



## FIGHTING CONTAINER LOSSES

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### **KEG WATCH Kegs A Steel at £50m**

You might not know this, but the price of scrap metal is at an all time high. Stainless steel scrap can fetch about £1300 per metric tonne, aluminium scrap about £800 on the open market.

“So what?” you might be thinking. But the knock on effect is that keg theft is also at an all time high: thieves can fetch about £14 for a stolen keg. According to container supplier TrenStar, it is costing the industry a massive £50m a year to support an on-trade draught beer volume of 18 million barrels. About one million casks and kegs have gone missing in the last 12 months, and with one of the heaviest drinking periods behind us, there is a real danger that brewers will be left with no containers.

TrenStar boss Stuart Facey says that some kegs end up with the wrong brewer, others end up sitting in a cellar, but most are stolen.

“Over the last three years, the number of kegs ‘not available for use’ has doubled each year. A new 50 litre keg costs £60-£65. “We estimate that 90% are stolen and 10% are just not available for use,” says Facey.

TrenStar owns about 65% of the total number of containers used in the UK. To complicate matters further, about 400 brewers have their own containers.

Organisations exist with the aim of curbing the levels of loss.

Keg Watch spends time hunting down casks that have gone missing in action and the British Beer and Pub Association (BBPA) has an organisation called the Returnable Assets Management panel to look at ways to prevent container loss. More recently, under the umbrella of the BBPA, Scottish & Newcastle UK (S&NUK) has founded a deposit scheme work-group. The new body is made up of industry representatives from breweries, distribution companies and licensees. But this time, experts will be looking at viable options to stop theft.

The industry openly admits that while this problem isn't new – a certain level of container loss has always been expected – scrap steel is now worth so much that thieves have never been more tempted. Geoff Mumford from Burton Bridge brewery suspects that organised groups are stealing the containers. His brewery was hit at 4am one morning.

“We're losing casks hand over fist. It took thieves 14 minutes to break in and steal 100 containers from our brewery,” says Mumford.

TrenStar believes that licensees are making kegs an easy target for thieves because they don't attach any value to the containers when the beer has finished.

“Once the beer has gone, they place the container outside and forget about it,” says Facey.

Coors director of distribution development, Graham Slight, believes the lack of a joined-up delivery system plays a part. He explains: “Years ago, the brewery used to deliver straight to the pub and the drays and licensees had a relationship. Nowadays, beer gets delivered in many ways and it is more difficult to ensure that empties are collected.”

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Licensee David Smithwick from Langtrys in Stone, Staffordshire, says that the problem lies with the drays. "If I'm first on the run, there's no room on the lorry for my empties," he explains. "I don't have room to store them in the cellar, so they have to go outside. Similarly, if I'm last on the run, there's no room. "If the breweries won't make a concerted effort to come and collect them, there's nothing I can do."

Slight admitted that there are occasions when not all of the empties are uplifted and he urges licensees to call their brewer's customer service desk if kegs aren't being collected.

Wolverhampton & Dudley Brewery (W&DB) has taken steps to join up the sales and production sectors of the brewery.

Operations and planning controller Steve McKechnie says: "We have a weekly tracker scheme for customers, and we operate a one-in, one-out system with those who persistently fail to return our tubs."

And if a wholesaler or licensee repeatedly fails to return casks or kegs, W&DB is prepared to take action.

"In some circumstances, we have ceased trading with wholesalers and licensees. In the last year we have had to purchase significantly less containers than in previous years." It's a brave move, and one not without financial risk.

"We know who the bad boys are and so does everyone else. However, some brewers continue to supply them despite the huge commercial risks," says McKechnie.

Although W&DB is the first to take these steps, all major brewers are looking at non-compliant distributors and licensees. "W&DB has done a great job and Coors is taking a similar approach," says Slight. "We're always keen to trade through legitimate free trade and wholesale businesses that look after and return our containers," says McKechnie.

