Introduction

Whyte and Mackay Ltd welcomes the opportunity to provide written evidence to the Health and Sports Committee for the purpose of its scrutiny of the Alcohol etc (Scotland) Bill.

We are one of the world’s leading suppliers of own label and branded Scotch whisky. The company, headquartered in Glasgow, has a bottling plant in Grangemouth, owns distilleries at Invergordon, Dalmore, Isle of Jura, Fettercairn and Tamnavulin, and operates distribution facilities in Bathgate and Seafield.

We are heavily dependent on the UK market, with 60% of our business being generated here. We are the industry’s leading supplier of own label whisky for the majority of the UK’s grocery retailers, and we account for an estimated 80% share of that market. Own label products account for almost a third of whisky sold in this country. We employ 480 people, of which 90% of which are based in Scotland.

Alcohol in Scotland

Whyte and Mackay shares the concern of Government about the unacceptably high levels of alcohol abuse in Scotland and the impact this has on the nation’s health and society in general.

As a producer and supplier of alcohol we take our responsibilities very seriously and continue to raise the standards of our marketing, promote best practice and be socially responsible. We were a founding partner of the Campaign for Sensible Drinking which has now merged with Drinkaware, and we retain membership of this important body. We are also an active member of the Scottish Government Alcohol Industry Partnership and, in common with others in our industry, we continue to support initiatives that promote safe and responsible drinking.

Minimum Pricing

Although we understand why the Government is keen to look at hard hitting initiatives like minimum pricing, we are strongly of the view that it will not be the deterrent the Scottish Government hopes it will be.

Effectively, minimum pricing would penalise the majority of consumers who drink alcohol responsibly, and will have little or no impact on the minority who have alcohol dependency issues.
We also believe there will be a series of unintended consequences which could seriously undermine the Government’s efforts to tackle this important problem longer term.

**Impact on Jobs**

From our company perspective, we have no doubt that minimum pricing will decimate the own label market. This in turn will lead to significant job losses at Whyte & Mackay, across our distilleries, our bottling plant and our distribution centres.

The Scottish Government has not given any indication in the Bill about the level of the minimum price, so it is therefore difficult to be exact about the impact on our workforce.

Based on informal discussions with Government officials and the media coverage surrounding this proposed policy, we have undertaken an impact assessment at 50p per unit of alcohol.

At a minimum price of 50p per unit of alcohol, a bottle of own label whisky would rise an astronomical 37.5% to a retail price of £14. At that level, quality own label loses its competitive advantage and would be competing in the same price range as premium brands such as Famous Grouse and Bell’s Whisky.

If given the choice, most consumers will opt for the premium brands at the same price. That being the case, the role and need for own label products disappears altogether. We have had it on good authority that supermarkets would likely delist own label products if the competitive advantage was lost and demand shifted to premium whisky.

As the leading supplier of own label whisky, this would be disastrous for our business.

We anticipate that our bottling plant in Grangemouth, which employs 200 people, would close. Our production levels would also be affected so there would be a knock-on effect at our distilleries. Our best estimate is that another 100 jobs would be at risk.

Whyte & Mackay, a company established in 1844, would essentially cease to exist in anything but name only.

If we were to lose that many jobs, and lose that significant profit, there is no way that Whyte & Mackay could continue working with Government to fund and promote responsible drinking initiatives.
“For Calais, Read Carlisle”

There is strong evidence to suggest that minimum pricing will fuel illicit trade in alcohol, particularly where a pricing differential exists between two countries. A minimum price regime in Scotland would create price disparities with England and will encourage cross-border activities, with ‘white van men’ stocking up in Carlisle to sell to the very people who have dependency on alcohol, often in deprived areas, across the central belt of Scotland.

There would be no control over their selling practices and the alcohol would be sold on an unregulated basis, ironically at a cheaper rate than reputable retailers.

This is entirely consistent with the experience of cross-channel buying in France where research has shown that people from as far afield as Aberdeen were willing travelling by van to purchase large quantities of alcohol.

Importantly, and contrary to Government feedback, this will not be about the odd individual heading South for the occasional purchase. As with tobacco, it is inevitable that organised black market businesses will exploit the new profit opportunity. This issue is only exacerbated in a period of economic downturn and high unemployment.

The Irish Government’s radical reduction in excise duty by between 12% and 60% (depending on the product) in December 2009 clearly demonstrates the extent to which differentiated prices across borders drives extensive cross border trading.

Furthermore, we currently estimate that approximately 5% of all alcohol sales are through the internet and mail order routes. It is already a substantial part of the market place and is expected to grow substantially if the Scottish Government were to introduce minimum pricing. It would not be unreasonable to expect that new internet and mail order firms will be established in England to offer advantageous prices to Scots drinkers.

Organised Crime

In September last year, a study conducted by the Swedish Retail Institute (HUI) into restrictive Swedish alcohol policy highlighted numerous shortcomings.

They state that price intervention failed as an instrument for keeping alcohol consumption low, with recent the trends showing it had the opposite effect with a huge amount of imports being sold illegally on the black market.

The organisation states that the availability of alcohol to young people is greater than ever before, and criminal organisations have gained a hold on alcohol distribution making the current policy untenable.
Conclusion

Whyte and Mackay has always been and continues to be committed to playing its part in tackling the serious problem of alcohol misuse in Scotland and in the UK.

However we feel that minimum pricing is the wrong approach. It will have a disproportionate impact on our business and Scottish jobs, and will have unintended consequences which will undermine the positive work being done to date by all stakeholders.

John Beard  
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Whyte and Mackay Ltd