

## **How the European spirits sector is supporting the fight against Coronavirus – and what kind of support we and our value chain partners need right now**

### ***10-Point Action Plan***

spiritsEUROPE ([www.spirits.eu](http://www.spirits.eu)), the trade association representing the European spirits sector, commends the dedication and solidarity shown by governments, institutions and communities alike across Europe in the face of the COVID-19 pandemic.

spiritsEUROPE and our members are trying to help in the ways we know best. Distillers across Europe are shifting their production to make and donate alcohol for hand sanitisers to help fight the spread of this deadly disease. They are also providing direct financial support and training to bartenders and others most affected by the shutdown of the hospitality industry.

In all of our activities, we remain fully committed to support and promote responsible consumption, also and particularly for the duration of lockdown measures. For this purpose, spiritsEUROPE and its members have already launched and promoted targeted guidance in the form of awareness-raising video messages.

The below Action Plan outlines 10 areas in which dedicated measures need be taken to provide support to Europe's spirits sector and our key value chain partners:

- 1. Recognize the strategic importance of the food supply chain, including the spirits sector, as an essential activity to ensure full functioning & uninterrupted maintenance of production and distribution**
- 2. Ensure free circulation of goods in the Internal Market & unblock transport bottlenecks**
- 3. Product authorisation derogations & tax waivers for distilleries producing hand sanitizer & disinfectants**
- 4. Ensure that on-trade premises can continue to sell meals and spirit drinks as takeaway option. Other applicable sales restrictions for spirits should be reviewed and eased to maintain broad consumer choice**
- 5. Facilitate global trade & work towards the abolition of EU-US tariffs**
- 6. Support struggling producers & distilleries**
- 7. Urgent supportive measures for the on-trade sector and wider spirits value chain**
- 8. Urgent supportive measures for the tourism sector**
- 9. Dedicated support measures for the Duty Free and Travel Retail (DF&TR) sector**
- 10. Ensuring fair trading practices and the application of competition rules**

**1. Recognize the strategic importance of the food supply chain, including the spirits sector, as an essential activity to ensure full functioning & uninterrupted maintenance of production and distribution.**

Food and drink products – including spirit drinks – as well as the required ingredients, packaging and packaging materials need to be regarded as essential by all EU Member States in order to keep production running and ensure the proper functioning of the food supply chain.

- ⇒ **With the entire food supply chain, we emphasize that our sectors must be** recognized as essential to maintain our activities and ensure safe, affordable and quality food for our consumers. We ask that the borders remain open for people and for freight to fulfill this essential mission.
- ⇒ **spiritsEUROPE welcomes the European Commission’s [Guidelines for border management measures to protect health and ensure the availability of goods and essential services](#)** and, together with FoodDrinkEurope, calls on all Member States to recognize the essential importance of the food sector and take adequate measures to keep the food supply chain functioning in all of its aspects.
- ⇒ **spiritsEUROPE welcomes Member States decisions preserving** as essential activities the functioning & maintenance of **production and distribution of all food & drink products including spirits.**

**2. Ensure free circulation of goods in the Internal Market & unblock transport bottlenecks**

The spirits sector, like the entire food supply chain, relies heavily on the ability to move raw materials, ingredients, supplies, and finished products rapidly across borders in order to meet consumer demand. In order to avoid long delays at borders and ensure smooth border crossing, adequate protocols should be put in place.

- ⇒ **Members States should harmonize border crossing protocols across the EU** in order to maintain a fully functioning Single Market and to avoid transport bottlenecks.
- ⇒ **We support the European Commission’s guidelines on border management** and welcome the *European Commission’s [Communication on the implementation of the Green Lanes](#)* under the Guidelines for border management measures to protect health to ensure the availability of goods and essential services, and enable smooth border crossings for freight transport, both intra-EU and with third countries
- ⇒ **We support the Commission President’s call to Member States to implement EU recommendations** and ensure unobstructed transport of goods along the entire network of traffic veins.

**3. Product authorisation derogations & tax waivers for distilleries producing hand sanitizer & disinfectants**

To address the Europe-wide supply shortage in disinfectants and tackle the increased need for healthcare professionals and European citizens to have access to them, countless distilleries have switched production and have moved to produce and supply hand sanitiser for those who need it. Member States should facilitate and actively support the production.

- ⇒ **We call on all EU/EEA countries to grant speedy, time-limited derogations from the standard product authorisations to distilleries wanting to produce and put disinfectants on the market.**

We also welcome the development of a centralized authorisation system to be developed by [ECHA](#).

- ⇒ **EU/EEA countries should waive duty charges** whenever distilleries convert ethanol held in duty suspension for production of hand sanitiser for external use. Dedicated guidance should be provided on this (as UK's HMRC has done [already](#)).

#### **4. Ensure that on-trade premises can continue to sell meals and spirit drinks as takeaway option. Other applicable sales restrictions for spirits should be reviewed and eased to maintain broad consumer choice.**

- ⇒ **On-trade premises should continue to be allowed to sell food and drink and spirit drinks as home delivery and takeaway options.** On-trade takeaway or home delivery options play a crucial role within the food supply chain and allows to relieving pressure on the grocery retail sector during this difficult period.
- ⇒ **We welcome the recent move by Latvia to allow online sales** of alcoholic beverages as of 20 March and would welcome the further lifting of restrictions on e-commerce in this transformed retail landscape, allowing consumers access to our products and for our sector to remain competitive and adaptable to recent global trends.