Four years ago, Budweiser Budvar head brewer Josef Tolar developed Budvar's own unique keg. The thick, black heavy-duty plastic and rubber overcoat conceals and light but tough stainless steel shell. According to Budvar UK's CEO Tony Jennings, the loss of Budvar kegs is minimal.

He says: "Undoubtedly this results from their distinctive black coats. They are simply too visible to nick and reuse for other drinks: their protective overcoat makes them difficult and unrewarding items to chop up for scrap."

In partnership with Coors, TrenStar recently introduced a similar range of 20 litre containers manufactured from mixed materials. These containers consist of a stainless steel body with bottom and top chimes made of plastic.

TrenStar agrees with Budvar. "It is believed that a mixed material container will be less attractive to scrap metal merchants, and therefore less likely to be stolen," says Facey. TrenStar kegs can only be scrapped by one authorised destruction facility at ELG Haniel Metals Ltd in Sheffield. If a TrenStar keg appears in any other scrap merchant's yard, it must be there illegally.

The British Metals Recycling Association has issued guidelines to scrap merchants advising them that a letter of authority from a brewer must be obtained before any kegs can be purchased as scrap. Keg Watch is increasing its efforts to help police crack down on merchants who breach these guidelines.

Coors' head of security David Hopwood is also part of Keg Watch. Between March 2003 and March 2006, the group has recovered 287,000 kegs and helped police with prosecutions.

"One guy was sawing 40 kegs in half every week in his back garden and selling them for £6 each to supplement his dole money. "We reported him to the police and he received twelve months community service for this and other offences."

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TrenStar has installed RFID (radio frequency identification) tags on nearly all the containers it owns. The tags are used to capture information about each container with data such as cycle time and container history.

While this is helping, it has not stopped the problem, although it may have the potential to do so in the future. "If we wanted a tracking device that worked like a mobile phone, it would cost a lot of money – at least £40 a container.

"Then there's the issue of batteries – once they are flat, then the container is lost," says Facey.

S&N UK relationships manager for returnable assets Mark Johnston is looking into a deposit scheme, along with other solutions.

"I'm not looking to re-invent the wheel," he says. "Several deposit schemes already exist in other countries. The problem is that our market is more mature and a deposit scheme would have to mirror that."

Facey cites schemes used in Portugal and Finland: "The value attached to the scheme is directly proportional to the number of kegs that go missing. In Portugal the deposit is €10 (£7) and the loss rate is 5%. But in Finland the deposit is €60 (£40) and the loss rate 0.5%." Given that the going rate for a stolen keg in this country is £14, a deposit scheme in the UK would require a much higher levy, possibly as high as £50.

But it's not all doom and gloom. If a deposit scheme is introduced, it's likely that licensees will not be expected to shell out thousands of pounds at a time.

The work group is looking at cash-flow implications of the deposit scheme and ways to minimise the impact.

Hopwood thinks that the deposit will need to be set at a level that means licensees will look after kegs on their premises and ensure they are returned. "Why not add keg losses to the bottom line for sales staff, so if you lose your keg, you'll lose you profit?" he asks. "A deposit scheme wouldn't mean licensees shelling out loads of money: it could be cash-neutral – almost like a one-in, one-out system, not allowing customers to go into credit," says Hopwood.

Within three to six months, Johnston hopes to have a positive proposal which will go to the BBPA's brewing and pub and leisure groups before a decision is made. A massive change in the way the British beer industry looks after kegs is definitely brewing.

If you have any information regarding the theft or misappropriation of kegs, casks or dispense gas cylinders then please contact Keg Watch on freephone number 0808 100 1945 or email. Your call or email will be treated in the strictest confidence.

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Editor's Note

Further information can be found by contacting Keg Watch Limited either by telephoning **0808 100 1945** or by visiting the web site **[www.kegwatch.co.uk](http://www.kegwatch.co.uk)**.

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