



DEBATE PACK

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Contribution of the Scotch whisky industry to the UK economy

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Summary

This Debate Pack has been compiled ahead of the debate on the contribution of the Scotch whisky industry to the UK economy to be held on **Wednesday 9 March at 2:30pm in Westminster Hall**. The Member in charge of the debate is Brendan O'Hara MP. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issues being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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1. Summary

The following data are taken mainly from reports commissioned by the [Scotch Whisky Association](#) (SWA), the main trade association representing this industry.

Economic contribution

The SWA estimates that the Scotch whisky industry's contribution to the economy was £3.3 billion in 2013. This estimate suggests that the industry is bigger than the UK steel industry or the UK shipbuilding industry.

Turnover of the Scotch whisky industry in 2013 was £5 billion. It is estimated that Scotch whisky producers spend £1.4 billion on suppliers based in Scotland.

[Source: SWA, [The economic impact of Scotch whisky production in the UK](#), 2015 p3, 6. Economic contribution is Gross Value Added]

Employment

In Scotland, estimates suggest that the Scotch whisky industry directly employs 11,000 people. In the UK as a whole, this figure rises to 13,000 jobs directly reliant on the industry.

[Source: SWA, [The economic impact of Scotch whisky production in the UK](#), 2015 p3]

Production

Production of malt Scotch whisky has increased steadily over the last few years and 285 million LPA were produced in 2014. Malt Scotch whisky accounts for just under half of all Scotch whisky production.

[Source: SWA, [Statistical report 2014](#), p3; LPA is litres of pure alcohol]

Trade

Scotch whisky exports were worth £3.9 billion in 2014, 1.4% of total UK exports. However, this is 80% of Scotland's and 25% of the UK's total food and drink exports.

The trade surplus (exports minus imports) for Scotch whisky is the second highest of any good exported from the UK. The SWA estimates that the UK's overall trade deficit would be 16% higher without Scotch whisky exports.

[Source: SWA, [The economic impact of Scotch whisky production in the UK](#), 2015 p14]

Tourism

There were 1.1 million visits to Scotch whisky distilleries in 2013 involving 20% of visitors to Scotland. Visiting distilleries was one of the top 20 activities undertaken by tourists in Scotland.

Among overseas visitors to Scotland, visiting distilleries was most popular among German visitors, 43% of whom participated. The European average was 34% and 32% of US visitors visited a distillery.

[Source: Visit Scotland, [Whisky tourism: facts and insights](#), March 2015]

2. Press Articles

The following is a small selection of recent press and media articles which may be relevant to this debate. Please note: the Library is not responsible for either the views or accuracy of external content.

[Why Scotch whisky is the UK's leading commodity](#)

The Week

19 February 2016

[Chancellor's 2015 whisky tax cut that boosted treasury coffers by £100m 'must be repeated'](#)

David Frost

Politics Home

27 January 2016

[Scotch whisky London office to boost £4bn exports](#)

Mike Stones

FoodManufacture.co.uk

4 December 2015

[In numbers; Scotland's whisky industry](#)

Alistair Munro

The Scotsman

11 November 2015

[We should raise a glass to toast the long-term view of Scotch distillers](#)

Ian McConnell

The Herald

6 November 2015

[Alan Reid MP: UK economy on the rocks? Scotch Whisky industry contributes £5 billion a year](#)

Alan Reid MP

Politics Home

12 February 2015

[Scotch whisky industry 'bigger than UK iron and steel or computers'](#)

Rebecca Smithers

The Guardian

27 January 2015

[Scotch myths: is our whisky industry really a success story?](#)

Colin Donald

The Herald

12 February 2012

3. Press Releases

Scotch Whisky Association

Scotch Whisky – a vital UK industry

16 February 2016

Scotch is big boost for balance of trade; 2% excise cut would encourage growth

Scotch Whisky is a star performer for the UK economy in overseas markets and without its success Britain would have a substantially larger trade deficit, new figures published today reveal.

The figures show that Scotch is the biggest net contributor to UK trade in goods. Exports are worth almost £4 billion, while imports in the supply chain, such as packaging for products and casks for maturing the spirit, total only £200 million. The Scotch industry's trade balance is therefore £3.8bn. Without the success of Scotch, the UK's trade deficit of almost £35bn would be 11% larger.

