



The Scotch Whisky industry is strategically important to the economy of Scotland. It makes a significant contribution to exports, employment, taxation and tourism.

However, as the debate in the Scottish Parliament on 14th November showed, the industry is under severe pressure after a 25% tariff on Single Malt was implemented in October. The upcoming Budget is an opportunity for the Scottish Government and MSPs to follow through on the package of support that is needed to sustain the industry during this turbulent period.

SCOTTISH BUDGET SUBMISSION

@ScotchWhiskySWA
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www.scotch-whisky.org.uk

The industry's contribution to the Scottish economy in numbers:

- Exports **41 bottles of Scotch Whisky per second**, worth £4.7bn in 2018
- Adds **£3.8bn in Gross Value Added** to the Scottish economy, of £5.5bn total across the UK, up 10% since 2016
- Supports more than 42,000 jobs across the UK, including **10,500 people directly** in Scotland, and **7,000 in rural communities**
- Contributes significantly to the productivity of the Scottish economy, **producing £210,505 GVA per employee**
- **Annually invests over £1.8bn in our UK-wide supply chain** and over £500m in CapX in the last 5 years

Despite these impressive numbers and the industry's vital economic contribution to the Scottish economy, the impact of US tariffs and uncertainty of Brexit have meant considerable costs for producers across Scotland.

The industry is asking the Scottish Government to **#SupportScotch** in the upcoming Scottish Budget. The following five priority areas will help the Scotch Whisky industry continue to grow, boosting investment and productivity across Scotland.

1. TAXATION

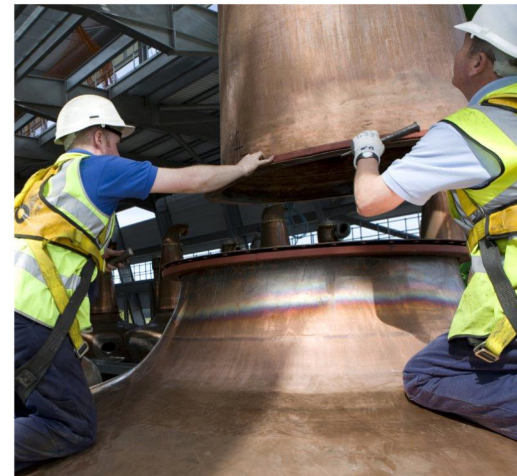
The Scotch Whisky industry provides a significant amount to the public purse. We are one of the only industries in Scotland that cannot relocate – Scotch Whisky will always be rooted in Scotland. Therefore we are dependent on the Scottish Government to create a business and regulatory environment that promotes sustainable growth and the strong foundation from which to export to the world.

Competitiveness is key for business investment and growth. All industries in Scotland need to be competitive and, both now and in the future, Scotland must be at least as competitive as the rest of the UK, particularly at such a time of uncertainty for Scotland's national drink.

Current levels of business rates, large business supplement and other policies - like the work place parking levy – are all significant costs to business and our workforce. A balance must be achieved between raising government revenue and giving business the opportunity to drive growth which will, in turn, grow the economy.

We believe that productivity enhancing measures are needed to protect Scotland's competitiveness and give our economy the boost it needs. We therefore ask the Scottish Government to:

- Commit to no new or additional levies on businesses for the rest of this parliament
- Bring the Large Business Rate Supplement in line with the UK to encourage investment and remove the competitive disadvantage for Scottish companies
- Ensure that regulation supports and encourages economic growth.
- Commit to no further income tax rises or band reallocation to help our member companies attract and retain talent in Scotland



2. INFRASTRUCTURE

Comprehensive digital and transport infrastructure provide businesses with the opportunity to work more efficiently.

Transportation of goods across the supply chain, effective routes to market and communication are key for the development of the industry domestically and provides the platform for global growth. Investment in broadband, energy infrastructure and transportation improvements, particularly at ports, is essential for Scottish businesses to grow.

We ask the Scottish Government to:

- Speed up the procurement process for the new Islay ferry
- Invest in Scottish port infrastructure in the event of a no-deal Brexit and invest in more direct links between Scotland and the near continent
- Deliver 'super-fast' broadband throughout Scotland, with a 'rural first' policy
- Improve the gas and electricity grids
- Invest in smaller-scale improvements (e.g. road realignment and passing places) on key routes (e.g. A95/A941)
- Invest in Scotland's rail freight terminals to make rail more attractive, leading to an increase in use of less carbon intensive transport

In addition, our member companies report an acute housing shortage for workers in some rural communities, particularly on islands. We welcome the strategic focus from the Scottish Government in relation to the National Islands Plan, in particular the strategic priorities relating to housing, connectivity and transport that would help alleviate this issue.

