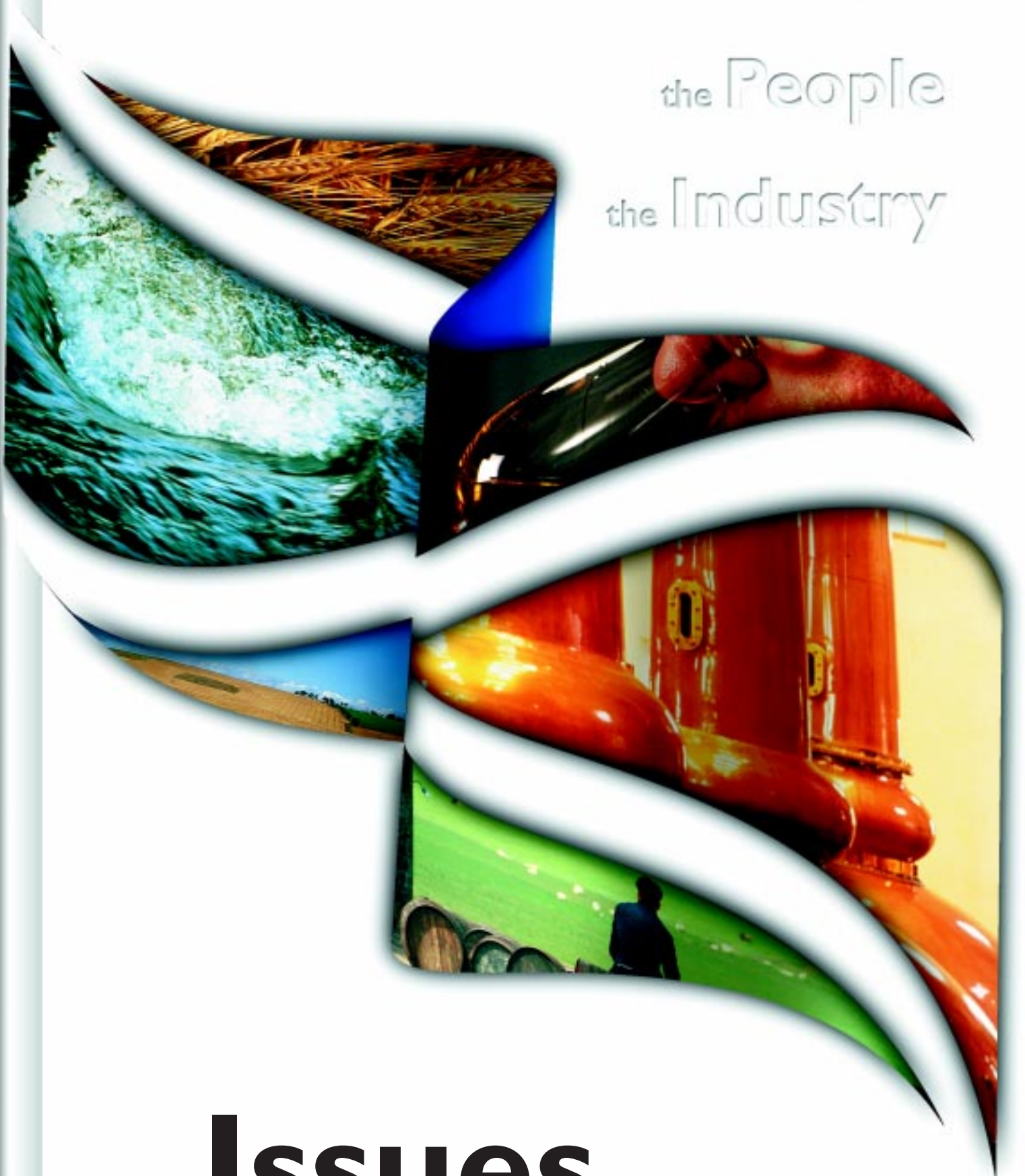


A **Scotch Whisky Brief**

the Land

the People

the Industry



the **Issues**

A **Scotch Whisky Brief** for the **Scottish Parliament**

Executive Summary

The Scotch Whisky industry welcomes the formation of a Scottish Parliament.

