SUPPLEMENTARY SUBMISSION FROM SCOTCH WHISKY ASSOCIATION

Devolution of Excise Duty – Scottish Government Paper

Thank you for the invitation to comment on the above paper from the Scottish Government that was not available at the time the Association gave oral evidence to the Committee.

When I appeared before the Committee I raised a number of the practical and legal concerns held by our members over devolution of duty. Regrettably, these concerns have not been addressed in the Scottish Government’s paper.

Indeed rather than devolving the power to set duty rates as appeared to be the Government’s intention, the Government appears in its paper to request a transfer of the revenue attributed to alcohol sales in Scotland from Westminster to Edinburgh. This is in contrast to the stated intent of the Government that devolution of taxes is desirable to allow Scotland to set its own rates.

We can only assume that the questions and concerns we raised presented very real practical and legal impediments to such a degree that solutions were not available to the Scottish Government.

There are a few specific issues within the Government’s paper I should like to comment upon for the benefit of the Committee. For ease of reference I use the same headings as contained in the Government’s paper.

Scotland’s Relationship with Alcohol

There are a number of omissions in the Government’s paper owing to a lack of recent data being included.

For example, there is no recognition of the fact that the rate of alcohol related liver deaths has declined since 2006, nor that hospital discharges, one of the Government’s key indicators, have also come down by 8.8% over the last two years.

Link Between Alcohol Consumption and Price

The paper presented by the Government refers to the RAND Europe Report. We are surprised that the Government uses this study to suggest that there is a ‘direct link between alcohol price/income and harm’ or that it ‘supports the use of alcohol pricing policies’ when the RAND study actually shows exactly the opposite.

The RAND research found that between 1996 and 2004 alcoholic beverages became more affordable in most EU Member States yet consumption fell.

As pricing and availability is broadly similar across the UK the focus on price as a solution to tackling misuse in Scotland fails to assess why consumption is higher in Scotland.
The Scottish Government paper goes on to set out the Government’s intention to introduce a minimum unit price in Scotland, yet here again there is a crucial omission from the paper of an important feature of the RAND report. On minimum pricing, RAND concluded that minimum pricing could potentially be considered to be in contravention of EU Competition rules and that an effective alternative would be a ban on sales below cost which is not trade restrictive. This is in keeping with the solution put forward by the SWA.

**Devolving Excise Duty**

On page 9 the paper refers to the Isle of Man, Jersey and Guernsey. These States are not members of the European Union or United Kingdom. Their ability to set duties would appear to differ from those that would be applicable in the case of Scotland.

I hope the Committee finds these observations of assistance.

Campbell Evans  
Director of Government and Consumer Affairs  
Scotch Whisky Association  
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