#### **5. Facilitate global trade & work towards the abolition of EU-US tariffs**

As the biggest and most valuable agri-food export sector, trade is essential for European spirits. The coronavirus outbreak has caused sharply declining sales, particularly in China, the wider Asia region and this is unfortunately spreading to all corners of the world. Producers face great uncertainty and enormous challenges to ship merchandise, while others are experiencing noticeable delays from clients. While the first and foremost objective is to protect citizens from the spread of coronavirus, it is important to ensure that trade measures introduced by third countries to protect health are not more burdensome than necessary. At very least, third countries should take into consideration the interests of traders and give them advance notice about upcoming measures allowing to adjust.

In addition, the spirits sector is heavily affected by the punitive 25% tariffs that have been imposed by the US on certain European spirits since October 2019 in relation to unrelated to us aircrafts dispute, causing European spirits exports to the US to decline. There is still an actual possibility that these tariffs could go even further up or extended to other categories. Against current context, we need even more urgent de-escalation, a removal from the tariffs on EU and US spirits & a return to tariff-free transatlantic spirits trade.

- ⇒ **We ask the Commission to hold bilateral talks with our major trade partners** to facilitate trade in spirits and call for international collaboration to ensure that spirits can continue to move globally.
- ⇒ **We call on the EU and the US to deescalate current trade disputes**, simultaneously remove the tariffs on EU and US spirits and return to tariff-free transatlantic spirits trade.

#### **6. Support struggling producers & distilleries**

European distillers provide for more than 1 million direct jobs, most of them located in remote and disadvantaged rural areas and supports many more jobs indirectly in upstream (farming,

packaging) as well as downstream sectors (HORECA, tourism, transport). 100% of raw materials for distillation come from agriculture, ensuring the sector is fully embedded into the agri-food supply chain.

Distilleries of all sizes across Europe are experiencing, and will continue to experience, substantial revenue and profit losses as a result of the crisis. To minimise the financial impact on the sector, maintain jobs and secure the long-term economic strength of the sector, a combination of the following measures should be considered:

- ⇒ **Excise tax relief measures:** Member States should provide tailored support to the sector by: waiving interest on late payments, stopping any future planned rate increases, consider targeted rate reductions to speed up economic recovery.
- ⇒ **We call for European guidance to be issued to standardise the payment of duty to 60 days for spirits across Europe in order to provide much needed liquidity to the industry.**
- ⇒ **Fiscal policies:** postponement of VAT, tax, social security payments
- ⇒ **Ensure availability of adequate grants and liquidity loans**
- ⇒ **Flexibility around the implementation of state aid rules**, in line with the Commission's [Temporary Framework](#).

## 7. Urgent supportive measures for the on-trade sector and wider spirits value chain

The food service and hospitality ('on-trade') sector is experiencing an unprecedented negative impact due to widespread closures. Bars, pubs, restaurants, hotels, and clubs are important and long-standing partners for the spirits sector and essential to reach a large share of our consumers. The drastic falls in demand for spirits is presenting unprecedented challenges to ourselves and to our on-trade partners. The risks for our on-trade partners are enormous and could trigger widespread permanent business closures, leading to irreversible economic and cultural losses in local communities – this is especially painful where many of these businesses would otherwise be viable and robust. Many of our members have already taken steps to directly support our partners in the on-trade.

- ⇒ **spiritsEUROPE calls for urgent supportive measures to be taken for the on-trade sector**, including: adequate fiscal measures (postponement of tax/social security payments, VAT and excise reduction), salary compensation for employees facing technical unemployment, availability of adequate grants and liquidity loans.

## 8. Urgent supportive measures for the tourism sector

Distilleries of all sizes across Europe run dedicated visitor centres and are offering a wider range of spirits tourism experiences with manifold economic benefits to local and rural communities. Most of these centres are now temporarily closed, and spirits tourism has sharply dropped in light of current travel restrictions.

- ⇒ **spiritsEUROPE supports the call for urgent supportive measures** submitted by the **European Tourism Manifesto** to the European Commission on 17 March (available [here](#)), including: temporary state aid, fast and easy access to short- and medium-term loans to overcome liquidity shortages, fiscal relief, protection of workers from unemployment and loss of income, deferment of fiscal and social contributions.

## 9. Dedicated support measures for the Duty Free and Travel Retail (DF&TR) sector

DF&TR is a unique and vitally important retail channel for spirits, representing a significant share in overall volumes and value sold (in particular in emerging markets such as Asia, where high-quality European products are increasing their market share and gaining a foothold with consumers). In light of the dramatic reduction in passenger and air traffic of 90% and more in affected areas, DF&TR is heavily affected by the COVID-19 pandemic and will require the same levels of economic support as that given to other parts of the passenger transport industry.

- ⇒ **spiritsEUROPE supports the call for dedicated mitigation measures** for Duty Free and Travel Retail operators submitted by the **European Travel Retail Confederation (ETRC)** to the European Commission on 16 March (available [here](#)), including: compensation schemes, financial intervention to pay staff salaries, deferral of payments of VAT and other taxes, direct financial compensation for losses incurred, cancellation of local government taxes.

## 10. Ensuring fair trading practices and the application of competition rules

While the extraordinary situation may trigger the need for cooperation in order to ensure the supply and fair distribution of scarce products to all consumers, EU competition rules and tackling unfair trade practices ensure a level playing field that is relevant also in a period when all companies in the supply chain the economy as a whole suffer from crisis conditions.

- ⇒ **spiritsEUROPE welcomes the Joint statement by the [European Competition Network \(ECN\) on application of competition law during the Corona crisis](#)**, and urges the European Commission to monitor the situation preventing any actors to take undue advantages of the current situation.

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