



Briefing for MSPs on the Environment, Climate Change and Land Reform Committee on Scotland's proposed Deposit Return Scheme

Overview:

The Environment, Climate Change and Land Reform Committee is meeting on Wednesday (29 April) to finalise the Deposit and Return Scheme for Scotland regulations.

The Society of Independent Brewers (SIBA) represents around 750 small brewers in the UK and has about 60 members in Scotland. We believe that the Deposit Return Scheme (DRS) as currently designed will have a significant impact on Scottish breweries and consumers.

The Cabinet Secretary has still not met with small breweries despite promises that she would but only once the final regulations were published.

Current situation:

During Covid-19, small breweries have lost 80% of their business overnight with the closure of pubs, bars and restaurants. Their only route to market is now through selling small amounts of beer in bottles and cans, which does not cover this loss of sales. Unlike pubs, breweries have not received a financial package of support from the UK Government.

As the Scottish Government highlighted in its Covid-19 – a framework for decision making report last week, it is likely that pubs, bars and restaurants will be the last to reopen.¹ While there is much uncertainty, it is clear that it will take several years for the economy to recover and the EY Item Club has said it could take until 2023 for the economy to return to the level reached at the end of 2019.²

Many of the costs of setting up DRS in Scotland will fall during the next 18 months when small breweries will be trying to recover from the impact of Covid-19.

Implications of DRS for small breweries:

- At this time, small breweries are at a critical crossroads because of the Covid-19 crisis and have lost 80% of their sales and will take a long time to recover if they do so at all.
- The Scottish Government has not addressed the concerns that brewers have raised but increased the registration fee from £209 to £360 and set any exemptions far too low, so small businesses have to pay the same as Coca-Cola and Heineken.
- There are no guarantees that the Scheme Administrator, which will be dominated by Global producers, will take account of the needs of small businesses.

¹ The report states that “we are likely to require that gathering ingroups, for example in pubs or at public events, is banned for some time to come.”

² <https://www.theguardian.com/business/2020/apr/27/uk-economy-will-take-three-years-to-recover-from-coronavirus-ey>



What small brewers are calling for:

- **Delayed DRS implementation period in current COVID-19 crisis:** While the Scottish Government has delayed DRS until 2022, most of the costs for small breweries will come in the next 18 months when they are struggling through the current crisis.
- **A joined up UK scheme:** With the current crisis, Scotland should work with Westminster and introduce one scheme for the whole of the UK.
- **Proportionate costs for producers:** Registration and producer fees, along with labelling, should take account of the size of producer. The Scottish Government has proposed a low threshold for those below £85,000 turnover for the registration fee. This will only benefit around 20% of our members and means that small businesses employing only a few people will be expected to pay the same as Coca-Cola and Heineken.
- **Safeguards for small producers:** The Scheme Administrator should be required to demonstrate to the Scottish Government how it will give due regard to the requirements of small breweries to stop it being dominated by global producers.

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