



HEALTH AND SPORT COMMITTEE

AGENDA

5th Meeting, 2012 (Session 4)

Tuesday 31 January 2012

The Committee will meet at 10.00 am in Committee Room 1.

1. **Subordinate legislation:** The Committee will consider the following negative instrument—

The National Health Service (Travelling Expenses and Remission Charges) (Scotland) (No.2) Amendment Regulations 2011 (SSI 2011/449).

2. **Alcohol (Minimum Pricing) (Scotland) Bill:** The Committee will take evidence on the Bill at Stage 1 from—

Alan McCreadie, Deputy Director of Law Reform, and Jim McLean, Consultant at Balfour-Manson, The Law Society of Scotland;

and then from—

Nicola Sturgeon, Cabinet Secretary for Health, Wellbeing and Cities Strategy, Donald Henderson, Head of Public Health Division, Marjorie Marshall, Economic Adviser, Public Health, and Edythe Murie, Principal Legal Officer, Health and Community Care, Scottish Government.

3. **Alcohol (Minimum Pricing) (Scotland) Bill (in private):** The Committee will consider the evidence heard earlier in the meeting .

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The papers for this meeting are as follows—

Agenda Item 1

Note by the clerk HS/S4/12/5/1

Agenda Item 2

Report by the Finance Committee on the Alcohol (Minimum Pricing) (Scotland) Bill HS/S4/12/5/2

Report by the Subordinate Legislation Committee on the Alcohol (Minimum Pricing) (Scotland) Bill HS/S4/12/5/3

[Supplementary written evidence from the Scottish Beer and Pub Association](#) HS/S4/12/5/4

NHS Health Scotland briefing HS/S4/12/5/5

PRIVATE PAPER HS/S4/12/5/6 (P)

PRIVATE PAPER HS/S4/12/5/7 (P)

Paper 1, Agenda Item 1

Health and Sport Committee

5th Meeting Tuesday 31 January 2012

Subordinate Legislation Briefing

Overview of instrument

1. There is one negative instrument for consideration.
2. A brief explanation of the instrument along with the comments of the Subordinate Legislation Committee is set out below. If members have any queries or points of clarification on the instrument which they wish to have raised with the Scottish Government in advance of the meeting, please could these be passed to the Clerk to the Committee as soon as possible.

Details on the instruments

3. [The National Health Service \(Travelling Expenses and Remission Charges\) \(Scotland\) \(No. 2\) Amendment Regulations 2011 \(SSI 2011/449\)](#) amend the National Health Service (Travelling Expenses and Remission of Charges) (Scotland) (No. 2) Regulations 2003.
4. Regulation 2 updates references to student funding regulations in Wales. These set out the entitlement to grants and loans available to students. Certain amounts of student maintenance grants are disregarded in calculating the entitlement of students to the payment of travel expenses and the remission of charges under the 2003 Regulations.
5. The Subordinate Legislation Committee has not made any comments on instrument.
6. There has been no motion to annul this instrument.



The Scottish Parliament
Pàrlamaid na h-Alba

Finance Committee

Remit and membership

Remit:

1. The remit of the Finance Committee is to consider and report on-

(a) any report or other document laid before the Parliament by members of the Scottish Executive containing proposals for, or budgets of, public expenditure or proposals for the making of a tax-varying resolution, taking into account any report or recommendations concerning such documents made to them by any other committee with power to consider such documents or any part of them;

b) any report made by a committee setting out proposals concerning public expenditure;

c) Budget Bills; and

(d) any other matter relating to or affecting the expenditure of the Scottish Administration or other expenditure payable out of the Scottish Consolidated Fund.

2. The Committee may also consider and, where it sees fit, report to the Parliament on the timetable for the Stages of Budget Bills and on the handling of financial business.

3. In these Rules, "public expenditure" means expenditure of the Scottish Administration, other expenditure payable out of the Scottish Consolidated Fund and any other expenditure met out of taxes, charges and other public revenue.

(Standing Orders of the Scottish Parliament, Rule 6.6)

Membership:

Gavin Brown
Kenneth Gibson (Convener)
John Mason (Deputy Convener)
Mark McDonald

Michael McMahon
Elaine Murray
Paul Wheelhouse

Committee Clerking Team:

Clerk to the Committee
Jim Johnston

Senior Assistant Clerk
Fergus Cochrane

Assistant Clerk
Lucy Scharbert

Committee Assistant
Jennifer Bell



The Scottish Parliament
Pàrlamaid na h-Alba

Finance Committee

Alcohol (Minimum Pricing) (Scotland) Bill

The Committee reports to the Health and Sport Committee as follows—

INTRODUCTION

1. The Alcohol (Minimum Pricing) (Scotland) Bill (~~the~~ Bill”) was introduced in the Parliament on 31 October 2011.
2. Under Standing Orders Rule 9.6, the lead committee at Stage 1 is required among other things, to consider and report on the Bill's Financial Memorandum (FM). In doing so, it is required to consider any views submitted to it by the Finance Committee (~~the~~ Committee”).
3. At its meeting on 16 November 2011, the Committee agreed to seek written evidence from a number of organisations identified in the FM as being potentially affected by the Bill. Submissions were received from—
 - Aberdeen City Council
 - Dumfries and Galloway Council
 - Highland Council
 - Highland Alcohol and Drugs Partnership
 - National Association of Cider Makers
 - NHS Grampian
 - NHS Lanarkshire and Lanarkshire Alcohol and Drugs Partnership
 - North Ayrshire Council
 - Scottish Ambulance Service
 - Scottish Grocers Federation
 - Scotch Whisky Association
 - South Lanarkshire Council
 - Wine and Spirit Trade Association.
4. At its meeting on 21 December 2011, the Committee took evidence from the Scotch Whisky Association (SWA) and the Scottish Grocers Federation (SGF), in addition to the Bill team. The Official Report of the evidence session can be found on the Parliament's website, at:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=6641&mode=pdf>

