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*Session document*

**A6-0146/2008**

11.4.2008

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## **REPORT**

on the proposal for a Council decision authorising Portugal to apply a reduced rate of excise duty on locally produced beer in the autonomous region of Madeira  
(COM(2007)0772 – C6-0012/2008 – 2007/0273(CNS))

Committee on Regional Development

Rapporteur: Sérgio Marques

### ***Symbols for procedures***

- \* Consultation procedure  
*majority of the votes cast*
- \*\*I Cooperation procedure (first reading)  
*majority of the votes cast*
- \*\*II Cooperation procedure (second reading)  
*majority of the votes cast, to approve the common position*  
*majority of Parliament's component Members, to reject or amend the common position*
- \*\*\* Assent procedure  
*majority of Parliament's component Members except in cases covered by Articles 105, 107, 161 and 300 of the EC Treaty and Article 7 of the EU Treaty*
- \*\*\*I Codecision procedure (first reading)  
*majority of the votes cast*
- \*\*\*II Codecision procedure (second reading)  
*majority of the votes cast, to approve the common position*  
*majority of Parliament's component Members, to reject or amend the common position*
- \*\*\*III Codecision procedure (third reading)  
*majority of the votes cast, to approve the joint text*

(The type of procedure depends on the legal basis proposed by the Commission.)

### ***Amendments to a legislative text***

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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## **DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION**

**on the proposal for a Council decision authorising Portugal to apply a reduced rate of excise duty on locally produced beer in the autonomous region of Madeira (COM(2007)0772 – C6-0012/2008 – 2007/0273(CNS))**

### **(Consultation procedure)**

*The European Parliament,*

- having regard to the Commission proposal to the Council (COM(2007)0772),
  - having regard to Article 299(2) of the EC Treaty, pursuant to which the Council consulted Parliament (C6-0012/2008),
  - having regard to Rule 51 of its Rules of Procedure,
  - having regard to the report of the Committee on Regional Development and the opinion of the Committee on Agriculture and Rural Development (A6-0146/2008),
1. Approves the Commission proposal;
  2. Calls on the Council to notify Parliament if it intends to depart from the text approved by Parliament;
  3. Asks the Council to consult Parliament again if it intends to amend the Commission proposal substantially;
  4. Instructs its President to forward its position to the Council and Commission.

## EXPLANATORY STATEMENT

On 30 May 2007 Portugal seized the European Commission of a request for a derogation from Article 90 of the Treaty in order to apply a rate of excise duty lower than the national rate fixed in accordance with the provisions of Council Directive 92/84/EEC of 19 October 1992, to beer produced in Madeira in cases where production does not exceed 300.000 hectolitres. This, in Portugal's view is essential for the survival of the local brewing industry.

Breweries in Madeira already benefit under the provisions of Article 4 of Council Directive 92/83/EEC which allows Member States to provide for the application of reduced rates of excise duty which must not be less than 50% below the standard national rate on beer produced by small independent breweries whose production does not exceed 200.000 hectolitres.

Increased tourism has boosted production of one local brewery to a level dangerously close to the statutory limit beyond which it will no longer qualify for reduced rates. It will then face severe competition from both large national and multi-national breweries which, unlike the small remote companies in Madeira, benefit from large marketing services, economies of scale and lower production costs.. As the Commission points out in its Explanatory memorandum, even with the 50% fiscal advantage, prices of locally produced beer are still 7.5% higher than the retail price of beer brewed on mainland Portugal, should that advantage disappear local production would be unable to compete.

