SUPPLEMENTARY SUBMISSION FROM THE SCOTCH WHISKY ASSOCIATION

I am writing to follow up my appearance before the Committee on Tuesday 27 September 2011 when I undertook to write setting out some examples of cross border shopping.

The cross border shopping phenomenon appears where there is a disparity (usually tax induced) in pricing between different countries. It may be considered a feature of the European Single Market and a consumer’s right to purchase goods where he/she pleases.

Where a significant disparity arises, or where taxes are exceedingly high there is an additional incentive for illicit trade.

I hope the following examples give the Committee a flavour of the phenomenon:

- Luxembourg attracts a considerable number of cross-border shoppers travelling from neighbouring countries. Beer, wine and spirits rates are less than in Belgium, and the spirits duty is also lower than in France and Germany.

- The difference in excise duty between the Republic of Ireland and Northern Ireland fostered a vibrant cross border trade in a range of goods. Visitors from Eire bought other products in addition to alcohol. The result was that one retailer in the North that had no stores in Eire was reportedly responsible for 30% of the entire grocery market in Eire. Ultimately, the level of cross border trade was such that the Republic of Ireland reduced its excise duty rates on alcohol.

- High taxes in Scandinavia have resulted in Norwegians buying in Sweden and Swedes shopping in Denmark and Germany. The excessive duty rates levied in Sweden mean that around 50% of spirits consumed in Sweden are not sold through the State monopoly shops, but imported from other countries or illicitly produced. Some 30% of the beer and wine market is estimated to be sourced through cross border shopping.

- The cross-channel effect on the UK drinks industry has been well reported over the years. This continues. HMRC recently reported that one in every seven pints of beer were smuggled in from abroad, costing £800m in lost duty.

- Cross border shopping also takes place between France and Italy encouraged by the fact that excise duty in Italy is almost half the rate applied in France. Some trade estimates suggest that for certain brands up to 15% of their consumption in France is as a result of cross border shopping.

The open border between Scotland and England would make cross border shopping attractive in the event that due to minimum pricing in Scotland or duty disparity with the UK there was an incentive for legitimate cross border shopping to flourish. Regrettably, it could also encourage activity by organised crime.
I hope the additional information assists the Committee.

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4 October 2011