesn't have these funds to squander.
Loss of on-line sales even if take-back obligation removed. Possible loss of turnover on some SKUs to either rUK or to Scotland depending on decisions in producer agreement when published. Working capital and VAT funding requirements. Costs of implementing the scheme - system changes, lost sales due to redirected sales resource to manage change. Costs of scrapping packaged beer and labels from 'stranded' products if we have to hit next August deadline.
In the schemes current form, if implemented, we would clear stocks and wynd up the business before the inevitable bankruptcies begin. Currently we have a small profit margin per bottle and with increased costs, DRS, increase in spirits duty in February we just wouldn't be viable.
It's very hard to calculate as there are too many unknowns! If our producers have to register with GS1 and print new labels this will certainly increase their productions costs. We need to factor in re-labelling costs as well. We understand that there will be a 6 week delay for new products; this will reduce our flexibility for deliveries and make these more expensive. We will certainly lose sales of products which we cannot register. Our profit on Scottish sales in 2022 will be well under £20k, and we can expect to reduce that by at least a further £5k with the new DRS costs allowing for admin time.
On top of the deposit & the producers fee, we will need to pass on an admin fee. We therefore see us having to add c50p onto each unit sold (5cl - 1.5L). Given that we will see the full impact of the other cost price increases in early 2023 (glass, liquid etc) and an excise duty change next year too, this could result in 3 separate price changes within 12 months. We have absorbed a lot of the price increases this year, to enable our business to recover post COVID but we cannot keep having our margin squeezed without passing this on. As a small team, who are already stretched across production, sales, marketing & events, we will probably need to employ a part time admin assistant to help with the additional administration required to be DRS compliant, at a cost of around £500 per month.

Our business becoming unviable.
Added costs and vat for each unit sold, plus producer fees, plus article fees on top of each bottle. Added costs of trying to find the time to complete all the monthly reports and deal with the scheme costs (extra accounting for vat and costs etc). Additional labelling costs for changing existing packaging.
Producer fee, £1,000, staff training £1,000, deposit return packing for on-line sales; - 1,000 units * £1.50 per pack = £1500, return postage 1,000 units * £3.50 per small parcel = £3500, additional admin time - 1 person day per month = £1000. TOTAL £8,000 per annum
The current producer fees and Deposit means I will be invoiced and direct debited over 30k a month more than the revenue invoiced and received currently - applying the costs to last years orders to Scotland. 10 months of data shows £1,280384 in revenue the deposit and fee value is £ 1,431,934 a total unredeemable cost to the business is £268,638.63 in fees and lost VAT alone. The DRS System wants payment before we have invoiced 60 days before payment is received and allocated for that month based on all customers paying on time and no aged debt.. The flowing month again CSL paid upfront and the previous months revenue still outstanding. This doubles the cost. The deposit on each item is 20% higher than the price of the product. that is Net of the fees. the exposure to fraud is at 2 million units a year we supply boarder customers this is a potential £486k cost.
1. Management time: attending two-day CSL conference, second-guessing the regulations, recruiting additional member of staff, commissioning new barcode labels, selling in the regulations to contract clients, working out the optimal solution as collection point as a retailer and hospitality venue: say 10 days at £15p/h - £1,050. 2. New bar code labels for 5cl bottles: c£500. 3. Building/adapting space for returned scheme article storage: c£3,000. 4. Additional work for bottling/labelling processes for all SKUs: c£3,500. 5. Annual registration fee: £365. 6. Unknown VAT situation. 7. On-line sales take-back: could be £000s. 8. Additional part-time member of staff to cope with the additional ongoing administrative burden of running the scheme: c£15,000. 10. Opportunity cost of participation: plans for growth on hold indefinitely. 11. Loss of contract sales: could be £000s.
We will struggle to stay competitive as we will need to pass on all the costs. We will need to take on extra resource to cope with extra admin too
Financial implications wold be an increase of between £1.50 - £2.50 per unit (and I expect it to much nearer £2.50) for every bottle we produce, and not including the actual upfront costs to us as a small producer which could run into several thousand pounds in registration fees and additional label printing alone - which as a small producer we simply do not have the funds sitting about to cover these, especially with the impact of the pandemic on our business in terms of hugely reduced sales to our mainly retail & hospitality customers as well as events being curtailed for over last years and showing very little signs of returning to pre pandemic levels until at least 2024 the potential initial costs of £10,000.00 minimum do not ever bear thinking about as a business.

