

Michael Matheson MSP
Cabinet Secretary for Net Zero, Energy and Transport
The Scottish Government
St. Andrew's House
Regent Road
Edinburgh
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21 May 2021

Dear Cabinet Secretary

RE: Small brewers and the Deposit Return Scheme

Congratulations on your new Cabinet Secretary role and your re-election to the Scottish Parliament. Among the many pivotal issues that you face will be the introduction of the ambitious and far reaching Deposit Return Scheme (DRS) next year.

Just before the election, the Scottish Government announced an independent gateway review to assess the impact of the pandemic on the go live date for the scheme. We are writing as representatives of the majority of small brewers in Scotland to request that you take account of the impact on Scotland's small brewers as part of this review. In particular we ask that you consider a stepped introduction to provide us with the time we need to make DRS a success and to review online sales and the takeback service for small companies given the expansion of internet sales during the pandemic.

Scotland's small independent brewers are conscious of their environmental impact and want to play a part in tackling these issues. However, we are at a critical juncture. The Covid-19 pandemic has caused widespread damage and it will take many years for us to recover. Last year we lost ten years of growth with our main route to market (Scottish pubs), which represents 80% of our sales, being closed for most of the year. We have accumulated high levels of debt to survive, averaging more than £30,000 per brewery. Unfortunately not all small breweries were able to make it through, with around 40 closing across the UK and others may not last until the end of the year.

While we recognise that the Scottish Government wants to press ahead with introducing DRS, we ask that you give Scotland's small brewers extra time to prepare. Global producers that dominate the sector will have greater resources to deliver DRS and are also responsible for the vast majority of drinks containers. In contrast, small brewers in Scotland only represent 0.6% of the total.

Online sales have become the only way for many of us to make a living at all over the past year. There has been a huge acceleration in the trend of people buying over the internet and many small producers and retailers now operate their own webshops. But many small businesses do not have the technical abilities or resources to adopt them for DRS or provide the takeback service. They are concerned that webshops outside of Scotland will undercut and undermine their businesses even though they should be part of DRS.

This year is a crunch time for us. We are trying to keep our businesses afloat and reduce our debt when our market has not yet fully reopened. Many of the costs of DRS will start to fall as we are trying to rebuild our businesses. We can ill-afford the upfront costs and significant challenges that DRS will bring and will be caught by the combination of cash flow issues and labelling changes as well as new producer and registration fees.

Therefore we urge you to consider a stepped introduction of DRS. Allow the Global producers to go ahead first and lay the foundations of a successful scheme. Once it has been established and flourishes, then small brewers could be invited to take part, allowing a greater lead in time for small businesses.

Given that online sales have expanded dramatically during Covid and become vital for small businesses who also rely on parcel carriers, we also ask that you carry out a full review to consider their inclusion and the impact that delivering DRS online will have.

A DRS is being planned for England, Wales and Northern Ireland in 2024 and some of the burdens on small brewers can be reduced if the timing was aligned with the rest of the UK. Therefore a more realistic timetable for small producers to deliver the scheme would align with this date.

We would welcome the opportunity to discuss this issue further with you and how we can work to ensure that a vibrant independent brewing industry can thrive in Scotland.

Yours sincerely

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Fyne Ales
SIBA Scotland Director

Fiona MacEachern
Loch Lomond Brewery
SIBA Scotland Director

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