



# Campaign for Pubs

Promote, Support and Protect Pubs

Humza Yousaf MSP  
First Minister  
Scottish Government  
St. Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

14<sup>th</sup> April 2023

Dear First Minister,

## **Urgent need to adjust the Deposit Return Scheme to avoid huge bias in favour of multinational companies over small independent producers**

First of all, may we congratulate you on your election as First Minister.

We are writing to express our concern about the implementation of the proposed Deposit Return Scheme in Scotland which, through its poor design, threatens to destroy small businesses and customer choice. We note and welcome your commitment made during the SNP leadership campaign to exclude small businesses for the first year, however what is really needed is to pause and redesign the scheme so it both delivers greater recycling and avoids the devastating impact to small brewers.

We as an organisation fully support recycling. Indeed, pubs and breweries have long been recycling; many years before it was widely accepted as something individuals and many other businesses should routinely do. Pubs have long had a bottle recycling collection bin and smaller brewers are reliant on the reuse and recycling of casks and kegs. Small brewers do routinely encourage consumers to recycle packaged product and will continue to do so. They are disproportionately more likely to package into fully recyclable containers, like aluminium cans, in the first place.

The proposed Deposit Return Scheme in Scotland will penalise and indeed destroy some of these important businesses and also reduce consumer choice for Scottish drinkers. Those outcomes are entirely avoidable if this well-meaning scheme's ambition could be matched by quality of implementation, so that it can operate in an equitable way. We are writing to urge you to listen and act.

Scotland's Deposit Return Scheme (DRS) is due to start in August this year and the deadline for producer sign-up has already passed, with many fewer producers having registered than the Government expected.

Many other countries already have deposit return schemes and a wealth of good practice and lessons learned are available to help in the implementation of this policy. DRS exists in many jurisdictions and is the right policy for our time, but couldn't be realised in a worse manner than the Scottish proposed scheme due to go live in August.

What is particularly shocking about the current proposed DRS scheme is the way it hugely favours larger producers, vendors and recyclers as an opportunity to power grab and remove competition in the midst of a cost of living crisis. This cannot be the intention, nor what the Scottish Government wants to see. But without change, this is exactly what will happen.

It seems clear to us, as a voice for the independent side of the pub and brewing sector, is that the Scottish Government has been swayed by the lobbyists who represent the large corporations (such as the Scottish Beer and Pub Association) but who do not represent individual pubs or small craft breweries.

**Campaign for Pubs**, The Volunteer Arms, 5 Watson Street, Holgate, York YO24 4BH

Email: [campaign@campaignforpubs.org.uk](mailto:campaign@campaignforpubs.org.uk) Twitter: [@campaignforpubs](https://twitter.com/campaignforpubs) Facebook: [@campaignforpubs](https://www.facebook.com/campaignforpubs) Instagram: [@campaignforpubs](https://www.instagram.com/campaignforpubs)

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At the Campaign for Pubs, we see this standard large-company-playbook behaviour regularly: destroy the small competition and carve up the broken businesses, just as supermarkets and large chain pubs do. Powerful lobbyists with the ear of a few politicians probe for levers in every opportunity that will help to diminish competition. The DRS roll-out in Scotland has been hijacked in exactly this way and the consequences of implementation will be permanently damaging to the craft beer sector in Scotland and to consumer choice.

We urge you instead to pause, listen and then establish a DRS regime that does not disadvantage smaller businesses. This means a scheme that reflects the size of the brewer/producer with significantly reduced costs (registration and producer fees). To charge small craft breweries the same as global breweries is frankly absurd, as well as clearly unfair and potentially disastrous for those smaller breweries.

It is clear that big business will cope far more easily with DRS implementation than the smaller shops, pubs, clubs, brewers, distillers and recycling companies. Large businesses will more easily absorb costs and bureaucracy. Moreover, volume producers will see disproportionately lower additional costs transferred to customers, giving them an additional competitive edge. It is no surprise that the Scottish DRS is welcomed by Coca Cola, Pepsi, Barr et al, because it disproportionately and anti-competitively loads costs onto smaller producers. It will force a reduction in Scottish consumer choice for packaged drinks. No wonder the big producers are singing the praises of a system which will inevitably increase their market share. By the same token, Scottish DRS hands a recycling monopoly to a waste company owned by a US private equity firm, without regard for the longevity of smaller waste recycling businesses. We find this deeply questionable and troubling. We can see the flaws in the proposed scheme now, and they will be blindingly evident to any post-implementation review.

The few winners from Scottish DRS appear to be large industrial drinks producers and one large recycling company, who are delighting in the sweeping away of SME competition. Though we shouldn't forget the very well remunerated executives who are being paid to implement this skewed scheme, and who were - alarmingly - recently declared exempt from Freedom of Information inquiries. We also note that the CEO of Circularity Scotland Ltd, who will profit significantly from this scheme, has a salary of £300,000 per annum. At a time when publicans and some smaller brewers are struggling to make a living, to be pushing forward with a scheme that makes things ever harder for pubs and small brewers, but will make one company and its already very wealthy executives even richer, is plain wrong.

As a campaign, we stand for entrepreneurialism, genuine competition and innovation. It is the role of the SME businesses that we count among our supporters to provide competition to ersatz monopolies. We are firmly against corporatism and in our view the Scottish DRS as it is drafted actively encourages it, with faceless off-shore finance rubbing their hands at the prospect. We see clear parallels with the way in which large corporations in the pub and beer sector, often owned offshore in tax havens, lobby against changes to make the beer tie fairer, pretending to speak 'for pubs' when they most certainly do not. Alas, busy officials and Ministers are too often sucked down the apparent path of least resistance and do not listen to independent publicans or smaller brewers who do not have the resources to 'professionally' lobby.

Ironically, the evidence suggests that the DRS proposed for Scotland will actually be worse for the environment than the status quo, given the volume of additional petrol and diesel waste vehicles that will take to the road alongside the existing kerb-recycling scheme. At the same time, the cost for this measure will be limited consumer choice, increased costs, endangered jobs and loss of smaller character competitor-SME businesses.

We urge you to pause the roll-out of the flawed DRS scheme and seriously engage with stakeholders. That includes Scottish small brewers, publicans and the organisations who represent them

We look forward to hearing from you.

**Campaign for Pubs**, The Volunteer Arms, 5 Watson Street, Holgate, York YO24 4BH

Email: [campaign@campaignforpubs.org.uk](mailto:campaign@campaignforpubs.org.uk) Twitter: [@campaignforpubs](https://twitter.com/campaignforpubs) Facebook: [@campaignforpubs](https://www.facebook.com/campaignforpubs) Instagram: [@campaignforpubs](https://www.instagram.com/campaignforpubs)

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Yours sincerely,



Morag Douglas  
Campaign for Pubs Spokesperson for Scotland  
Licensee, The Star, Burntisland



Phil Saltonstall  
Brewer Coordinator  
Founder, Brass Castle Brewery

cc Scottish Licensed Trade Association (SLTA)  
SIBA Scotland