Need to modify filling equipment to reduce fill level of miniatures to take them below scheme level, need to register for GS1 barcode (£50 / year) & buy additional labels. Approx £2000 for printer & software to print washproof labels in house.
20p per bottle and additional label costs, there is "unknown" Costs around how need to accept returns from online sales and general overhead time costs.
The DRS scheme is unnecessarily complicated and expensive. As an example the Circularity Scotland producer fee is 25% more expensive than our Green Dot license. In due course are we going to have to pay a separate similar fee for England, Wales and Northern Ireland as well, when Green Dot covers all applicable EU markets? As a rough estimate I reckon less than 10% of the bottles we sell are sold in Scotland (and in turn a good proportion Scottish sales leave Scotland unopened with tourists returning home). We have not recorded Scottish Sales by SKU to date. The only way I can see to do this going forward is a manual process.
Hiring staff to work through the processes of DRS, unknown up front costs of the scheme, taking a part time business full time may no longer be worthwhile.
Potentially new labels to incorporate barcode system (we have just rebranded design & labels costing us £20K), unable to afford to do it again..! Staff training and additional administration activities to manage DRS, currently don't have enough resources, so would require an additional person. (£16k / annum + pension) Additional storage area / building for scheme articles being returned to the distillery or dropped off by consumers (£15k, planning, building control and construction costs) Additional security and insurance premium to cover returned scheme items as they are now a commodity should the building be broken into to take items (£350 / annum + potential damage of break in £1500)
Implementing DRS is going to create immediate cash flow issues in an already tightening period. Ongoing admin is effectively going to require at least a part time position to fill which we cannot afford to do so will fall into others workloads.
Unknown at this time.
Increased RRP to offset margin impact of scheme requirements Costs of packaging changes and barcode implementation
If we chose to have a UK wide SKU, we will need to find approximately £40,000 to cash flow the 2.4 months pre-payment of 20p. One accounts staff member, 2 hours per day to report Scottish sales £10400 Plus the article scheme fee....still unknown Uk Wide SKU total cost £50,200 + fee If we chose to go down the route of 2 SKU, 1 for Scotland and 1 for rest of UK, Cost of redesigning 30 label sets - £6000, Minimum quantity of each new label set - £150,000 Due to not being allowed to sell Scotland SKU outside UK, we will not have space to hold bulk stock for export customer. This will need to be produced to order, which causes up to a

4 week delay meaning we don't sell as much to our export customers. If we lost 1 order per customer due to making to order as opposed to taking from stock, this amount to £60,000 Scotland only SKU total cost £216,000
Negative impact on the Scottish drinks industry as a whole. Staff time spent understanding and implementing the scheme especially if you fall into every category eg. producer, wholesaler, retailer. Implementing an online take back scheme for small producers which makes no sense when you can currently pop it in a bottle bank. The requirement to have a Scottish barcode and a UK barcode in order to do business across the UK. Our main distributor being based in England but also supplying back into the Scottish market may impact how much they want to do that in the future considering the extra work they will need to do in order to comply with the scheme.
Producer fees: circa £300k year 1. Cashflow of 20p deposits Warehousing - had Scottish barcodes been mandated
We feel DRS being introduced as is will create cashflow challenges, reduce our sales and will put financial strain during 23 which is already looking challenging given inflation and cost of living crisis.
additional labeling, time for processing, deposit return payments on demand, and shipping costs for eCommerce sales to be returned to us make eCommerce unviable.
As a high energy use alcohol business trading in Scotland during a recession, we are already set to be hit by: electricity prices >5x current pricing; an anticipated rise in duty in line with inflation in 2023; reduced consumer spending; and an inability to match discounted alcohol pricing with our competitors in England and Wales. So the financial pressure in 2023 will already be extraordinary. On top of this comes the DRS with: a mandatory SEPA registration fee; effectively a mandatory membership fee to CSL; the fees per item included in the 'scheme'; cashflow issues around the requirement to pay CSL the deposit within 14 days (or whatever it is) when commercial invoice terms with our customers are 30-60 days; the apparent payment of VAT charged on the deposit which cannot be claimed against the deposit paid to CSL (goods vs service); the online takeback requirement at our cost (£6+ shipping fee for an empty bottle, having already paid £6+ to ship to customer); ongoing staff costs in administering the scheme deposit and articles; unless exempted (unknown yet), the new and ongoing staff costs to staff the site at suitable hours for the public to return scheme articles.
We estimate the direct cost per item will be 15-20p to us as a small business. Currently - 4.5p per item to CSL (at present although not finalised yet!) as we will will have to have UK wide EANs due to warehouse and logistical constraints. Extra Labelling costs - 2p per item Costs of bottle return from online trade 20p/bottle - 25% of total bottles so average per bottle 5p Human cost 9.3hrs per week (25%) at £12/hr Ave 52 Weeks = £5803/100000 = 5.8p per bottle Total per bottle 4.5+2+5+5.8 = 18.2p Cashflow implications of new labels, scheme fees and upfront deposit payment requirements £10-20K depending on how the scheme is administered. As this has not yet been decided it is not really worth trying to calculate an accurate figure.

up front cost on product (20p on bottle) admin cost...% to scheme, the contracted company and lack of options for producer.
Havent done a full calculation
cost of registering, cost of paying deposit , as no one had confirmed the rates yet , it is very difficult to calculate and this causes concern .
Potential costs for: relabelling, storage for scheme articles, cost of online take back, admin costs. Potential for existing trade customers to stop stocking our products.
We will require to employ an additional part-time member of administrative staff to manage the scheme, as we currently have no resource with whom to do so. In Orkney labour is scarce, and so we are 1. concerned that we will not get the right person to help and 2. we cannot see how we can find the financial resource. We are also extremely concerned that as a small, provincial producer of premium spirits we are already struggling to compete with larger, volumetric producing brands, and our product sales are declining as a result of the current economic situation. All of our energy and packaging costs are rising dramatically, and the DRS is coming at a time where we cannot increase our sale prices to recover the costs of the scheme's administration.
Massive time constraint to a small business, struggling to recover from Covid, with a 97% increase in our electricity rates.
Not sure. Between £40000 and £110000

