

SBPA response to Zero Waste Scotland's call for evidence on a deposit and return scheme

The Scottish Beer & Pub Association (SBPA) is the trade body representing breweries and pub operating companies in Scotland. Together with our sister organisation the British Beer & Pub Association, our members account for over 90% of UK beer sales and own around 20,000 pubs. There are almost 5,000 pubs and 81 breweries in Scotland. The Scottish beer and pub sector as a whole supports over 60,000 jobs and contributes more than £1.5 billion to the Scottish economy.

The SBPA is an active member of the Packaging Recycling Group Scotland (PRGS), which presented a proposal to the Scottish Government offering to work in partnership with them and other stakeholders to build on anti-litter initiatives, particularly the Keep Scotland Beautiful campaign and strengthen the current kerbside recycling system. The SBPA fully endorses the submission of the PRGS to this call for evidence.

We are a strong supporter of increasing the recycling rate in Scotland and reducing litter. However we have severe concerns about the actual impact a deposit and return scheme will have on these two issues and about the cost that will be placed on business and consumers to deliver it. We are grateful to Eunomia for their initial research into this proposition but do not believe it is a complete or accurate measure of the cost on business or likely environmental outcomes. Despite being one of the organisations interviewed for the report we feel there is a need for a more comprehensive assessment of business views.

The evidence base from the SBPA on this specific issue is limited but we have presented data and members' views below in response to the questions posed. There was insufficient time between the call for evidence being issued and the deadline to collect more detailed information.

1. Are you aware of additional evidence that is relevant to any consideration of the suitability of a deposit return system in Scotland?

(e.g. the impact of the targeted items when littered; improvements in recycling rates or reductions in litter achieved by deposit schemes or pilots elsewhere; wider social, environmental, or economic impacts; the extent to which performance estimates match experience elsewhere; the extent to which comparable performance could be delivered at lower cost)

Litter: it is our strong opinion that a deposit on drinks containers will have a virtually non-existent impact on the disamenity cost of litter. PRGS estimates put the proportion of littered items at between 3 and 20 per cent, a small element of litter on the streets. Even if a deposit scheme removed all of the littered drinks packaging (which is unlikely) there would still be litter, from cigarette butts to chewing gum to discarded plastic and fast food wrappers. There is an additional risk that litter collections will be reduced as it becomes less cost-effective for local authorities to collect rubbish which has less residual value and is more difficult and expensive to collect.

Recycling rates: a deposit scheme could lead to an increase in drinks packaging recycling but could have a detrimental impact on overall recycling rates as kerbside recycling will be fundamentally undermined by such a scheme. Local authorities will again be faced with making collections of low-value materials and there is unlikely to be the investment to sufficiently sort these materials. Consumers may also get out of the habit of recycling other materials when they feel they are already being inconvenienced by a deposit scheme.

One element that hasn't been considered is how to improve recycling rates through the current system. One example would be to incentivise collections from the hospitality sector. At present local authorities do not tend to collect from pubs and restaurants but by working closely with these businesses it would be possible to get high-value, high-quality material back into the recycling infrastructure. If this could be operated effectively then it further undermines the business case for a deposit scheme by boosting recycling rates.

Wider impacts: it is clear that this will cost the poorest in society disproportionately more than the best off. The deposits paid will constitute a larger proportion of the incomes of the less well off and they are also going to find it harder to return the packaging to reclaim the deposit. The high rate of deposits is contradicted by the only existing deposit scheme in Scotland, run by AG Barr. This suggests return rates at 54 per cent on packaging designed for reuse and with a higher deposit level than proposed by Eunomia.

Comparable performance at a lower cost: the Eunomia report demonstrates that a deposit scheme represents a huge cost for business and consumers, notwithstanding our view that this dramatically underestimates a number of costs (see below). The PRGS proposal to the Scottish Government commits to reaching drinks packaging recycling rates of 80% by 2025 and a commitment to work to tackle litter. This comes at a much lower cost to all stakeholders than a deposit scheme could ever achieve.

2. Do you have evidence that is relevant to any consideration of how a deposit return system could be designed and managed?

(e.g. the governance arrangements and contracting; the way in which services are procured; the extent of public/private/third sector involvement; the ownership of material within the scheme; on the coverage of materials/products; the implications for re-usable/recyclable container design; the interaction with other Scottish/UK regulatory systems; changes/amendments that would improve the performance or value of the initial system proposed)

The most successful schemes operating in Europe are those in Scandinavia, where there is a large degree of ownership by those businesses that bear the greatest cost, namely the drinks producers. In Scotland this is likely to be brewers and soft drinks manufacturers. We would suggest that the governance model put forward in the Eunomia report is not appropriate and would lead to unnecessary costs and inefficiencies. The ownership needs to be with those with an interest in keeping costs down and delivering the highest quality materials.

