Response: Wednesday 17th June 2015
From Tennents Caledonian Breweries to Zero Waste Scotland,
Call for Evidence Regarding Deposit Return Scheme

Background to Tennents Caledonian Breweries:
Tennent Caledonian Breweries is part of C&C Group. Headquartered in Ireland, we have a turnover of more than €900 million and employ over 1500 people worldwide. In recent years C&C have invested over £330 million in the UK. Our Tennents business is based in Duke Street in Glasgow where beer has been produced for nearly 500 years. Our leading brand in Scotland is the iconic Tennents Lager.

We directly employ 500 people and the sale of our products employs around 35,000 people. We have invested over £20 million in our brewery at Wellpark and created a world-class training facility that has now trained over 15,000 people in hospitality skills. We have opened the Drygate Brewery which brings craft brewing and quality dining to the East End of Glasgow. Additionally, we invest circa £16 million per annum in the Scottish On Trade, helping to improve the quality of Scottish outlets. In these outlets Tennents lager is sold in 100% returnable containers, in the form of kegs of beer sold on draught in reusable pint glasses.

We pay Corporation Tax in the UK. Last year we paid £176 million in excise and tax to the UK Government.

Comments on the Proposed Deposit Refund System (DRS):
The comments below relates to proposals published by Zero Waste Scotland (ZWS) "A Scottish deposit refund system" May 2015.

Concerns Relating to the Above Report Published By ZWS:
- The report reflects the opinions of a relatively small sample of people and organisations, the report has not been verified therefore should not be used to inform policy.
- The report does not by its own admission, include any cost benefit analysis. It is therefore dangerous to use the assumptions within the report without looking at the cost impact and knock-on-effect of the proposals.
- We are one of Scotland's largest producers of drinks and were not consulted by ZWS in the compilation of this report. Therefore our experience could not be brought into consideration. I understand that this is also the case with retailers who are not consulted as well as a number of local authorities and waste management companies. Therefore, the scope of contributors to the report was simply too narrow for it to be valid.
- The report includes information from other countries such as Norway where the social and economic position is markedly different from Scotland. For example in Norway the DRS is in operation but the cost of living in that country is 35% greater than the cost of living in Scotland. The Report did not include evidence from countries such as the Czech Republic, France or Poland where DRS schemes were assessed but rejected.

- The report did not look at other forms of litter, for example; food packaging, confectionery packaging, fast food outlets or cigarette packaging. We regard this as further evidence that the report was very narrow in its approach.
- Sweden is used as evidence in the report as it has operated a return scheme for more than 30 years. Our Management Team has experience of operating in Scandinavia and it is clear that there is not widespread use of a curbside recycling system in Sweden therefore any comparisons are invalid.

Failure to Understand the Operation of the Drinks Industry:
By not consulting with organisations such as ourselves, and the others listed above, some of the fundamental facts relating to the operation of the drinks industry were ignored.

As a company, C&C is hugely committed to the sustainability of our business. We are essentially an agricultural business, reliant on water, barley and apples. We have widespread orchards in Ireland, the South of England and will be the third largest consumer of apples in the British Isles. The average length of our apple contract is seventeen years and this emphasises the importance to us of the environment.

In Scotland, 42% of our output is sold in returnable containers, namely kegs. The levels of exports are 11% and of the balance 45% is sold in cans and 2% are sold in bottle form. Of this 47% (can and bottle sales) 95% are sold in multipacks and consumed at home. This means that less than 3% of our total output is sold in units that have a likelihood to be consumed out of home. Meaning that a DRS scheme would be irrelevant for 97% of what we produce. However the implications would have an enormous affect to the cost of our entire business.

More than 70% of our can material is recycled and over 50% of our glass is sourced from the same route. We have concerns that introducing a two tier recycling process (DRS & local authority kerbside collection) will add confusion to consumers and may reduce the recycling percentage.

In 2014 we achieved zero waste to landfill at our site in Glasgow. We continue to invest in plant and equipment to help reduce our impact on the environment.

We also have experience within our organisation of recycling bottles and refilling them in our Irish business. This on trade operation has a greater environmental cost (transport and cleaning etc) than the recycling and manufacturing of glass bottles. Demonstrating that this is a complex area where broad consultation is essential.

We will look at any initiative that can improve on our current performance and are open to investing. But, any new initiative needs to be proportionate to the problem we are trying to resolve.

The Cost and Complexity Added by a DRS Scheme Would Be Unnecessary and Potentially Catastrophic for Scottish Business:
By its own admission the report does not provide any cost benefit analysis. However, it does state that an investment of £86 million would be required. This is a large capital investment and a clear return on that capital calculation will be required.