The origins as well as the future of Scotch Whisky are firmly planted in Scottish soil. It is one of the UK's top five export earners, contributing more than £2 billion annually to the balance of trade, and underpinning 60,000 jobs.



Many major issues affecting Scotch Whisky - including excise duties and trade relations - are reserved to Westminster.

The industry will seek the support of the new Parliament to lobby Westminster to eliminate tax discrimination against Scotch Whisky, and to secure barrier-free access to all world markets

Edinburgh will rule on other issues: business rates, regulation, the environment, health and social aspects, The Scotch Whisky Act.

The industry will urge the new Parliament to ensure that business rates do not disadvantage it compared with competitors south of the Border, and that regulation is neither over-burdensome nor disproportionately costly.

It will encourage the Parliament to adopt targeted - rather than blanket - measures to discourage the misuse of alcohol.

It will press for an approach to legislation on Scotch Whisky and to The Scotch Whisky Act which recognises that such legislation has international implications and that the vital need is to protect the integrity of Scotch at home and world wide.

The Scotch Whisky industry looks forward to the Scottish Parliament exercising its influence at Westminster, and in Brussels where it plans to establish a formal presence, to ensure that:

- ◆ *Scotch Whisky is not perceived as purely a Scottish issue*
- ◆ *the contribution of Scotch to the economic success of Scotland and the UK is acknowledged and supported.*

In this way, the Scotch Whisky industry will build upon its successes and prosper anew for the Scottish people.

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Introduction

The Scotch Whisky industry welcomes the establishment of the Scottish Parliament, and looks forward to working with its members to secure the future of Scotland's foremost indigenous industry.

The origins of the industry are firmly planted in Scottish soil. Scotch Whisky has been rooted in Scotland, by custom, law and tradition, for over 500 years; and will continue to be produced in Scotland through the next millennium.

While many of the major issues affecting the industry - for example, excise duties and international trade barriers - are reserved to Westminster, we expect that the Scottish Parliament will take a close interest in them - indeed, we look to the Scottish Parliament to do so, since they affect the competitiveness of a major Scottish industry. And in the exercise of its own powers, for example over regulatory issues, the Scottish Parliament will crucially affect the competitiveness of the industry.



The Scotch Whisky Industry

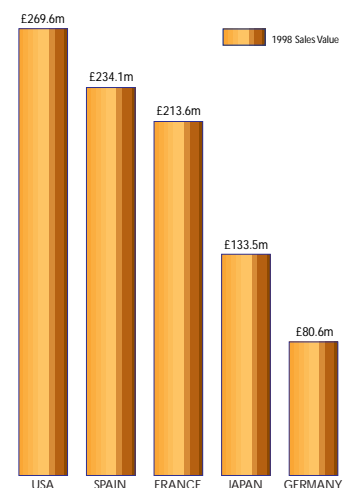
Scotch Whisky is a major Scottish-based industry which is of strategic importance to Scotland and to the UK, and one in which the UK has competitive advantage.

Scotch Whisky is one of the UK's top five export earning industries, securing export sales from Scotland in more than 200 markets world-wide. Exports account for some 90% of *all* sales, and since 1993 exports by the Scotch Whisky industry have each year contributed more than £2 billion to the balance of trade.

Trading conditions in 1998, and in particular the economic crisis in the Far East, hit exports, which nevertheless came in at over £2 billion for the sixth year running. Scotch Whisky remains amongst the top UK five manufactured exports, along with motor cars, aircraft, North Sea oil and derivatives, hi-tech and computer products. Export sales in the Scotch Whisky industry are twice as high *per employee* as in the next closest industry.

Scotch Whisky draws heavily upon Scottish farmers for the cereals it needs, and upon Scottish and UK suppliers for other raw materials - bottles, labels, packaging, cartons and transportation. Indeed, the Scotch Whisky industry procures over 70% of its goods and services locally, and spends more than £1 billion annually with its suppliers. Amongst them, Scottish farmers meet some 80% of the industry's cereal needs. What the industry cannot secure locally will be unavailable in most cases because of the season, not for want of the inclination to purchase in Scotland.

