

FROM THE OFFICE OF THE CHIEF EXECUTIVE

Waste Strategy Team
1-J North
Victoria Quay
Edinburgh
EH6 6QQ

3rd October 2008

Dear Sir/Madam

Response to the Scottish Government's Consultation Paper on Potential Legislative Measures to Implement Zero Waste

I write on behalf of my Association to respond to the above consultation. For clarity, we will only be responding to the proposals in Section 5 of the consultation paper in relation to the Scottish Government "*taking powers to enable the Scottish Government to introduce deposit and return systems.*" We are content for our response to be made publicly available.

The Scottish Beer and Pub Association (SBPA)

The Scottish Beer and Pub Association (SBPA) was originally formed in 1906. Our members are made up of brewing and large pub companies representing the licensed trade industry in Scotland. The main aim of the Association is to contribute to the economic and social well being of Scotland through employment, investment and training. SBPA's members include Scottish & Newcastle, Tennent Caledonian Breweries Ltd, Carlsberg U.K. (Scotland), Belhaven Group, the Caledonian Brewing Company, Diageo, Broughton Ales, Scottish and Newcastle Pub Enterprises, Mitchells and Butlers, Punch Taverns, Maclay Group plc, and SAB Miller. Our members account for 1,500 of the 5,100 licensed public houses in Scotland.

Our sister Association, the British Beer and Pub Association (BBPA), is the leading organisation representing the UK beer and pub sector. BBPA's membership account for 98% of beer brewed in the UK and own more than half of Britain's 58,000 pubs.

Background

The Scottish and UK brewing industries fully support measures to protect the environment. However, any move towards an increase in packaging reuse in Europe must not lead to discriminatory measures against one-trip packaging of beer in Scotland and the UK. We do not believe there is any environmental or economic case for moving from one-trip packaging to refillable bottles of beer in the UK. Any such move is likely to be detrimental to the environment, would cost the industry hundreds of millions of pounds, increase prices to consumers, and discriminate against imports. The way forward is increased collection and recycling schemes, particularly kerbside and other household collection schemes.

The Beer Market Today

The Scottish and UK beer markets have changed drastically in the last few decades. Before 1970, over 90% of beer was sold through the on-licensed trade; the vast majority through

brewers' own pub estates. Localised production and consumption and a "closed loop" distribution system made refillable bottles environmentally and economically viable. In 1960, refillable bottles accounted for 34% of total beer sales and 100% of packaged beer sales (i.e. excluding draught beer) in the UK.

Technological advances, the break-up of vertical integration, the emergence of supermarkets, and changes in consumer lifestyles and behaviour has resulted in nearly 40% (and increasing) of all beer and 90% of packaged beer now sold through the off-licensed trade. Less than 1% of packaged beer is now sold through brewers' own pub estates. These factors along with considerable brewery rationalisation, a move to centralised distribution and secondary wholesaling mean the use of refillable bottles is no longer environmentally or economically viable. These changes have resulted in a reduction in the numbers of deposit and return systems operated in Scotland and this is acknowledged in the consultation paper by the comment, *"In Scotland, there used to be systems in place (on a non-statutory basis) under which consumers were charged a deposit for some bottles (e.g. lemonade bottles) and then got the deposit back when they returned the bottles ... These systems have largely disappeared from Scotland ..."*

Today less than 1.5% of packaged beer (accounting for less than 1% of all beer) is sold in refillable bottles in the UK.

Packaging systems in Europe for beer vary significantly by country and it is vital that each be treated on their merits. Simply because a deposit and return scheme works in Denmark, as alluded to in the consultation paper, or indeed anywhere else, does not mean that it could or should be operated as successfully in the Scottish or UK markets.

UK brewing companies pay tens of millions of pounds each year to comply with current Packaging Waste obligations and to meet the stringent recovery and recycling targets. A huge amount of time and effort are required to calculate obligated tonnages, but the system does at least meet environmental objectives without arbitrarily discriminating against different packaging types or constituting a barrier to trade.

The shift to the off trade, the emergence of large independent pub chains that can source their beer from any brewer, and competition from wine and other drinks has meant that branding (including packaging) has become increasingly vital to Brewers.