Businesses operating in Scotland would require Scottish specific packaging in order to avoid complex "cross-border" issues and fraud. This will add cost, complexity and ultimately increase the cost of imports to the Scottish consumer. This is a very important area which has been overlooked by the report.

Our experience would suggest that a number of "border" trade Cash-and-Carrys would open and consumers would change their behaviour quickly in order to avoid purchasing products contained within the scheme. This is not fanciful thinking, cross-channel movements are enormous when every duty for currency moves and in the Republic of Ireland the Government increased duty and then removed it again in order to prevent this flow of consumers into Northern Ireland decimating the Irish economy. This evidence from Calais and Northern Ireland is proof that goods would be transferred out of Scotland and into England.

The report does not refer to the significant increase in stock keeping units that would be required, also their impact on packaging line efficiency and manufacturing plants. Distribution problems from retailers Dorset increase cost of goods and likely reduce consumer choice. Consumers would have to pay higher production and handling costs, provisions to deter fraud and capital costs.

This increased pressure on consumers will result in a weaker Scottish business economy. Eventually, this will put downward pressure on jobs and investment. From the perspective of Tennents Caledonian Breweries it is difficult to see how we could maintain our current trend of employment creation, investment in skills development and training, as we will be operating under a burden of costs that would not apply to our competitors south of the border.

There have been successive negative impacts imposed upon the drinks industry over recent years in Scotland, starting with the smoking ban in public places and most recently the reduction in allowable levels of blood alcohol for drivers. This has resulted in the beer market declining by more than 10% over the last five years in Scotland. Despite this pressure on the market we have continued to invest and expand our business but we are swimming against a very challenging tide. The introduction of a Deposit Return Scheme would mean a significant readjustment of our operation with the resulting impact reflecting on jobs and employment.

Impact on Consumers – Very Concerning:
Our business has survived and prospered by understanding the needs of consumers. The proposed DRS will have a detrimental impact on consumers.

The cost of products would increase by circa 20% to 40%. The impact on low income groups needs to be considered. There is potential for a black or grey market to be created, especially if the English market remains as is.

Consumers will have the inconvenience of storing returnable empty containers at home separately from containers that are going through the local authority return systems. This will add confusion and complexity to the process and therefore be an unmanageable system.

The proposal takes no cognizance of the inconvenience for the elderly, disabled people and others without access to transport.

Unlike the carrier bag scheme, where people can avoid the 5p charge if they take their own bags, a deposit on drinks containers is unavoidable.

The report puts a high value on people's willingness to pay for reduced littering, but no value on the costs of wasted time and inconvenience that the public would suffer.

Consumers will be concerned that the achievement of a reduction in litter is well corresponding there is a greater increase in carbon emissions as each single can/bottle will have to make an additional journey back to the point of sales instead of going directly into recycling network.

Impact on the Trade:
We understand that the large supermarkets have yet to comment on these proposals. However, as a relatively small business ourselves we are concerned about the impact on "the small guy". The deposit scheme would be unworkable for small retailers. They could be inundated with empty packaging, bought in large supermarkets but returned to the nearest retail outlet. They would not have the space or financial resources to handle these returns. The same applies to bars that may also be inundated with returned packaging. The unintended consequence of this scheme could well be that smaller outlets lacking the space and resources to manage return packaging deteriorate and eventually close, thus removing a valuable resource from the community.

The DRS Scheme that is Proposed is Entirely Out of Proportion with the Problem:
Over recent years a number of studies have measured the percentage of litter items attributed to beverage containers at between 3% and 20%. The report published by Zero Waste Scotland reports this figure at 40%. This number is a clear outlier and the proposal should not be based on this. As previously outlined above, our business is primarily a business focused on in home and in bar consumption, not on the street consumption. In fact, for several local authority areas, drinking on the street is prohibited. Where is the evidence that alcoholic drinks containers are contributing to the litter problem?

The report suggests this litter could be reduced by 17% if these schemes were introduced but this is simply an assertion, there is no hard evidence that this is likely to be the case. Even if it were the case, there will be other methods of achieving a 17% reduction which should be considered. Consideration should be given to education schemes and other forms of enforcement which could reduce litter without damaging business and employment.

Conclusion:
The protection of Scotland's environment is very important. It is also essential to our business. However we are seriously concerned by the proposals in the Deposit Return Scheme report which does not take a sufficient review at the impact of such schemes on business, jobs and investment. The scheme is impractical and inappropriate in scale for a business such as ours. Implementing such a scheme would be catastrophic for our business in Scotland.