Your rapporteur agrees with the European Commission in its assessment of the need to maintain the reduced rate of tax despite an increase in production levels. In increasing the qualifying production level from 200.000 hectolitres to 300.000 hectolitres, the Commission has taken due account of any effect this may have on the single market. It points out that this measure only affects one of the two breweries on the island of Madeira and that its effects can therefore be considered minimal. Beer imported into Madeira from breweries located in mainland Portugal or elsewhere will not benefit. In order to further ensure that the increased production rate does not give an unfair advantage to Madeira companies in the context of the total Portuguese market, it is specifically provided that production in excess of 200.000 hectolitres<sup>1</sup> will only benefit to the extent it is consumed locally

In your Rapporteur's opinion, whilst the proposed decision is essentially technical it is important that Parliament review it to ensure that the qualifying conditions governing the original authorization still exist and to control that no undue advantage was being given to one sector of the beer market.

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<sup>1</sup> The present limit on the level of production.

1.4.2008

## **OPINION OF THE COMMITTEE ON AGRICULTURE AND RURAL DEVELOPMENT**

for the Committee on Regional Development

on the proposal for a Council decision authorising Portugal to apply a reduced rate of excise duty on locally produced beer in the autonomous region of Madeira (COM(2007)0772 – C6-0012/2008 –2007/0273(CNS))

Draftsman: Luis Manuel Capoulas Santos

app

### **SHORT JUSTIFICATION**

#### **Commission's proposal**

Portugal is seeking a derogation from Article 90 of the Treaty in order to apply a rate of excise duty, lower than the national rate fixed in accordance with Council Directive 92/84/EEC of 19 October 1992 to locally produced beer in Madeira by independent breweries whose annual production does not exceed 300 000 hectolitres instead of 200 000 hectolitres.

Portugal has explained that it considers such a move to be essential for the survival of the local brewing industry, as increased tourism has caused one of the two breweries located in Madeira to be approaching an annual production of 200 000 hectolitres, a quantity above which its entitlement to reduced rates under existing provisions would cease. However, should breweries located in Madeira reach production in excess of that threshold, this would not mean that they were in a sufficiently strong position to face up to competition from beers from mainland Portugal (or mainland Europe).

Their share of the local market would most likely continue to shrink due to strong competition from foreign beers and insufficient possibilities offered by Article 4 of Council Directive 92/83/EEC of 19 October 1992 on the harmonisation of the structures of excise duties on alcohol and alcoholic beverages to offset the disadvantages suffered by the breweries in Madeira on account of their remote location, fragmented terrain and tight local markets. Additional costs comprise maintaining high level of stocks, transport of raw and secondary materials, and packaging from mainland Portugal.

Notwithstanding competitive pressure, the retail selling price of a Madeira beer (at EUR 128 per hectolitre) is currently about 7.5 per cent higher than the retail selling price of beer brewed in mainland Portugal and sold on the market of Madeira (at EUR 119 per hectolitre). Therefore, if those breweries lose the benefit of the tax reduction, the difference in the retail selling price would increase to at least 15 per cent (EUR 137 per hectolitre).

Thus, even though such breweries would, upon reaching 200 000 hectolitres annual production, cease to be "small" as defined in the said Article 4, they would nonetheless continue to be small compared to the large national and multi-national breweries with whom they compete.

It is, therefore, essential for continued survival of the local industry that a brewery should benefit from a reduced rate in case its annual production exceeds 200 000 hectolitres and is consumed locally, without however going beyond 300 000 hectolitres. This derogation would last until 31 December 2013 and would be reviewed mid-way.

### **Draftsman's position**

The draftsman shares the opinion of the Commission and wishes to see the application of a reduced rate of excise duty, which may fall below the minimum rate but shall not be set more than 50 per cent lower than the standard national excise duty rate for Portugal, to beer produced in the autonomous region of Madeira by independent breweries whose total annual production does not exceed 300 000 hectolitres; production in excess of 200 000 hectolitres will benefit from the reduced only to the extent it is consumed locally.

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The Committee on Agriculture and Rural Development calls on the Committee on Regional Development, as the committee responsible, to propose approval of the Commission proposal.