If you answered Yes above [that DRS risks business viability], how/why is this?
Financial implication will kill our product. We are already at the minimum margin with the increase of fuel, electric etc which had put all out costs up. Now we have this cost implication also.
We posted a loss last FY we cannot magic £30,000+ out of thin air.
We operate on low margins to wholesalers, our costs have been increased over the last 2 years and this will be another unwelcome rise in cost. If we pass on these costs, the product may become too expensive for the end user
Costs rising beyond limits of viability. Administrative burden on part-time endeavour becoming too great. Customers being driven away from thesmall, specialist retailers who stock me as they're drawn to large supermarkets to use the machines.
Unable to continue trading - sales already hit through cost of living and rising commodity costs for our raw materials and processes. Consumers already squeezed through cost of living will switch to cheaper alternatives.
While we should be able to re-allocate the products to countries outside of Scotland, this scheme is being introduced at an unprecedented time of rising raw material costs and shrinking disposable income around the globe. We cannot, therefore, guarantee that the sales lost in Scotland will be gained in export or the rest of the UK, and the knock-on effect could be catastrophic for young brands such as ours. In addition, there is a very real concern that the resulting loss of premium, homemade Scottish product choice for those living in and visiting Scotland will also have a massive knock-on effect on revenue for hospitality venues across Scotland.
See above. The cost pressures, time pressures and the scheme as it is currently designed mean that we feel it is very likely to mean our business will fail as a result of the scheme. For example as stated above, it will cost more than our annual profit to implement the scheme. Add to that, the increased retail price of our product, we feel that the market for our product will crash and consumers will opt for other cheaper foreign or mass produced products instead.
It will affect and disrupt our cash flow with the potential debt taken on with the DRS provider.
I have to make a decision on if the micro distillery (which is multi award winning and a great part of us) is viable from an admin and time side. The time to administer DRS just doesn't justify it. We also have to consider if we continue to offer the service of selling smaller harder to get Scottish Gin & Whisky to the public as off-sales in the bar. We have done this to support the smallest of the producers and we have a loyal and strong following and it would damage small producers if we stopped it as it's another avenue closed to them.
By the time of launch, our product will potentially cost customers 30 - 40p more than it currently does. I appreciate that 20p is simply a deposit, but all our other costs are rising and plus the scheme article administration charge, a 40p rise is not unlikely. We sell a £2 soft drink so a 40p increase is significant and whether consumers will be willing / able to spend that, we just don't know. We have no option but to continue to try and drive / hold our costs down and put our products on the market hoping customers will continue to pick them up, despite a 20% increase at point of purchase. Having to find £5k to change our labels and our website is a huge cost to us. Obviously there is the worry about day 1 charges and cash flow in the early months of the scheme too.
My main customer base is the heritage site sector, eg Historic Environment Scotland, National Trust for Scotland, Royal Collections, Royal Yacht Britannia, golf clubs etc are some examples. They could say this is all too expensive and too much hassle we will delist the whisky and get another product in our shops. They don't need whisky, it is a good Scottish product of many I stand to loose all these customers as the cost of product needs to be viable for them and it is already tight. As heritage site customers are often visitors to Scotland, I will not get a huge amount of the DRS 20p refunded. Again the cost of paying a

fee to customers may well be prohibitively expensive. The hassle of setting up the project will put off future customers. The added admin and work surrounding the scheme will cost the business and therefore reduce my margins.
If the DRS goes ahead as currently proposed, my business will stop trading in Scotland (and possibly entirely, given that Scotland accounts for around 70-80% of our total trade). The administrative burden, coupled with the exorbitant costs for small producers will quash the financial validity of my business; times are already very challenging for small producers given the current economic climate and geopolitical situation. To introduce a complicated and ill-considered piece of legislation at this point and for crucial details of the proposals to remain a mystery with less than 9 months until launch is incredibly short-sighted; the scheme as proposed will be the final nail in the coffin for swathes of Scotland's small/artisanal producers (who collectively account for but a fraction of a percent of non recycled drinks containers; the products are consumed primarily by affluent consumers and, when empty, are "upcycled" or recycled via existing kerbside recycling).
the cashflow costs to a small business which can be effectively targeted by customers to get money for empty bottles, we dont have storage facilities or space to create storage facilities nor do we have the money/cashflow available to implement this
The costs and the unknowns are too great a risk.
Costed out of market - take backs. Do we need new labelling? Additional costs and Amazon restrictions Priced out of market - big producers can absorb increased costs Resourced out of business - warehousing costs increasing as number of SKU's increase.
The deposit is completely unaffordable as explained above. We don't have the money required and can't fund the cashflow. The producer fee will put up cost prices, which will reduce sales volumes and revenues. If this is really bad it could threaten our viability. The cashflow of the producer fee is also a problem as money is tight.
1. Brexit resulted in the reduction of sales opportunities into Europe as costs increased and logistics is significantly more expensive. 2. COVID and the pandemic meant that 90% of our customers were closed for much of 2020 and some of 2021 and we still have not recovered all this business. 3. 2022 – significant cost increased across the board which we have to pass on before DRS costs. We are concerned that with proposed sales price increases that we have to implement in January 2023 will already challenge our viability but DRS on top of this could be the straw that breaks the camels back.
Because of the above stated reasons, many cider makers will simply stop seeing Scotland as a viable market. I know of two Scottish cider makers who have said they simply won't bother and will concentrate on selling into England. Packaged products are about 35% of our turnover and we risk losing it all to big businesses with inferior, cheaper products who will have the financial and administrative capacity to make these changes.
Cost and admin time in already uncertain economic times
I answered no, but there is a caveat. The way the scheme is currently designed (overly onerous and costly) means I am seriously considering withdrawing my products from the UK market. This would be very damaging financially (the UK market is one of my biggest markets) and reputationally (it's quite important for a Scottish-based Scotch Whisky company to be active in their home market of Scotland, and the relationships I have with my UK retail accounts have been developed over many years). Surely an independent Scottish business that sells Scotch Whisky should not be forced out of the Scottish market by Scottish Government legislation...? My business would continue, as 70% of my sales are export, but there would definitely be a negative financial impact.
We are a small team with limited resource, finance and muscle, the costs to change could reach £100k our estimate currently is £80k we simply do not have that available for something that does not stimulate more business. If our large customers major supermarkets Amazon and large drinks distributors like Carlsberg etc don't pay for 90 days how do we fund the deposit to the DRS scheme?

