

minutes

Meeting: Cross Party Group on Scotch Whisky

Location: Q01:4 Scottish Parliament

Date Held: Tuesday 29 October 2019

Present: **MSPs:** Jackie Baillie MSP, Finlay Carson MSP, Murdo Fraser MSP, Gordon MacDonald MSP.

Other attendees: Dave Dalton (British Glass), Dagmar Droogsma (SWA), Jill Farrell (Zero Waste Scotland), Peter Finnie (SEPA), Karen Freel (Perspectiva Consultants), Ellie Goss (Glenmorangie), Keir Greenway (GMB), John Lee (Scottish Grocers Federation), Orchid Lui (Chinese Times), Lindsay McGarvie (Edrington), Beatrice Morrice (SWA), Paul McLavin (O-I Glass), Barbara Russell Scott (Inver House International Beverage), Colin Smith (Scottish Wholesale Association), Ian Smith (Diageo), Sharon Todd (Ardagh Group), Paul Togneri (Scottish Beer and Pub Association), Scott Wood (Scottish Government)

Gordon MacDonald MSP chaired the meeting.

1. Deposit Return Scheme

Morag Garden, SWA, underlined the Scotch Whisky industry's commitment to environmental sustainability. She set out that the industry wants to increase the level of recycled glass in our bottles but that there is concern that DRS as designed currently could reduce the amount of recycled clear glass on the market and that could create a barrier to deliver the sustainability targets set by Scotch Whisky companies and also the Scottish Government's own ambitions for a circular economy and transitioning to net zero.

Paul McLavin British Glass and OI, provided information on the view from the glass industry. He explained that his company works in many different markets across the world, some with DRS, but that there is concern that as DRS is currently presented for Scotland, less glass will be recycled. He underlined that there was a danger that the market could be impacted should producers move away from glass to PET or towards larger containers. He questioned the economic viability of Local Authorities continuing with kerbside collections and stated that the 90% recycling target set by DRS is unlikely to be reached. He spoke of an alternative scheme which would be simpler for consumers and result in increasing the amount of glass recycled.

Lindsay McGarvie, Edrington, underlined his company's commitment to a circular economy and informed the group that he hosted Zero Waste Scotland for them to learn about the bottling process from a business perspective. He provided information on possible supply chain complications with regard to UK distribution. Currently there is no specific Scottish distribution, products are sold to UK companies who then decide where the product is sold, there is no way to know which products will be sold in Scotland. He also spoke about label requirements changing which would increase costs to business at a time when other headwinds,

such as Brexit and US tariffs are already an issue for the industry.

Barbara Russell Scott, International Beverage, underlined that bottling lines are run to maximise efficiency to drive the product's competitiveness and that there is concern that DRS could reduce this efficiency and competitiveness. She explained that a Scottish only DRS would require a specific SKU for Scotland, which would impact bottling efficiency as well as UK logistics and distribution. She also stated that smaller organisations will be hit hardest with regard to additional costs, at a time when costs relating to labelling requirements for Brexit have already been significant. She underlined the danger that if separate labelling requirements for DRS are needed for Scottish sales, companies could choose to not supply the Scottish market.

During the discussion following the presentations, Ian Smith, Diageo, underlined that the industry wants to use more recycled glass and that access to this is crucial to achieve the environmental targets set by Scotch Whisky companies. If DRS achieves this then it would be supported however concerns remain that it will not achieve its stated aim.

Jill Farrell, Zero Waste Scotland, underlined that behaviour change is needed and that the public was very supportive of including all materials in DRS. Scott Wood, Scottish Government, provided information in relation to their belief that including glass will work and that 90% recycling rate will be reached within 3 years of DRS implementation. He underlined that he is keen to speak further with British Glass in relation to their concerns.

Concerns relating to the space required to return glass was raised as was the different systems for Scotland and the UK and the fact that public policy needs to do what works and be cost effective and deliver the most recycled glass. Members heard that a delay to the introduction of glass would be welcomed by the industry. With the aim of mirroring the UK implementation timetable for the Extended Producer Responsibility System as this would remove a number of the labelling and data challenges which are created when the DRS is limited to Scotland only.

Members agreed that dialogue between Zero Waste Scotland, the Scottish Government and the glass industry is important given that continued differences in opinion as to the possible impact on recycling rates remain. They also agreed that the CPG would write to the Cabinet Secretary to set out the concerns raised at the meeting.

**CPG
conveners**

2. US Tariff

Beatrice Morrice, SWA, stated that the industry is disappointed that the United States Government introduced a tariff of 25% on imports of Single Malt Scotch Whisky and Liqueurs from the UK from 18th October.

She explained that the tariff came about due to a WTO dispute about aircraft subsidies. Unfortunately, the Scotch Whisky sector has been hit hard, despite not being involved in any way with the issue.

Scotch Whisky has been imported tariff-free to the United States since 1994 and

the tariff undermines decades of hard work and investment which has seen Scotch Whisky sales boom in the US. She added that the US is our largest and most valuable single market, and over £1 billion of Scotch Whisky was exported there last year. A negative impact is expected on investment in Scotland, and longer term impacts on productivity and growth across the industry and our supply chain and that targeting Single Malts is particularly damaging for smaller producers, who stand to be the hardest hit.

She underlined that the SWA has called on the UK, US and EU governments for many months to find a negotiated solution to the trade disputes. The SWA has called for the removal of the EU tariff on bourbon and asked the UK government to make it a priority to commit to remove this at the earliest opportunity. Beatrice underlined that she would keep the CPG updated on future work in this area.

4. AOB

The next meeting date is 21 January at 1pm in Committee Room 4. Details of the meeting will be circulated shortly.

For more information please contact Beatrice Morrice: bmorrice@swa.org.uk