Proposal for Council Decision authorising France to extend the application of a reduced rate of excise duty on 'traditional' rum produced in its overseas departments

(2001/C 270 E/22)

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(Submitted by the Commission on 28 June 2001)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 299(2) thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament,

Whereas:

(1) By a Council decision of 30 October 1995, France was authorised to apply to traditional rum produced in its overseas departments (OD) a rate of excise duty lower than the full rate of excise duty applicable to ethyl alcohol.

(2) The decision was taken pending the effects of the existing measures taken to improve the competitiveness of the cane-rum-sugar sector in those departments, and also to take account of the consequences of the abolition of tariff quotas on imports of rum originating in the ACP States; it expires on 31 December 2002.

(3) In its memorandum regarding the measures concerning the outermost regions to be implemented under Article 299(2) of the Treaty, France indicates that it is essential to maintain the tax arrangements applicable to traditional rum marketed in mainland France.

(4) Account being taken of the sugar CMO review in 2001 and the dismantling in 2003 of the customs protection for spirits, the Community and national measures taken to improve the competitiveness of the cane-sugar-rum sector in the overseas departments still do not in themselves make it possible to reach the level of competitiveness which would enable the French Republic to adapt the taxation of traditional rum produced in its overseas departments.

(5) Given the small scale of the local market, the OD distilleries can keep up their activities only by retaining their share of the market in mainland France, this being the main outlet for their rum production (over 50 % of the total); the trend on the Community market shows that competition from non-Community rum has caused a considerable drop in the volume of OD rum sold on the Community market. On a market with 28 % growth (average for the period 1986-99), the ACP countries' share rose by 64,3 %, and that of other countries by 64,5 %; over the same period, the OD share dropped by 22,4 %; in 1999, the market shares of rum sold on the Community market were the following: 64,7 % (or 346 084 hl of pure alcohol) for rum from the ACP countries, 15,5 % (or 82 706 hl of pure alcohol) for rum from other non-Community countries and 19,8 % (or 105 950 hl of pure alcohol, of which 85 000 hl of pure alcohol for mainland France) for OD rum. The inability to compete on the Community market, which is mainly the result of higher marketing prices, is due to the difference between the cost price of rum produced in the OD and of rum produced outside Community territory; in the case of OD rum, attention is drawn to the purchase cost of sugar cane on the local market (four to six times higher than the prices applicable outside Community territory) and the cost of labour (three to three and a half times higher than in non-Community countries). In future this inability to compete will be further accentuated by the need to include in the cost price of rum the costs resulting from bringing rum production units in the OD into line with environmental standards, in accordance with Community legislation. Only, therefore, the mainland France market, in which OD rum qualifies for special tax arrangements that offset the competitive disadvantage resulting from its higher cost price, has made it possible to safeguard rum-producing activities in the OD.

(6) In view of the size of the turnover and the number of jobs involved, it is essential to maintain the cane-sugar-rum sector in the overseas departments in order to ensure those departments' economic and social balance; in the three departments most affected, i.e. Réunion, Guadeloupe and Martinique, the sector produces an annual turnover of over EUR 228 673 526 and provides some 40 000 jobs, including 22 000 direct jobs.

(7) It is therefore necessary and justified for France to maintain, by way of derogation from Article 90 of the Treaty, a reduced rate of excise duty on 'traditional' rum produced in its overseas departments in order to avoid endangering their development.

(8) In order not to undermine the single market, the quantities of rum originating in the overseas departments which may qualify for this measure may not, as before, exceed a level corresponding to traditional trade flows recorded in the last few years.

(9) In view of the need to create a climate of legal certainty for traders in the cane-sugar-rum sector and given the time it takes to amortise equipment and buildings, the derogation should be granted for seven years.

(10) The granting of a seven-year period must be subject to the condition that a mid-term report is produced so that the Commission can assess whether the reasons which justify the granting of the tax derogation still exist.

(11) This proposal for a decision shall not prejudice the possible application of Articles 87 and 88 of the Treaty,

HAS ADOPTED THIS DECISION:

Article 1

By way of derogation from Article 90 of the Treaty, France shall be authorised to extend the application in mainland France to 'traditional' rum produced in its overseas departments of a rate of excise duty lower than the full rate on alcohol laid down in Article 3 of Council Directive 92/84/EEC [1].

Article 2

The derogation referred to in Article 1 shall be confined to rum as defined in Article 1(4)(a) of Council Regulation (EEC) No 1576/89 [2], produced in the French overseas departments from sugar cane harvested in the place of manufacture, having a content of volatile substances other than ethyl and methyl alcohol equal to or exceeding 225 grams per hectolitre of pure alcohol and an alcoholic strength by volume of 40 % vol. or more.

Article 3

1. The reduced rate of excise duty applicable to the product referred to in Article 2 shall be confined to an annual quota of 90 000 hl of pure alcohol.

2. The reduced rate may be lower than the minimum rate of excise duty on alcohol set by Directive 92/84/EEC, but may not be more than 50 % lower than the standard national excise duty on alcohol.

Article 4

This decision shall be applicable from 1 January 2003 until 31 December 2009. By 30 June 2006 at the latest, France shall send the Commission a report to enable it to assess whether the reasons which justified the granting of the reduced rate still exist.

Article 5

This decision is addressed to the French Republic.

(1) OJ L 316, 31.10.1992.

(2) (OJ L 160, 12.6.1989, p. 1), Regulation last amended by Regulation (EC) No 3378/94 (OJ L 366, 31.12.1994, p. 1).