Additional unknown costs associated with the running of the scheme. Circulatory proposed projections of 500 employees, raised alarm bells. The 20p alone is OK for a 70cl bottle, but minitures / smaller bottles / hampers / gift packs would all become unviable. The administration will be crippling in an already beurocratic industry. Storage on returns and hygiene in a sterile environment.
We are thinking very carefully about our Scottish investment. Our UK business will be ok, but we may well pull out of the Scottish market because the scheme is extremely onerous and this will mean the loss of a part-time job.
We are already facing significant challenges as a small producer, our glass prices have increased by around 40% in the last 12 months, our energy by 30% and our liquid prices are set to go up by around 15% again early next year. We survived, and traded through lockdown, and now are facing these unprecedented challenges. It feels like no one is listening to the small producers, our genuine concerns are being ignored. As a business, we have put a lot of time and investment into being more sustainable - we offer a "bottle for life" scheme, with refill pouches, but have been informed that our bottles will not be except as they are cork finish and not swing top (even through swing top wouldn't be tamper proof). The DRS, and the forthcoming review of alcohol marketing restrictions will make it impossible for a small producers to operate in an already crowded and noisy marketplace. Hearing that larger producers will actually benefit from a reduced cost price on cullet glass really doesn't sit kindly with us, and seems really unfair. I also have deep concerns that the inclusion of glass within the Scottish DRS has been an economic and not environmental decision. I have been in the alcohol industry for over 20 years and have weathered many storms & challenges - MUP, smoking ban, financial crash of the mid 2000s etc but this one will not be so easy for us to navigate our way through. I found myself looking at recruitment websites the other day, sometimes I think it would just make more sense to close the door as some days it feels like wading through treacle!
We are heading into the perfect storm. We have already put everything on the line during Covid, demand is still not as strong as it was, all of our costs are going up and there is a less appetite from consumers to accept increased costs from us. DRS is just another headwind.
Our margins are already constantly being pushed due to rising fuel costs, electricity prices, packaging costs, glass price increases. There won't be a margin left to remain competitive in the market place or operate at a profit. Let alone find the time to report how many bottles we've sold and which ones have been consumed in England or Europe and which ones in Scotland. On top of all the admin already required as a distillery w5, w1, w21 forms etc.
I believe that as we will have to pass on the costs to consumers our products will become uncompetitive compared to larger competitors. I also believe that we will be forced by large retailer buyers not to increase prices and thereby we will have to absorb costs that we do not have the ability to absorb. Finally I am sure that I have underestimated the costs to the business.
Our main sales to Scotland is to into Scottish Schools. 5.2 million units a year worth £975,000.00 in revenue. The schools do not have any information from the Government currently how this is going to work other than- the deposit is applicable. The schools are faced with increased cost to buy our products mainly water with increased price and deposit which will increase their purchase by average 30k a month, most have started to explore none articles. this will be lost revenue. The Healthy option of bottled water in schools will not be available.
It's plain to see that many people are less confident about their financial future; times are tough. The DRS will increase producer costs - disproportionately impacting smaller/leaner producers. Prices will have to rise to cover such costs, leading to an obvious fall in sales.