We ask the Scottish Government to:

- Provide sufficient resourcing to deliver the National Islands Plan commitments
- Update the National Infrastructure Plan to deliver these commitments as a strategic priority

3. FOCUS ON SUSTAINABILITY

The Scotch Whisky industry is an environmental leader and we are committed to continue to develop innovative ways to minimise our environmental impact. The SWA's Environmental Strategy, which sets out targets for water use, energy use/efficiency, packaging and waste, was refreshed in 2016 to bring it in-line with government ambitions and widened its scope to include the circular economy and sustainable land use.

The Scotch Whisky industry understands the priority that the Scottish government has given to addressing the climate emergency. In recognition of new, ambitious targets, work is now underway to ensure the industry help government deliver our shared net-zero ambitions. We aim to publish updated industry strategy by end of 2020.

To make further emission reductions, industries need a supportive and enabling policy framework which may require financial incentives to drive investment in renewables. This will play a key role in delivering on the Scottish Government's 2045 net-zero greenhouse gas target.

An anomaly exists that causes a disparity in non-domestic rate payments for renewable energy that is produced and used at a site as opposed to a much lower rate for companies that send it to the grid. By amending the Plant Machinery Regulations, companies using the renewable energy for their own use will no longer be deterred from investing in this area.

The SWA collaborates with the Scottish Government on many issues relating to decarbonisation and is keen to continue this work. We support the Scottish Government's ambitions to create policies which facilitate the improvement of recycling of resources in Scotland in an effective manner. Collaboration with businesses to deliver environmental targets is essential to ensure that supporting policy exists and unintended consequences are understood well in advance of any introduction. Otherwise, sudden or inadvertent financial impacts could negatively impact competitiveness.

We ask the Scottish Government to:

- Develop an enabling and supportive policy framework work to help the industry transition to net-zero greenhouse gas emissions, including innovation, energy efficiency, cross-boundary heat flows and alternative zero-carbon fuels
- Exclude glass from its new Deposit Return Scheme until significant questions about the viability of glass in the scheme have been resolved and we can be certain that the current design doesn't undermine the sector achieving its sustainability and emissions targets.
- Amend the Plant and Machinery Regulations to remove the anomaly for companies that use the renewable energy produced on site

4. SKILLS

Scotch Whisky is a significant employer, directly employing nearly 11,000 people and supporting tens of thousands more through the supply chain. The world of work is changing and there are challenges ahead. The Scotch Whisky industry has a wide range of skill needs, from distillers to production operators, scientists, engineers, customs experts, visitor centre managers and international marketers. We want our industry to reflect and celebrate Scotland's diversity and attract talent to our businesses in Scotland and beyond.

However, our workforce is ageing and the Scotch Whisky industry needs to attract new recruits to maintain sustainable growth. Work is underway in some areas of Scotland where valuable business and education engagement takes place. However, to date, progress has been slow and partnerships between schools and local companies vary in their approach across Scotland.

We are eager to do more to ensure we have a skilled workforce in the future who can help to drive forward our industry and its economic contribution.

We ask the Scottish Government to:

- Embed practical work-based learning into the curriculum from early years to senior phase and develop a central bank of materials (including teaching resources, exemplars, videos etc.) that can be used in the classroom with the support of local companies to help deliver.



5. DEDICATED PROMOTION OF SCOTCH WHISKY AND DISTILLERY TOURISM

Investment in Scotch Whisky tourism has been an important focus for the industry over recent years. A number of excellent visitor experiences have been created by the industry across rural Scotland, which has led to distilleries becoming collectively Scotland's third most popular visitor attraction, with over 2 million people visiting sites in 2018. This has created a variety of new jobs in the industry, and a halo effect into local communities which is reinvigorating local services, such as hotels and restaurants.

In light of the US tariff threat, we ask the Scottish Government to commit dedicated funding to the promotion of Scotch Whisky and attracting consumers to Scotland to experience the industry first-hand. This could be delivered jointly through Scotland Is Now and GREAT campaign, with the aim of keeping consumer interest in Single Malt Scotch Whisky strong in the face of inevitable price rises.

We believe this would require dedicated government funding, split between the UK Government and the Scottish Government, of at least £1 million per year for at least three years to mitigate the impact of price rises and potential losses in market share. This could also include support wider Scotch Whisky tourism. The US government has provided dedicated funding of over US\$1 million to date to the Distilled Spirits Council of the United States (DISCUS) for the promotion of American whiskies in Europe, in response to EU tariffs.

We ask the Scottish Government to:

- Contribute to dedicated funding of at least £1million per year for three years to promote Scotch Whisky and attract consumers to Scotland to boost tourism.

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