The industry currently employs some 12,000 people, many in economically fragile areas of the country where there are few alternative job opportunities - the majority in the Highlands and Islands and in West Central Scotland. The industry's linkages to other sectors are of equal



Top Five Export Markets in 1998



importance. The jobs of every individual employed in the industry support four more outside it, making a total of 60,000 whose jobs depend upon a viable Scotch Whisky industry.

But the industry's capacity to reach its full potential in its home market is hampered by high and discriminatory taxation, an alcoholic drinks tax structure which provides the justification for similar overseas tax barriers which hinder expansion abroad.

The Powers of the Scottish Parliament

A wide range of matters of concern to Scotch Whisky producers will remain the responsibility of Westminster and Whitehall. But other crucially important issues are devolved to Holyrood.

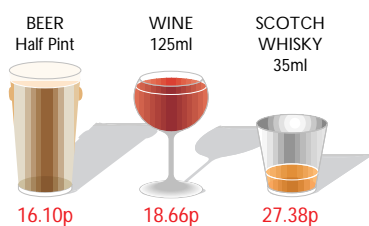
Reserved Matters

Matters affecting the industry which remain reserved to Westminster include

- ◆ *Excise duties*
- ◆ *International trade issues*
- ◆ *Intellectual property rights and trademark law*
- ◆ *Competition law*
- ◆ *Health safety and welfare in connection with work*

The fact that these are reserved does not mean that they are of no concern to the Scottish Parliament - for they are vital to the success of the industry, with all that that means for employment in Scotland. The industry hopes that the Parliament will take a close interest in them, and will add its voice to the campaign to ensure that a major Scottish industry is not disadvantaged.

UK duty on alcohol content



Equal Alcohol - Unequal Tax

On **excise duties**, the current regime, both in the UK and in Europe at large, discriminates heavily against spirits, and in favour of wine. The effect of current policy is to export jobs from the glens of Scotland to the vineyards of southern Europe. The Scotch Whisky industry's position is that the only logical, equitable and non discriminatory method of taxing alcoholic drinks is equal tax treatment for *all* alcoholic drinks in the UK, the EU and all world markets. In other words the same rate of tax applied to all drinks, levied according to their alcoholic strength.

On **international trade**, the industry seeks free and unfettered access to all world markets, and the elimination of both tariff and non-tariff barriers. A great deal of the detailed work in this area is conducted direct with Whitehall Departments, an arrangement which will continue. But the industry will look for support from the Scottish Parliament to ensure that there is no diminution in the priority accorded to such matters in Whitehall.

The industry looks to the Parliament to give similar support on other reserved matters affecting the international competitiveness of Scotch Whisky.

Devolved Matters

The principal devolved matters which directly affect the Scotch Whisky industry include:

- ◆ *Business rates and fiscal issues*
- ◆ *Legislation and regulation, including that on*
 - ◆ *Product labelling*
 - ◆ *Product standards, safety and liability*
 - ◆ *The Environment*
- ◆ *Health and social aspects of alcohol*
- ◆ *The Scotch Whisky Act*

the ISSUES

Fiscal Issues

The Scottish Executive will have power either to set a Scottish *Uniform Business Rate*, or to devolve responsibility for the setting of business rates to local authorities. The Scotch Whisky industry, in common with other industrial sectors, wishes to see the continuation of the Uniform Business Rate at a level which does not disadvantage Scottish business in relation to its competitors south of the Border.

Legislation and Regulation

The Scotch Whisky industry welcomes the powers of the Scottish Parliament to legislate and make regulations over devolved areas, believing that by being closer to the industry, the Parliament will be able to recognise better the needs of the industry and the impact of any proposals.

The industry would wish to be consulted fully on proposed legislation and regulation. It welcomes the proposals for consultation during the pre-legislative and legislative process set out in the Report of the Consultative Steering Group - and particularly those providing for relevant bodies to contribute to the policy making process and for Committees to conduct enquiries on the need for legislation or further legislation. The industry hopes that the Parliament will endorse these proposals in determining its Standing Orders.