The costs and administration of a hugely complex system are too much for a small craft operation with lots of small limited edition runs
Having to pay an upfront producer levy of potentially several thousand pounds as well as associated cost of different labels for products sold in Scotland and elsewhere means huge increases in raw material costs as well as huge problems with bottling our product as it is impractical for a small producer to have a way of getting our bottler (we currently sub contract our bottling to a third party business) to bottle our product with different label requirements as this will sufficiently increase the time taken to bottle our products and therefore result in hugely increased costs to our business. Also, as our product is not something that will be consumed in an hour or a day - more likely over several months any return deposit will never be paid back to us in a time scale to cover the increased costs of this scheme. Also this does not include the huge increase in paperwork etc required to comply with this DRS that it will have on us as a small producer at a time when every cost is increasing at a frightening pace - as an example our bottles used to increase by £0.01 per annum but have currently increased by nearly £2.00 per unit in the last 6 months alone with more increases scheduled per quarter starting in January 2023. So potentially adding another £1.50 - £2.50 per unit for a deposit of £0.20 per glass bottle to be returned months if not years in the future is a huge threat to the viability of our business.
Coming out of a pandemic as a very small producer, with spiraling energy / glass costs etc - this scheme eats further into what's left, and we either absorb the costs and make no money, or we pass it onto the customer, and some will stop buying. We lose either way.
Currently considering not launching new products for next 12-24 months as this Is a side business and overheads in terms Of my time make it not viable in the near term.
In these challenging times the last thing we need is more time spent on unproductive admin.
Hiring staff to work through the processes of DRS, unknown up front costs of the scheme, taking a part time business full time may no longer be worthwhile. With no storage facilities due to us hiring space at our Distiller, we have no where to store returns, unless we hire more space from the Distillery.
Due to the time, resource and financial implication as above. We would need to close, not expand as we are wanting to, not produce whisky as we are planning to and that will lead to loss of current jobs and multiple potential jobs in the future. If multiple companies close on our islands, the loss of revenue form tourism will be catastrophic.
Quite simply pressure on cash flow.
We stand to lose all online orders. No storage space for the containers, financial implications are too great, lost productivity due to time taken to process.
Margins are so tight for me as the owner of a self-funded micro business that any attrition will be hugely significant
Neither option is easy to cash flow as both options are between £40,000-160,000. Having kept our head above water during the Covid pandemic and having used the small buffer we had built up, we have no cashflow to manage the set-up so I am unsure where we find the money for it. Having a separate SKU for Scotland from rest of UK we can manage, just, however the export is horrific to manage and we will lose export customers over this. We would manage the export customers if we can use the Scottish SKU. The risk of a customer returning all the packaging from Israel, Japan, Australia, Europe is non-existent.
We will make it work but there are certainly parts of the scheme that will have a negative impact on of our business. This is certainly something that would be better implemented nationwide so that the Scottish industry is not negatively impacted compared to the other

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nations. At the moment our main bottles being ceramic do not fall into being a scheme article so we are slightly shielded from the full impacts of the scheme.
The reasons stated above.
as a small growing business, we do not have the financial capacity to absorb all of the costs being proposed.
Mostly see answer to Q8! How is a business of my size, that's not profitable yet after 3.5years, supposed to deal with global energy prices, recession, increased alcohol duty, a competitive disadvantage to our immediate neighbours, and the massively unwieldy and burdensome costs of administering the DRS. It's untenable. How is a two person business (effectively one person since the other works remotely to the distillery) supposed to operate a drinks manufacturing and retail business simultaneously to administering the DRS articles. My business is adjacent to 12 cottages in a rural setting - it is likely that I'll be the DRS return point for those houses. I did NOT start a business to collect other peoples' waste on my property. With the pressures of everything else, I might as well just jack it in, what's the point of continuing!
Given the last few years of turbulence in the brewing and hospitality industry and the current economic crisis that is upon us we are in an extremely vulnerable position as a company. We are already doing all that we can to reduce our impact on the environment and increase our sustainability with a 2 year project partnered with UHI to look into how a micro business, on a small rented site can use technology and good practise to increase efficiency, reduce waste and minimise our carbon footprint. While we appreciate that producer responsibility is at the core of the scheme, setting up a scheme that adds a significant administrative burden on small business as well as increasing costs by 25-30% seems disproportionate and is not aligned with Lorna Slater's belief that the costs will not be so (I have a letter from her dated 23/12/21). In the current environment we have little choice but to add this cost onto the price of our items, which will impact our ability to compete in an already highly competitive market. We expect our sales in Scotland to drop as a result and as this is our main market for bottle it will reduce our turnover to a point where the business is no longer viable. As little as 5% drop in sales will make this a reality. Added to this is the cash flow implication of having to pay CSL up front for fees and deposits making a difficult situation even worse. My prediction is we will either run out of cash or run out of market very quickly.
impact on remaining competitive. larger brewers will be able to absorb DRS costs through economies of scale and absorb them. bottle return element is very concerning and potentially problematic to our business.
businesses are suffering at the moment due to huge increases in raw materials, haulage and fuel, as well as still trying to recover from the covid pandemic. We are finding the current situation very difficult to manage and this is another cost that is to be levied against us. as we use glass bottles and this is the most expensive as no resale market - why are we even doing it?
Online takebacks alone could wipe out enough profit to lead to the business having to cease trading, then add on casflow issues and cost of multiple SKUs to different countries.
For the reasons as outlined above.
Limited storage, basic till capabilities. Off mainland UK location. Limited current recycling options.
We are currently struggling to stay afloat given general circumstances. Additional costs and administration certainly will negatively impact viability of the business.