Given our membership, which covers both brewers and multiple pub companies who either directly manage or lease their pubs, we have an interest in the content of the consultation from both a producer and pub retailer perspective. In responding to the content of the petition we would highlight that the consultation is lacking in full detail as to what it means by "deposit and return systems," how this would be operated and who would be impacted by the proposals. In light of that, SBPA will respond as best it can to the consultation exercise. In doing so it may be helpful if we start by addressing the issue from a pub retailer and operator perspective.

Pubs and the Use of Glassware

Licensed public houses exist to serve alcohol, which customers consume on the licensed premises. Indeed, over 50% of the beer sold in the UK is supplied from pubs in draught form, directly from the pump on the bar of the local pub. Drinks in the pub environment are either supplied in glassware from which the beverage is consumed and the glass returned, or in bottles, as ready to drink products (RTDs), as they are known. When these bottled drinks have been consumed, the empty bottle is then collected and disposed of by the operator of the licensed premises. This vast majority of this disposal is usually undertaken by the relevant local authority collecting the empty glassware and disposing of it, either to landfill or through recycling.

Therefore any glass bottles used in a licensed pub environment and consumed on the premises are disposed of totally responsibly and very largely recycled.

Under the terms of the Licensing (Scotland) Act 1976, licensed public houses are able to sell bottled alcohol for consumption off the premises, which are known as off-sales. Indications, from SBPA member companies, suggest that off sales are an increasingly rare occurrence in the licensed pub environment and where off sales do take place these are made to customers who then take the purchases away with them to the domestic environment rather than consuming the alcohol in public places where they would then not dispose of the bottles responsibly.

Given these comments above, we would therefore suggest that there is no case for public houses or on sales licensed premises like hotels, restaurants, or nightclubs in Scotland to be considered for inclusion in any deposit scheme given that the vast majority of glass generated by the sector is disposed off responsibly and recycled.

Producers and Glass Bottled Product

As we have indicated, processes are in place for minimising the waste generated by the use of returnable glass bottles in pubs. The consultation therefore appears to be aimed at addressing issues around so-called "one-trip" bottles that are sold through retail channels like supermarkets or off sales premises. From a producer perspective SBPA would make the following observations.

Firstly, there is no infrastructure in the large multiple retail sectors to collect, sort and send bottle waste for recycling, nor to verify and repay deposits to the consumer, let alone smaller grocer shops and independent retailers. It is unclear how the supplier/retailer relationship would work under the suggested deposit scheme.

Secondly, there could be competition issues if the deposit were to be applied to glass bottles and not to plastic bottles or cans. Applying the deposit across the board, as seems to be the suggestion in the consultation paper, to obviate this issue would increase the scale of the logistical problems.

Thirdly, if any deposit scheme was to operate successfully, it would be important that the deposit-paid container did not have to be returned to the retailer who applied the deposit in the first instance. This could lead to cash flow issues for some retailers given the number of glass-bottled products, which are sold.

Fourthly, and most critically, any deposit system would have to be applied simultaneously in England and Scotland, and indeed across the UK as a whole, otherwise deposits could be claimed on containers on which a deposit had not been charged which would distort the market and introduce massive unanticipated costs.

It is also worth stressing that our Association only represents the producers of alcoholic product. We would highlight the fact that glass bottles are used for a much wider range of products than just alcohol and it is therefore difficult for SBPA to comment on the logistical issues for the wider bottling and retail industries in operating a deposit scheme on this scale.

We have highlighted in Annex A some of the wider range of issues, which would be raised by the possible operation of a deposit and return system as suggested by the consultation paper.

Conclusion

We would highlight the fact that the brewing industry in the UK and Scotland has a proud record of achievement in responding to environmental concerns in recent years. Indeed, SBPA would refer the Scottish Government to a report produced by our sister Association, the British Beer and Pub Association (BBPA), Thirty Years of Environmental Improvement 1976-2006, which highlights some of these achievements, which include:

- ✓ **A 54% reduction in the amount of delivered energy per hectolitre of beer produced;**

- ✓ A 63% reduction in the CO2 Emissions per hectolitre of beer produced;
- ✓ A reduction of 43% in the specific water consumption of the brewing industry in producing the country's beer.

As previously stated, the Scottish and UK brewing industries fully support measures to protect the environment. However, any move towards an increase in packaging reuse in Europe must not lead to discriminatory measures against one-trip packaging of beer in Scotland and the UK. We do not believe there is any environmental or economic case for moving from one-trip packaging to refillable bottles of beer in the UK, or for introducing any deposit and return system as suggested by the consultation paper. Any such move is likely to be detrimental to the environment, would cost the industry hundreds of millions of pounds, increase prices to consumers, and discriminate against imports. We would suggest the way forward is by increased collection and recycling schemes, particularly kerbside and other household collection schemes.