The industry will look to the Parliament, in exercising its powers to make legislation and regulation, to ensure that it is appropriate and does not impose disproportionate cost on the industry. We would hope that the Parliament will not seek to impose more rigorous regulation than that required in the relevant European directive. This applies over the whole field of regulation, including -

- ◆ *environment*
- ◆ *product labelling*
- ◆ *product standards, safety and liability.*



With this in mind, the industry endorses the recommendations in the Report of the Consultative

Steering Group that legislation introduced into the Parliament - and by extension subordinate legislation - should be prefixed by a Memorandum explaining, inter alia, the best estimated costs, benefits and financial implications: and we consider that, where appropriate, the Memorandum should also cover the costs to business of compliance (as was suggested as a possibility).



Environmental issues will be devolved, mainly involving the translation of European Directives into domestic law. The industry will seek full consultation on such regulations and hopes that the Parliament will take Scottish circumstances fully into account in making regulations and seeking derogations where appropriate.

Product labelling is in general a reserved matter, except in the case of labelling for food and drink products. Food and drink products produced in Scotland are sold throughout the UK, and in the case of Scotch Whisky in particular are exported widely. It would impose extra costs and inflexibility if different labelling requirements were imposed in Scotland and England.

The Scottish Parliament will be responsible for **product standards** covering safety and liability issues relating to food, agricultural and horticultural products and, in the case of food safety, products which come into contact with food. Most such issues, again, relate to the translation into domestic law of European Directives. The industry regards as potentially advantageous the fact that they will be handled by Scottish officials who understand the industry.

In overseeing the implementation of regulation, we would urge the Scottish Parliament to look for standards which are no more onerous than apply elsewhere in the UK or the EU.

Health and Social Policy

The industry welcomes the Government's approach on alcohol misuse, and pledges itself to work with the Parliament on policies to combat misuse and under age drinking through education. It hopes that the Parliament, in developing policies in this area, will take full account of the evidence that restrictive policies (e.g. restricting access through licensing laws) do not work, but that education does.

The Scotch Whisky Act

The Scottish Parliament will have powers to legislate on Scotch Whisky, but only where the effect of the legislation is confined to Scotland. The Scotch Whisky industry urges the Parliament to recognise that legislation affecting Scotch Whisky is likely to have international implications, even if its effect is confined to Scotland; and that the vital need is to protect the integrity of Scotch at home and worldwide.

The definition of Scotch, as laid down in the Scotch Whisky Act and the Scotch Whisky Order, is crucial to the protection of Scotch Whisky worldwide. Since the definition applies throughout the UK, any Orders made under the Act to amend the definition would be made by a Scottish

Minister, subject to the approval of Holyrood, and by the Minister of Agriculture, subject to the approval of Westminster. It will clearly be essential to ensure that a consistent definition applies throughout the UK, and that the Scottish Executive and Whitehall liaise closely on such issues. The industry would expect to be fully consulted on any proposed changes, and indeed on any legislation affecting Scotch Whisky.

Europe

The Scottish Executive will establish a presence in Brussels and will be involved in discussions with the Commission and the Council of Ministers on issues affecting Scotland. We shall look to the Executive to bear in mind the interests of the Scotch Whisky industry in their relations with European institutions; and look to the Parliament to encourage them to do so.

Conclusion

The Scotch Whisky Association is quite clear: the Scottish Parliament will have an influential role in shaping the future environment in which the industry operates.

There is the risk that MPs at Westminster, civil servants, the media, political activists and the public will see Scotch Whisky issues as solely the preserve of the Scottish Parliament. A glance at the split between reserved and devolved powers underlines quite clearly the fallacy in any such view, and it will be a priority for the industry - and, it is to be hoped, the Scottish Parliament - to overcome any misconceptions, and to ensure that the industry's legitimate interests are suitably heard, aired and progressed in Westminster along with other crucial Scottish interests.

In the case of those matters which are devolved, the industry's policies are outlined above, and it will look to the Scottish Parliament to support measures that will not place undue obstacles in the way of this most successful of Scottish industries.

In the case of those matters which are reserved, the Association will seek to persuade the new Scottish Administration to intercede and make representations at Westminster and in Brussels in support of Scotch Whisky, and to defend the industry's interests so that it may expand and progress so as to build upon its record of success for the Scottish people and for the economy of Scotland.



the Land
the People
the Industry



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