If the option to opt out is not feasible, what other protections might help?
Government covers the cost of this scheme in its entirety.
No paying for rUK bottles because we can't afford separate labels, no article fees up front - do it retrospectively
A reduction on VAT of these products
Relate costs to turnover. Allow small producers to pay a fixed cost per bottle and not have to bother with all the admin. Better still, a Denmark-style reusable bottle scheme for craft producers which would actually be a real circular economy, provide local jobs and grow sustainability from grass roots up and reuse bottles rather than destroy them. The current scheme which favours multinationals who hoover cash out of our local communities is NOT a circular economy.
Higher thresholds for inclusion for small to medium sized producers - currently £85k, would consider this to be either £250k or 25,000 units sold (whichever is the lowest threshold). Make the £85000 turnover to be reflective only of the relevant sales (eg those sales made in Scotland for scheme articles) as opposed to total company turnover. Exclusion of spirits from the scheme which would make up a small amount of the overall amount of recovery made. Removal of day one producer fees and make the scheme quarterly in arrears for small producers (less than 25,000 units). Staggered and fairer fees for small to medium sized producers - with organisations such as Coca Cola paying £10,000 annual fee to SEPA and small producers paying only £50 annual fee. While a staggered introduction would be welcome, think that this would be confusing to customers and would prefer to see higher thresholds for producer inclusion. Alternatively, make grant funding available to small producers up to the value of £25,000 with this amount being used only as a CSL credit and not a cash payment. Such amount can be used as a fee to be included within producer fee calculations.
Remove glass from DRS. It isn't proposed for the rest of the UK-scheme, nor is it generally part of other schemes already in place in Europe. We also ironically stand to lose precious re-melt from bottle manufacture if it stays in DRS and becomes exempt from PRN. We also have an already effective glass collection and recycling process in place. Wait for the rest of the UK scheme, synchronise with it and retain our last remaining single market. Exclude small and remote return points which will massively add to the carbon footprint of our bottles both in the return and the collection process. Simplify the system to enable the collector/processor to give a return payment to the consumer and, in turn, charge it back when selling on the recycled content to manufacturer - this retains consumer incentive and, crucially adds real value to the completed circle without penalising the middle-producer and subsequent consumer and avoids a huge and unnecessary administration burden throughout the distribution chain.
A minimum level of articles put into market set at something like +1million or above would protect small producers like ourselves whilst also ensuring the scheme impact is positive. There's no way that costing our business nigh on £30k to implement is proportionate to the level of our material that doesn't make it to recycling at present. Small craft producers are not the main polluters, so should not be expected to face the same conditions as multinationals who put out millions or tens of millions of articles into the market each year. Online take back is simply unworkable and this really needs to be removed from the scheme completely.
A soft roll out excluding small producers.

Hospitality is already obliged to recycle with trade waste notices. Why is it included in this it makes no logical sense to increase trucks on the road and reduce admin / red tape for no real gain. Retail & Distillery I can understand the logic for DRS as it aids recycling but do not make small businesses return points and make the returns and cashflow side instant and transparent.
Not requiring us to pay this initial fee to be involved in the scheme as we already need to take the hit, why do we need to pay them a flat fee. glass should be considered differently, due to its high recyclable rate gaurenteed pickup from collecters to ensure we do not become overrun with empty bottles
A reduction in the administration fee, perhaps on a sliding scale. Removal of the online take back requirement. Removal of glass from the Scottish scheme to bring it in line with the English DRS plans. Alignment with an English Scheme in terms of timings and included scheme articles.
Not charging a return fee for customers with no intention of returning the bottle eg someone from England or abroad is not going to return one bottle for a refund, it means I will not get the refund which at the moment could cost up to £7600
Remove online takeback requirements in their entirety; remove glass from the scheme (it's quite clear to most of us why it's included, and it doesn't relate to recycling targets); consider staged pricing based on annual revenue/units produced per producer. The "one size fits all" strategy currently being pursued will cause enormous harm to the livelihoods of many and to the wider Scottish economy. Consider the 80/20 rule; 20% of businesses are responsible for 80%> of containers produced (and thus, ultimately, containers not recycled). To equally penalize the remaining 80% who are responsible for <20% of containers produced isn't fair or reasonable.
returns by appointment only. or prebooking of returns.
Change the system to Point of Sale.
Should be based on scale. Producers fee is too high for smaller operators -erodes too much margin. Should be based on product - an £0.85 can of beer with small margin should not carry same £0.20 charge as a £40 bottle of whisky with massive margin
Set the scheme up with the deposit and producer fee being paid 2 months after the sale has been made for smaller producers below say 10m units per year. This will allow for smaller producers to be paid by customers plus the deposit, meaning the cashflow problem is removed or at least reduced. This spreads the cashflow burden and will also mean more accurate reporting of sales from customers, especially those who supply both in and out of Scotland. We appreciate this will affect cashflow for Circularity Scotland but wonder if funding from the big producers can generate enough positive cashflow for CS as deposits will not be repaid to customers right away. This would help smaller producers and the issue should become less significant over time as the scheme gets up and running. Encourage prompt payment from all customers in the supply chain (this may be a challenge!) Review the producer fee to be at a lower cost that is more affordable and has less impact on the end selling price.
Give small producers a grace period of say 18 months for the scheme costs to be truly identified by CSL rather than inflicting us with a producers fee in year one that could