This is among the key findings of new figures released by the Scotch Whisky Association on the 'Economic Impact of Scotch Whisky Production in the UK', which updates some of the analysis published at the start of the last year.

Other findings include:

- Value added to the economy is up 1.6% to just over £5bn
- The industry invests £1.7bn a year in its supply chain, almost all in the UK
- Scotch Whisky supports salaries worth £1.4bn to UK workers
- The industry plays an important role in rural communities where it employs 7,000 people.

The Scotch Whisky industry is expanding at historic levels. Nine new distilleries have opened in the last two years and up to a further 40 are planned across Scotland. Significant investments have been made in warehousing and bottling capacity, as well as renewable sources of energy.

Last year's 2% cut and the spirits duty freeze and scrapping of the alcohol escalator in 2014 gave a boost to confidence in the industry, helping to support the conditions for investment.

Despite the improvement in the last couple of years, tax, including excise and VAT, on an average priced bottle of whisky stands at an onerous 76%. Last year's spirits duty cut actually helped boost government tax receipts on spirits by £96 million between April and December, compared to the same period in 2014. There is every reason to think that a further reduction would benefit UK revenues once again, as well as the Scotch Whisky industry and consumers.

David Frost, Scotch Whisky Association chief executive, said: "These figures re-emphasise how significant the Scotch Whisky industry is to the Scottish and wider UK economy, adding more than £5bn of value and supporting around 40,000 jobs. But it may surprise some people that Scotch Whisky is now the number one contributor to the UK's balance of trade in goods and that the trade deficit would be 11% higher without whisky exports.

"Given the scale and impact of the Scotch Whisky industry, we believe the government should re-double its efforts to support distillers. At home, in the short term, a further 2% duty cut in next month's Budget would be a major boost, supporting small businesses that rely on the home market and further investment in the sector."

Scotch Whisky Association

£5bn Scotch Whisky Industry Boosts Suppliers

6 February 2015

The Scotch Whisky industry, which is a vital part of the UK economy and adds almost £5 billion in value every year, was celebrated this week (4 February) at Westminster.

The event in the House of Commons, attended by the Scotch Whisky industry, members of the industry's supply chain and politicians marked the launch of 'The Economic Impact of Scotch Whisky Production in the UK' report, commissioned by the Scotch Whisky Association (SWA) from 4-consulting.

Secretary of State for Scotland Alistair Carmichael MP welcomed the industry's economic contribution at the Parliamentary event hosted by the SWA to mark the new report. One key finding of the report is that Scotch Whisky producers spend £1.8bn on suppliers, with 90% of that expenditure in the UK. The Scotch Whisky industry directly employs 10,900 people and supports a further 30,000 jobs across the UK through the supply chain. The production and export of Scotch Whisky is a key industry in the UK.

David Frost, Scotch Whisky Association Chief Executive, said: "Scotch Whisky is a high-quality, much-loved drink with a global reputation. The new report shows just how significant the industry is to the wider UK economy. Given the scale and impact of the industry, we believe the government should show its support and recognise Scotch as a cultural asset that boosts growth and jobs and supports communities by cutting excise duty by 2% in the Budget. It is unfair on the industry and consumers that almost 80% of the average price of a bottle of Scotch Whisky is taxation."

The event at the House of Commons was hosted by the SWA and the All Party Parliamentary Group on Scotch Whisky.

The 'Drop the Duty!' campaign to cut alcohol duty by 2% is supported by the Scotch Whisky Association, the Wine and Spirit Trade Association and The Taxpayers' Alliance.

Green Investment Bank

Scottish whisky distilleries become more sustainable

21 May 2014

The UK Green Investment Bank (GIB) has today announced £5m of funding for a pipeline of energy efficiency projects at a number of Scottish distilleries.

Half of this will come from GIB, with matched funding from the private sector.

Today, GIB is announcing that Aberfeldy distillery in Perthshire will be taking advantage of the new funding available.

This follows GIB's announcement last year of an investment at the Tomatin distillery, near Inverness. Tomatin is on track to reduce its greenhouse gas emissions by c. 80%.

The projects will finance the installation of biomass boilers, to replace the existing, inefficient, heavy fuel oil boilers. This will reduce the distilleries' energy costs and their greenhouse gas emissions, without requiring any up-front capital investment. The boilers will be used to produce steam, necessary for several parts of the whisky production process.