## PROCEDURE

<b>Title</b>	Excise duty on beer produced locally in Madeira	
<b>References</b>	COM(2007)0772 – C6-0012/2008 – 2007/0273(CNS)	
<b>Committee responsible</b>	REGI	
<b>Opinion by</b> Date announced in plenary	AGRI 17.1.2008	
<b>Drafts(wo)man</b> Date appointed	Luis Manuel Capoulas Santos 18.12.2007	
<b>Discussed in committee</b>	21.1.2008	25.2.2008
<b>Date adopted</b>	1.4.2008	
<b>Result of final vote</b>	+: 36 –: 0 0: 0	
<b>Members present for the final vote</b>	Peter Baco, Bernadette Bourzai, Niels Busk, Luis Manuel Capoulas Santos, Giuseppe Castiglione, Joseph Daul, Albert Deß, Michl Ebner, Carmen Fraga Estévez, Ioannis Gklavakis, Lutz Goepel, Friedrich-Wilhelm Graefe zu Baringdorf, Esther Herranz García, Lily Jacobs, Elisabeth Jeggle, Heinz Kindermann, Véronique Mathieu, Mairead McGuinness, Rosa Miguélez Ramos, James Nicholson, Neil Parish, María Isabel Salinas García, Agnes Schierhuber, Willem Schuth, Czesław Adam Siekierski, Alyn Smith, Petya Stavreva, Dimitar Stoyanov, Csaba Sándor Tabajdi, Jeffrey Titford, Donato Tommaso Veraldi, Janusz Wojciechowski	
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Alessandro Battilocchio, Katerina Batzeli, Esther De Lange, Ilda Figueiredo, Gábor Harangozó, Wiesław Stefan Kuc, Brian Simpson, Struan Stevenson	

## PROCEDURE

<b>Title</b>	Excise duty on beer produced locally in Madeira	
<b>References</b>	COM(2007)0772 – C6-0012/2008 – 2007/0273(CNS)	
<b>Date of consulting Parliament</b>	10.1.2008	
<b>Committee responsible</b> Date announced in plenary	REGI 17.1.2008	
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	ECON 17.1.2008	AGRI 17.1.2008
<b>Not delivering opinions</b> Date of decision	ECON 15.1.2008	
<b>Rapporteur(s)</b> Date appointed	Sérgio Marques 26.2.2008	
<b>Discussed in committee</b>	27.2.2008	
<b>Date adopted</b>	8.4.2008	
<b>Result of final vote</b>	+: 51 -: 0 0: 1	
<b>Members present for the final vote</b>	Emmanouil Angelakas, Stavros Arnaoutakis, Elspeth Attwooll, Rolf Berend, Jana Bobošíková, Victor Boştinaru, Antonio De Blasio, Petru Filip, Gerardo Galeote, Iratxe García Pérez, Eugenijus Gentvilas, Pedro Guerreiro, Gábor Harangozó, Filiz Hakaeva Hyusmenova, Mieczysław Edmund Janowski, Rumiana Jeleva, Gisela Kallenbach, Tunne Kelam, Evgeni Kirilov, Miloš Koterec, Constanze Angela Krehl, Sérgio Marques, Miguel Angel Martínez Martínez, Miroslav Mikolášik, James Nicholson, Lambert van Nistelrooij, Jan Olbrycht, Maria Petre, Markus Pieper, Pierre Pribetich, Elisabeth Schroedter, Grażyna Staniszevska, Catherine Stihler, Margie Sudre, Kyriacos Triantaphyllides, Vladimír Železný	
<b>Substitute(s) present for the final vote</b>	Bernadette Bourzai, Jan Březina, Brigitte Douay, Den Dover, Emanuel Jardim Fernandes, Francesco Ferrari, Madeleine Jouye de Grandmaison, Ramona Nicole Mănescu, Ljudmila Novak, Mirosław Mariusz Piotrowski, Zita Pleštinská, Samuli Pohjamo, Christa Prets, Manfred Weber	
<b>Substitute(s) under Rule 178(2) present for the final vote</b>	Jean-Paul Gauzès, Jacques Toubon	