mean that we don't survive for Year Two. Reduce the producers fee for glass as 4.45p is much higher that other scheme articles and causes the most concern for retailers on its handling especially if they can't justify a RVM from day one and therefore the article has to be kept in one piece.
An annual fee tied to scheme articles, probably with an exemption tied to scheme articles rather than turnover (the current exemption only covers the absolute smallest of all hobbyists), a loosening of packaging requirements for small producers.
I'm struggling with this. The very fact that Scotland is going alone on this rather than a united UK approach is one of the biggest challenges. We need to remove the onerous reporting obligations, as they just aren't feasible, and we need to reduce the cost implications. An exemption for small producers seems logical, as their cumulative impact here is negligible relative to the larger producers.
A grant as a % of units sold in Scotland to assist with getting the scheme to work and not impact the finances of the business. We will need as an absolute minimum 3 months of deposit funds as we can't pay out what we have not received from our customers.
Potentially unable to meet the financial requirements, meaning we have to pull out of selling small pack into Scotland. Significant risk our bottling partner won't survive the transition. Either would result in a loss of c. 25% of turnover, and not clear how we restructure to make up the lost Gross Margin.
If not an option, I'm afraid we will not register to te scheme and if necessary will wynd up the business. We are very disillusioned with Hollyrood's consultation on this and also the possibility of more regulation regarding alcohol advertising. Between duty, VAT and tax we currently pay over £250,000 to the government annually, please give us a break.
We would like to see some mitigations for small companies putting only a very limited amount of stock onto the market. Could we have annual reporting instead of monthly? Could we have a cap on payments? We are currently quite anxious about signing up to an open-ended agreement without a clear idea of what this will cost. We are not in a position to see whether it will be worth developing sales in Scotland given the significant burden of costs and admin.
An 80:20 approach to the roll out - if 20% of the producers are generating 80% of the waste, then focus the initial roll out on the large FMCGs & mult retailers. Only roll out to smaller producers if and when the system has been fully trialed and tested. Larger producers and mult retailers will be able to take the strain of the additional demands DRS will put onto their business. Also, the admin cost for CSL to onboard and support they 1000s of smaller producers seems like a lot of work & cost for a small volume of the total scheme articles. Launch timings aligned to a total UK roll out would help massively. The removal of glass from the system seems like a sensible approach, it is already widely and easily recycled via kerbside recycling. DRS seems like a massive backwards step for glass.
Phased entry for smaller producers. Financial support.
Option to not have to report monthly sales etc would relieve some of the extra admin created by the scheme. Producer fee reductions for smaller businesses.
Stop selling to the Scottish market, although this is probably unviable as well.
The only problems with the DRS scheme is not going live with the rest of the UK. Stand Alone schemes do not work this was stated as the main reason for the success of this scheme else were. there is no legitimate reason the Scottish government has, to just wait. Producers are penalised for a flawed system. The suggested VAT is not legal as no TAX point exists AND the Government profit from an unsuccessful scheme. This doesn't sound legal.- The deposit is to be no vat applicable. CSL to wait at least 30 days for

payment from producers to allow all revenue to be Invoiced and payments to clear. if the entire UK goes live together. 90% of issues disappear. there is no changes required other than an additional line on the invoice and that's every invoice . every unit you make you also get your deposit back. at every stage. The producers, the sellers the customers. no one loses out which is why its a success everywhere else.. every order has this charge applied. it could be so simple.
I wish I knew. I attended the recent CSL conference but, maddeningly, learnt remarkably little about how the scheme could work in practice. As an aside, I played a part in the 1980s in launching and building the Bottle Bank Scheme all over the UK; I'll be sorry to see it rendered uneconomic by the roll-out of this over-engineered and hugely expensive muddle. As it stands, our business and our plans for growth will suffer. Why, oh why, couldn't SG have worked with the rest of the UK to develop a simpler UK-wide scheme, and committed itself to capturing more of the waste container stream? Forgive me, I wish I had something more constructive to suggest.
Same costs for UK wide SKUs. We just can't operate 2 SKUs per line - it is not feasible. No day one charges.
There simply has to be an opt of option for small producers, as the upfront costs of implementing this scheme whilst everything else that is affecting businesses at the current time are simply unsustainable and force many small businesses to close thanks to The Scottish Government.
Bring small producers into the scheme later once there is some experience of the scheme in operation.
Start with large brands and figure out the system and then move to smaller ones. Treat it like Cigarettes sales, which started with supermarkets and went to small retailers last. This is not thought through for small Businesses, especially those that sell products in glass rather than plastic.
Applying the deposit at the point of retail sale, rather than when the article enters the Scottish supply chain would simplify DRS, and reduce cash flow implications. To explain further, producers can still pay their part, a fee to register barcode. Retailers check barcode is registered with the scheme when listing item (similar to checking AWRS reg) , less admin as the article works its way through the supply chain, wholesalers don't need to carry deposit paid and non deposit paid stock for rUK, no need for deposit to be paid up front by producer -> wholesaler -> retailer, as simultaneously applied and paid in the transaction when the consumer purchases (similar to requirement to charge for plastic bag).
The scrapping of the online return option is the major protection for us. Currently, the option to opt out though is the only real one for me for the business in its current form (pre wholesale)
I will look to export out with the UK or move to bulk IBC shipments to avoid the DRS system and protect my business. I could move to using stoneware bottles, which are not a scheme items and are single use!!! instead of glass a recyclable product!!!!
- Remove glass. - exceptions for small producers under certain levels.
We need more clarifications. Clear, precise information.
Remove glass from the scheme - glass is already widely and extensively recycled. Plastics should be the focus.
I would like to see, at the very least, a phase in relevant to business size. The large multiples like coke, Schweppes, bud, tennents etc, the first to go live first. With SME going live at a much later date
Flexibility for distillery visitor centres, exempting them either per site (or for all sites per company) from having to act as RPOs.