The consultation paper itself recognises that, *"In Scotland, we estimate that currently around 30% to 40% of glass bottles are recycled and around 35% of household plastic bottles are recycled, using existing arrangements such as bottle banks in the street or elsewhere and kerbside collections."* We would suggest that these figures will continue to rise as there is greater recycling of household waste, lessening even further the public policy benefit of the introduction of any possible deposit and return system. This increasing trend towards recycling of domestic waste, beyond the current Scotland figure of 40%, allied with steps already being taken by the brewing, licensed and hospitality industries, we believe offers the best prospect for increasing recycling rates for the waste generated by our sector.

It is clear that the pub industry in Scotland contributes minimally to the problems identified by the consultation paper, indeed we would suggest by serving drinks in public house environment where glassware is reused, and in then disposing of any glass waste generated totally responsibly demonstrates the success of the industry in behaving in an environmentally responsible way.

We would also stress that there are very significant cost implications arising from the proposal for a deposit and return system. There is no longer any infrastructure in place to facilitate this measure. New manufacturing, logistical, administration and storage systems would cost millions of pounds beyond the estimated seventeen million pounds worth of costs identified in the consultation paper. The costs of introducing deposit and return systems on the scale likely as a result of the Scottish Government's proposals would be many times the Scottish Government's current cost estimate which is wholly inadequate, and which is reflection in large part of the lack of detail in relation to the proposal.

We note the Scottish Government's comment that, *"If powers to make regulations were enacted in the Scottish Climate Change Bill, the Scottish Government would consider establishing a working group before any regulations were drafted. This would include key parties such as retailers, convenience stores, the glass and plastics industry, the drinks industry, SEPA and local authorities."* We would ask that if the Scottish Government does progress this measure or indeed others impacting on our sector that it secures representation from the brewing or drinks industry on any working group that is established. Given the size of the industry we would suggest that this is critical.

We trust that our comments will be of use to the Scottish Government.

Yours sincerely

Patrick Browne
Chief Executive

ANNEX A

Summary of the Key Issues

We would highlight some of the wider range of issues that would be raised by the possible operation of a deposit and return system as suggested by the consultation paper.

ENVIRONMENTAL

- Nearly all Life Cycle Assessment (LCA) studies agree that one-trip packaging is desirable where there are longer transport distances and low return rates. Reusable systems are more desirable with localised production and consumption with high return rates (i.e. where there are tightly controlled 'closed loop' distribution systems). The characteristics of the Scottish market we do not believe are conducive to effective the operation of a "deposit and return system."
- Refillable bottles require greater material use to strengthen them.
- Heavier bottles increase transport costs increasing the relative importance of transport impact.
- Increase in land demand for storage - including a 'float' of refillable bottles.
- Increase in secondary/tertiary packaging.
- Increase in water usage, and chemical usage in washing.
- Impact on recycling: recovery and recycling targets affected if low return rates. Collection / compliance schemes rely on volume levels to be effective and efficient.

COMMERCIAL

- Such a scheme could be a barrier to free movement of goods in the EU. Imports account for around 10% of UK beer sales and an estimated 20% of packaged beer sales. In addition, there are significant levels of beer imports into the Scottish market from the rest of the UK.
- There are very significant cost implications. New manufacturing, logistical, administration and storage systems would cost millions of pounds beyond the estimated seventeen million pounds worth of costs identified in the consultation paper. SBPA would suggest the costs of introducing deposit and return systems on the scale likely as a result of the Scottish Government's proposals would be many times this cost estimate. The current estimate of seventeen million pounds for introducing any deposit and return system is currently wholly inadequate which is reflection in large part of the lack of detail in relation to the proposal.
- Small producers in particular would be particularly affected by investment demands.
- Standardised packaging would restrict innovation and product development.
- Aesthetic appearance/scuffing may reduce sales.

CONSUMER / SOCIAL

- Increased prices would inevitably result from creation of a deposit and return system.
- Such a system would limit consumer choice and convenience.
- High deposit incentives may exclude poorer consumers and mandatory deposits are unsuitable as a way of collecting products bought in large quantities at great frequency. Smaller retailers don't have space or resources to manage take-back/deposit schemes.