The Aberfeldy project will use the same core biomass boiler technology and systems as at Tomatin. Engineering and installation works will commence immediately.

Bacardi, who own the distillery, have estimated that the project could reduce the distillery's carbon footprint by up to 90%, by replacing 100% of the heat currently generated from fuel oil.

Aberfeldy Distillery was founded by John Dewar & Sons, Ltd. in 1896 and opened in 1898. The distillery is located on the outskirts of Aberfeldy, on the southern bank of the Upper Tay. Aberfeldy is the largest malt whisky component of Dewar's Blended Scotch Whisky. It relies on the fresh water stream Pitilie Burn, which runs alongside the distillery and is the only distillery in Scotland to use these waters.

The investment is being made by the Equitix-managed fund, Energy Saving Investments (ESI), in which GIB is the cornerstone investor, alongside the Equitix Energy Efficiency Fund (EEEF). The investment is in partnership with Balcas Limited (Balcas), a British SME and leading UK manufacturer of wood pellet biomass.

The new biomass boilers will be fuelled by sustainably sourced wood pellet fuel. The pellets are manufactured by Balcas using renewable energy and raw materials sourced from local, sustainably managed forests at their plant at Invergordon.

4. Parliamentary Material

4.1 Debates

Scotch Whisky Industry

[HC Deb 12 Feb 2015, Column 1050 - 1054](#)

Trade and Investment in Scotland

[HC Deb 24 June 2014, Column 60WH – 66WH](#)

International Trade

[HL Deb 23 Jan 2014, Column 746 – 783](#)

4.2 Parliamentary Questions

HM Treasury: Whisky [[PQ 224223](#)]

Asked by Dan Jarvis

Asked on 11 February 2015

To ask Mr Chancellor of the Exchequer, what estimate he has made of the total annual economic contribution of the Scotch whisky industry to the economy.

Answered by Priti Patel

Answered on 25 February 2015

A report produced by the Scotch Whiskey Association in January 2015 outlines that the industry contributes £5bn to total UK GDP and directly and indirectly supports 43,000 jobs in the UK.

Alcohol

Asked by Lord Avebury

To ask Her Majesty's Government what changes they expect in alcohol consumption from on-trade and off-trade purchases respectively over the next five financial years, following the changes in alcohol duty announced in the Budget.

Answered by The Commercial Secretary to the Treasury (Lord Deighton): Changes to beer, cider and wine duty at Budget 2014 help support British pubs. The Government also supports the Scotch whisky industry for the unique role it plays in the UK economy. Freezing the duty on spirits supports the domestic market for the Scotch whisky industry and jobs in Scotland.

The Government expects that there will be a small increase in alcohol consumption as a result of these changes to alcohol duty at Budget

2014 in both the on-trade—where alcohol is sold to be consumed on the premises (e.g. pubs, bars, restaurants)—and for the off-trade—where alcohol is sold to be consumed off the premises (e.g. supermarkets, off-licences). The tables below provide estimates of changes in consumption in both percentage and volume terms relative to the previous alcohol duty rates policy.

[HC Deb 6 May 2014 | HL6692](#)

Whisky: Scotland

Asked by Lindsay Roy: To ask the Secretary of State for Business, Innovation and Skills what assessment he has made of the financial contribution of the Scotch whisky industry to the UK economy in the next 12 months.

Answered by Michael Fallon: The Scotch whisky industry is a UK success story, with exports worth £3.5 billion in 2011 and an estimated Gross Value Added of £3 billion. The industry employs over 10,000 people with a further 25,000 people employed indirectly in supply chains. The Department for Business, Innovation and Skills has not made an assessment of the UK Scotch whisky industry's likely performance in the next 12 months.

[HC Deb 1 Feb 2013 | Column 972W](#)

Scotch Whisky (Oral Questions to the Scotland Office, July 2008)

Gordon Banks: What recent assessment he has made of the contribution of the Scotch whisky industry to the Scottish economy.

The Minister of State, Scotland Office (David Cairns): The Scotch whisky industry is of massive importance to the Scottish economy, and that is why the Government will this year bring forward new measures to enhance its global protection.