We continue to have very strong reservations about the efficacy of a deposit and return scheme and believe the option proposed by PRGS is a much more cost-effective solution. However if there is an intention to take forward a deposit scheme then businesses need to have far greater involvement that is currently proposed, including anticipating costs.

3. Do you have any evidence on the anticipated impacts of a deposit return system on your own organisation, or on the public more widely? (e.g. costs to businesses; costs to the public; public acceptability)

As mentioned above we believe that the Eunomia report dramatically underestimates the cost to business of a deposit and return scheme. From the point of view of our membership, brewers and pubs, there are likely to be several costs incurred.

Brewers

The vast majority of brewers operate across the UK so will be particularly affected by the cross-border issues of a Scotland specific scheme. The other major impact will be on commercial decision-making.

-Labelling: The Eunomia report proposes a dual label response, one for Scotland-specific products and one for the whole UK, with a greater administrative cost applied to the latter. There is not a huge amount of detail and how this would work but if a company was to choose to have Scotland-specific labels this would result in a very large increase in stock-keeping units (SKUs).

It is estimated that there are over 5,000 packaged beer brands available in the UK, a very large number of which will be available in Scotland, particularly through online sales. For brewers to effectively sell into Scotland there would need to be additional labels produced, extra packaging runs leading to additional energy and time costs in the process and Scotland-specific areas of

warehouses. Alternatively the company will be financially penalised for having a label that can be used across the whole of the United Kingdom. There would also be significant additional costs for importers into the UK/Scotland. Scottish brewers could find it more difficult to export into the rest of the UK, let alone the rest of the EU, if they are set up specifically to retail in Scotland.

The likelihood is that a number of beer brands would not be made available to the Scottish market, denying Scottish consumers product choice and reducing sales for both UK-wide drinks producers and Scottish retailers.

-Supply chain: There will be major knock-on effects to the supply chain. Major retailers, pub chains and wholesalers work across the UK, with distribution centres operating on one side of the England/Scotland border serving the other side. It is not always clear for a brewer where the beer they are selling will finally be retailed to the consumer, and therefore how the beer should be labelled or a deposit applied.

-Retail price: Adding the cost of a deposit will increase the price at which products are sold, although this is clearly refundable. However this will have an impact on consumer behaviour, in a way that is not yet known. The impact on deposits could cause a decline in consumption for some groups but more bulk buying by others. As mentioned earlier this is likely to be preferential for the better off in society who will have a deposit system subsidised by those can afford it least.

It also has the potential to cause significant distortions in consumption patterns. For example consumers could decide to switch away from beer with its dilute alcohol content to higher strength products like vodka if the deposit is applied at a package level. A 70cl bottle of vodka contains fifteen times the amount of alcohol as a 440ml can of beer but will have the same (or similar) level of deposit attached.

-Commercial negotiation: Retailers and producers have a complex relationship when it comes to selling products. Current business practices, based on selling points, will need to be reviewed and modified.

Pubs

Pubs and pub companies will face the consequences of many of the issues raised above, including a lack of product choice and potentially a lack of custom. There will also be specific issues around the logistics of complying with a scheme, both for soft drinks and alcohol products.

-Administering a deposit scheme in a pub environment: A deposit scheme will be difficult to run in a supermarket but will be even more inconvenient in a pub. Firstly there is the issue of charging and refunding a deposit. Charging a deposit will be relatively straightforward but will involve some modifications to tills for certain products, and pub tills tend to be less sophisticated than those in some retail outlets.

Returning the deposit could be even more difficult. There may be an incentive for pubgoers to hoard their bottles until the end of the night as it is easier to return bottles in one go. This goes against pub safety best practice of minimising the number of bottles residing at tables. It also means that the bar staff may spend much of the end of the shift refunding deposits rather than dispersing customers. If a group of pubgoers are drinking in a round it is the person who buys the drinks that is paying the deposit but not necessarily the one that will be going to the bar to recoup them. Pub employees who clear a table of bottles could be accused of denying consumers their deposits.

There is then the issue of storage of containers. Many pubs are small and do not have large amounts of storage space. The space available is predominantly used to store existing stock for sale and not for keeping empty containers. There will be an impact on pub stock-keeping and security (due to the potential value of the deposits) from such storage.

There may be an incentive to avoid charging the deposit by pouring the contents of bottles into a glass. This can be unpopular with customers, especially for bottles of beer and wine. This would also result in additional glass washing and consequent energy use.

Public

Whilst there is polling data shows that the public broadly supports a deposit scheme it is not clear that there is a full understanding of the impacts on their everyday lives. This will include increased costs from uncollected deposits, the inconvenience of returning empty packaging, either to retail stores or in pubs and the lack of consumer choice that is likely to result from the additional costs on businesses to supply short-run products.