delayed entry, clear, well-thought-out guidance, do not include e-commerce, a fraud prevention plan. a nation-wide rollout that includes ALL packaging not just the drinks industry, extend to food and non-food items
Removal of online takeback Delay registration for small producers for at least 18 months from the start of the DRS Reduced fees (all of them) No requirement to collect DRS articles if within reasonable (i.e. 20 miles) distance of a supermarket collection point Removal of glass from scheme Admin support for small producers to help get set up with the scheme, and provide ongoing support (at no cost to the producer)
DRS is being put in place to increase recycling and reduce litter which we absolutely applaud. However, implementation is being done as a one size fits all contract with an administrator set up by large companies with the resources, physical and financial, to manage such a scheme. I have a letter from Roseanna Cunningham when the scheme was first envisaged stating: "We are seeking to introduce an ambitious DRS for Scotland as a measure to help tackle the climate emergency and the issue of litter in Scotland. We would like to introduce a system that will enable producers to fulfil their obligations in a cost effective fashion. This is why the Regulations offer as much flexibility as possible to the scheme administrator and producers in how they deliver the system, ensuring there is not a 'one size fits all' approach." The scheme administrator does not seem to have recognised this when setting up the scheme. They have gone for the easy one size fits all approach. Options to help could include: 1. A sliding scale based on volume that reduces fees both for SEPA registration and each item Spread the cost of UK wide EANs across all users to give just one fee. The extra cost for UK EANs discriminates against smaller producers as they are the ones who do not have the space or resources to manage differently labels lines of the same product. 2. Scrap the Online takeback requirement unless specifically requested by the customer due to being housebound. Most people will go to the local supermarket and return there so it seem pointless to make this a mandatory requirement. 3. Scrap the requirement for all sellers to take back. The big retailers will have ample capacity to recover all bottles and be happy to take the money for doing that. Using the Automated return points is more efficient and cost effective for all. This will also significantly reduce the cost and carbon footprint of all the BIFFA wagons that will be needed to go round every single outlet in the country collecting possibly tiny amounts of return bottles. 4. Remove the burden of CSL going bust from SMEs. This is quite simply unfair and will drag down hundreds, if not thousands of small businesses should the worst happen. 5. CSL seem to think there is a high chance the scheme will fall into financial difficulty so why not plan a scheme that is destined for success rather than one that has been made so complicated and costly that there is a significant risk of failure. 6. Talk with the rest of the UK and set a timeline to have a UK wide scheme rather than what currently will be 3 schemes all with different costs and requirements.
financial help for businesses under a certain turnover.
The scheme is totally unworkable and likely to be a disaster to implement, it should be acrapped and aviable alternative put forward
to start with plastic bottles or cans and leave the bottles out of it as the other uk countries are not going to be including it. wait and go uk wide all at the same time

phased introduction for smaller producers
The smallest rural producers, who operate in low volume and who are the smallest 'polluters' should be exempted from the Scheme.
The information is very confusing. I am not sure if I am eligible to opt out.
Grants to mitigate costs of implementation.

With thanks to the following respondents for their time and thoughts:

Isle of Skye Distillers; Linlithgow Distillery Ltd; Dark Art Drinks; Easterton Cider Ltd; JB Payne & Family Ltd; Adelphi Distillery Ltd, Strathleven Distillers Co Ltd; 56 North Bar / South Loch Distillery; Bon Accord Soft Drinks; Own Label Company Scotland Ltd; McLean's Gin Ltd; Moray Distillery Ltd; Genius Brewing Limited; Deeside Water Company; Cairngorm Brewery Company Limited; Hard Pressed Cider Distribution (wholesaler); The Start-Up Drinks Lab; Alistair Walker Whisky Company; Boe Gin Ltd; Fyne Ales; Orkney Spirits Limited; Clark Foyster Wines Ltd; Toll House Spirits Ltd; J. Gow Rum; The Shetland Distillery Company Ltd; Glenshee Craft Distillers Ltd; Leith Liqueur Company Limited; The Inventor's Gin Co. Ltd; Diggers Fine Cider Ltd; Highfern Ltd; Deerness Distillery; Glasgow Beer Works; Sulwath Brewers Ltd; Tweed Valley Distilling Co.; Loch Lomond Brewery; Dunnet Bay Distillers Ltd; Pernod Ricard / Chivas Brothers; Raw Culture Limited; Ninefold Distillery; Windswept Brewing Co Ltd; Outlandish Brewing Company ; Five Kingdoms Brewery; Orkney Distilling Limited; The Taversoe; Williams Bros Brewing Co.