Gordon Banks: The whisky industry is also vital for skills in Scotland's economy, and jobs and apprenticeships in my constituency, including those relating to coppersmiths. Will my hon. Friend urge the Scottish Executive to invest in those skills and protect the jobs in Ochil and South Perthshire?

David Cairns: My hon. Friend is correct. There are some 45,000 jobs across Scotland directly dependent on the Scotch whisky industry, which is responsible for putting some £800 million into the Scottish economy, so it is an extremely important sector. My right hon. Friend the Secretary of State visited Alloa recently. They are good, skilled jobs; they are the kind of jobs that Scotland needs, which is why it is deeply disturbing that instead of investing in skills and apprenticeships, the Scottish Executive are cutting apprenticeships.

Malcolm Bruce: Will the Minister join me in welcoming the fact that planning permission has been granted for a new distillery, which is to be built in the town of Huntly? Will he recognise that the strength of the investment made there depends on a strong and healthy industry, and the export industry, and that increasing duty on whisky in future Budgets would not help the current resilience of that success?

David Cairns: The export bit of the industry does not pay that duty, and 90 per cent. of the value of Scotch whisky comes from the export market, which does not pay that duty. I am afraid that the right hon. Gentleman is quite simply wrong on that. As I said in my initial answer, the export market—the international global market—is absolutely vital. That is why we will bring forward measures later this year to enhance the protection of Scotch whisky brands throughout the world, and ensure that the Scotch whisky industry has a stronger case if it needs to go to the World Trade Organisation. I sincerely hope and expect that his party will support those measures when they come forward.

Angus Robertson: The Minister will surely concede that raising duty undermines the efforts of the Scotch Whisky Association and others who are arguing to the likes of the Indian Government that they should reduce duties.

I should like to raise another issue related to whisky. The Minister knows that Moray is home to more than half of Scotland's malt whisky distilleries and production. Does he share my enthusiasm for the current efforts to boost significantly the industry's tourism and economic benefits for the local area?

David Cairns: The hon. Gentleman is right to suggest that there is tremendous tourism potential around the distilleries. More than 1 million visitors visit them each year, and they spend an average of £16 each visit, which is tremendously important. I have been to the Glenfiddich distillery in his constituency, where there is a beautiful visitor centre. We were offered a dram, but it was 9 o'clock in the morning so sadly we had to refuse. He is right to say that there is room for increased tourism potential. I shall have a look at the report that he mentions, and I hope that everyone will take it seriously.

[HC Deb 9 July 2008 | Column 1395 - 1396](#)

Regional Economies (Oral Questions to the Department for Business, Enterprise and Regulatory Reform, November 2007)

Gordon Banks: Does my right hon. Friend agree that regional economies can be international drivers? I draw his attention to the Scotch whisky industry. In my constituency, I am lucky to have a cooperage, distilleries, coppersmiths and a blending plant. Does my right hon. Friend agree that the industry provides a real opportunity to blend traditional skills with a modern economic industry, and that those traditional skills are vital to the preservation of a modern economic base?

Mr. Hutton: Given your interest, Mr. Speaker, I obviously need to answer the question in the right way. I am a great fan of blends, so I agree with my hon. Friend the Member for Ochil and South Perthshire (Gordon Banks) about the importance of the Scotch whisky industry. It is a significant employer, and there is much technology and innovation in the industry. I can assure him, and the House, that the UK Government are doing all they can on issues such as ensuring that Scotch whisky can be sold freely and fairly around the world, without unnecessary high tariffs. I have just come back from Korea, and I can assure my hon. Friend that I raised that point directly with that country's Trade Minister.

[HC Deb 22 Nov 2007 | Column 1324 - 25](#)

5. Further Reading

[*The Economic Impact of Scotch Whisky Production in the UK*](#), 4
Consulting / The Scotch Whisky Association

Graeme Blackett [*Contribution of the Scotch Whisky Industry to the Scottish Economy*](#), BiGGAR Economics, November 2012

Mark Reynier, [*What does Scotland get out of Scotch?*](#) Bruichladdich, 13
February 2012

Professor Sir Donald McKay (Eds.), [*Scotland's Economic Future*](#), Chapter
2, *Is recent economic history a help?* Reform Scotland, 2011

Scherie Nicol, [*The Scotch Whisky Industry*](#), The Scottish Parliament
Information Centre, October 2009

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