The Scotch Whisky Association welcomes the opportunity to respond to the Rural Economy and Connectivity Committee’s enquiry on the Draft Budget 2018-2019 in relation to the food and drink industry.

Scotch Whisky Association
The Scotch Whisky Association (SWA) is the industry’s representative organisation that protects and promotes Scotch Whisky worldwide. The Association represents around 95% of the industry and our member companies include distillers, blenders and bottlers of Scotch Whisky.

Scotch Whisky makes a vital contribution to the Scottish economy:

- Exports reach around £4 billion each year.
- The industry supports around 40,000 jobs, of which 10,400 are directly employed.
- Invests over £1.7 billion annually across the supply chain.

Scotch Whisky represents nearly 80% of Scotland’s food and drink exports and investment in established, and new distilleries, continues across Scotland. The industry plays an important role in communities across Scotland, providing 7000 jobs in rural areas where there may be limited alternative employment.

Growth of the food and drink industry
Food and drink production has been identified as one of the key sectors that has significant potential to drive future economic growth in Scotland. To increase food and drink exports, the sector needs:

- A regulatory agenda that delivers a platform for international growth - Scotland should be at least as competitive, if not more so, than the rest of the UK.
- Transport infrastructure to enable effective routes to market.
- Digital broadband investment in rural areas to enable businesses across the whole of Scotland to communicate effectively.

With regard to the current tax system, Scotland needs to be as competitive as the rest of the UK. One change that is required is for any future increase in business rates to rise by no more than CPI, rather than the RPI measure of inflation. This switch from RPI to CPI indexation was endorsed by the recent Barclay Rates Review and, following the recent UK Budget, is also being introduced for ratepayers in England from next Spring.
If future rises in Scottish business rates remain aligned with RPI rather than CPI, it would put Scottish businesses at a further competitive disadvantage compared to firms operating down south.

Additional support required by the industry includes effective transport infrastructure to sustain and encourage growth, particularly on islands and in rural areas. Infrastructure needs to facilitate growth and effective routes to market are key for growing exports. Furthermore, the Scottish Government should accelerate its programme to extend access to super-fast broadband before the target of 2021. Companies working in rural areas need improved connectivity.

The Scotch Whisky industry is committed to promoting environmental sustainability and is a key participant in the circular economy. The SWA’s ambitious environmental strategy has a range of targets including to reduce energy use and greenhouse gas emissions. It is important that the Scottish Government ensures appropriate financial levers are in place to support and encourage this policy area. One example of change required is to remove the disincentive to investment in renewable energy by changing the way rates are calculated for renewable energy that is kept in-house, which currently results in a higher rate than for those who supply it to the grid.

**Scotch Whisky support to grow the sector**
To help the food and drink sector grow, the Scotch Whisky industry works with other industries by sharing knowledge and expertise so that a broader range of Scottish products are exported to a broader range of markets.

The Scotch Whisky Export Collaboration Charter, with Scotland Food and Drink and Scottish Development International, builds on Scotch Whisky’s success, with the aim of creating opportunities to collaborate to ensure that best practice and the lessons learned on how to access and grow markets are widely shared across the food and drink sector.

In addition, the skills of Scotland’s workforce are key to the continued economic success of not just Scotch Whisky but of Scotland as a whole. The SWA and its member companies are committed to working with partners to help facilitate this. The industry engages well with schools to educate students on the diverse range of opportunities in Scotch Whisky and a range of work placements, graduate programmes and apprenticeships are available.

**Conclusion**
As businesses are facing unprecedented uncertainty with Brexit, to encourage growth at home, increase international trade and attract investment, business competitiveness is key. To grow the food and drink industry, Scotland needs to be as competitive as the rest of the UK.

Scotch Whisky Association
December 2017