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SCOTTISH MINIMUM PRICE PLAN IS ILLEGAL AND INEFFECTIVE

The Scottish Government's proposed minimum price of 45p a unit will do little to address alcohol harm in Scotland but will cause significant damage to Scotch Whisky at home and abroad, The Scotch Whisky Association (SWA) said today.

Scotch Whisky producers believe minimum pricing would breach EU and international trade rules. Copycat action in export markets - with trade barriers justified on spurious health grounds - would have a major negative impact on Scotch Whisky overseas, undermining the industry and its supply chain across Scotland at a time of economic uncertainty.

At 45p a unit, the cost of an averagely priced bottle of Scotch Whisky in Scotland will increase by 16% to £12.60, reducing the domestic market by nearly 13%. Value and own-label brands would be particularly impacted.

A Scottish Government commissioned model suggests the proposed price fails to meet the basic tests of EU law, with only a 4.3% fall in alcohol consumption predicted. A range of other measures could achieve a similar impact, without distorting competition or restricting trade.

The SWA again called for political parties to unite around long overdue excise duty reform and a ban on alcohol sales below tax. This would set a legal and transparent 'floor price', addressing issues around the pricing of certain alcoholic drinks.

Gavin Hewitt, SWA Chief Executive, said:

"The Scottish Government's scheme fails to meet the basic tests of EU law and will do little to address alcohol misuse. This policy would, however, significantly damage Scotch Whisky at home and abroad.

"We need consensus on a legal alternative. Excise duty reform so that all drinks are taxed on the same basis, according to alcohol content, and a ban on sales below tax, is a fair and socially responsible way forward. It would also raise over £1bn extra revenue for the public finances."



Note to Editors:

1. 45p a unit would result in a minimum price of £12.60 for a 70cl bottle of Scotch Whisky (at 40% vol.). The current average price for Scotch Whisky in Scotland is £10.85.
2. Analysis of a wide range of international price elasticity studies suggests the average price elasticity of demand for spirit drinks is -0.80. This means that for every 10% rise in price, there will be an 8% reduction in sales.
3. Alcohol served as Scotch Whisky is already taxed some 250% higher than the same amount of alcohol served as cider, 37% higher than beer, and 30% higher than for wine. The excise duty on Scotch Whisky has been raised nearly 22% since 2008.
4. A ban on sales below tax introduces a 'floor price' for alcohol that is both simple and enforceable, overcoming the legal issues around the Scottish Government scheme. Retailers would be required to pass on any increase in tax to the consumer.
5. The European Court of Justice has consistently ruled that minimum pricing schemes are likely to be illegal. Any exception would have to be proportionate, necessary to protect public health, and the least trade restrictive measure available. Given other less restrictive options exist - such as tax reform and a ban on sales below tax - the Scottish scheme is likely to breach EU law.
6. For further information please contact Campbell Evans (07768 002 262) or David Williamson (0131 222 9230 and 07730 496 151) at the SWA.