THE BILL

5. The Policy Memorandum accompanying the Bill states that the main purpose of the Bill is to introduce a minimum price of alcohol below which alcohol must not be sold on licensed premises. The minimum price will be set according to the strength of the alcohol, the volume of the alcohol and the minimum price per unit. The formula used to calculate the minimum price of alcohol is set out in subsection 1(3) of the Bill.¹

THE FINANCIAL MEMORANDUM

6. The FM accompanying the Bill states that section 1 of the Bill will introduce a requirement to set a minimum price of alcohol which is considered to carry a significant financial impact. It advises that section 2 of the Bill is a technical provision and will result in no financial impact and therefore is not covered in the FM.² Section 2 makes provision for the expiry of amendments made by a section that is not contained in the Alcohol Etc. (Scotland) Act 2010 (~~the Alcohol Act~~).

7. The FM refers to the modelling undertaken by the School of Health and Related Research at the University of Sheffield (~~S~~CHARR) and its work is the basis of much of the FM. The SchARR work modelled 21 separate scenarios, including minimum pricing on its own and minimum pricing together with an off-trade discount ban. The results for 10 of these scenarios show the estimated impact of minimum price thresholds alone on alcohol consumption and health, crime and employment related harms. Minimum prices per unit from 25p to 70p were modelled.³

8. The FM then sets out the costs on the Scottish Administration (paragraphs 33 to 35), local authorities (paragraph 36) and other bodies, individuals and businesses (paragraphs 37 to 66). Paragraph 72 of the FM contains a summary table of all the financial implications of the Bill.

9. A [Business and Regulatory Impact Assessment](#) (BRIA) was published on 16 November 2011. This included updated information from businesses on the financial implications of the Bill.

SUMMARY OF EVIDENCE

Statement of Funding Policy

10. The FM states that there is estimated to be a net effect of an increase of between £1m and a reduction of £65m in receipts to the Exchequer taking the range of prices from 25p to 70p, depending on the minimum price per unit of alcohol set. The FM goes on to state that—

¹ Alcohol (Minimum Pricing) (Scotland) Bill. Policy Memorandum

² Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 18

³ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 28

—There are no costs to the UK Government which fall within the terms of the Statement of Funding Policy.”⁴

11. The Committee noted that a similar statement regarding an estimated reduction in receipts to the Exchequer was made in the FM accompanying the Alcohol Act. However, on that occasion, the FM stated that—

—Under the terms of the Statement of Funding between Scottish Ministers and the UK Government, the reduction in VAT and duty falls as a cost to the Scottish Administration.”⁵

12. Given the different position taken by the Scottish Government on the applicability of the Statement of Funding Policy (“SFP”) in respect of this Bill, the Committee agreed at its meeting on 16 November to seek the views of the Chief Secretary to the Treasury. A copy of the correspondence is attached at Annexe A.

13. In her response to the Committee, the Economic Secretary to the Treasury noted the —potential impact” of the policy on the UK Government. The UK Treasury expressed concern about the conclusion reached by the University of Sheffield on the impact on Exchequer receipts and concerns about the methodology used by the University to model its results. The Treasury indicated that initial analysis undertaken by the HM Revenue and Customs suggested that the Exchequer revenue costs of introducing minimum pricing in Scotland, as presented in the FM, were too low. The letter concluded—

—While recognising the competence of the Scottish Government to take forward this policy and welcoming the Scottish Government’s attempts to develop a wider strategic approach to tackling alcohol abuse, I would expect the Scottish Government to take account of the potential impact on exchequer receipts when setting minimum prices under the legislation.”

14. In its evidence to the Committee, the Bill team responded to UK Treasury comments. It pointed out that SchARR had not modelled in more detail the lower costs to the UK Government in later years —in the form of lower social security and unemployment costs and the higher tax take that derives from increased economic output.”⁶

15. The Bill team went on to state—

—...the bill looks to an increase in the productive Scottish economy, some of which will filter back to the Treasury. However, we have not modelled where the balance will eventually lie.

The supply side of the industry is very complex. Industry representatives have already said that they do not know how things will play out. There

⁴ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 64

⁵ Alcohol etc. (Scotland) Bill. Financial Memorandum, paragraph 58.

⁶ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 443

could be an increase in VAT from other products in the economy as well. It is quite difficult to tease out all the second and third-round impacts.”⁷

16. The Bill team indicated that the latest SchARR modelling would be finalised at the end of January and that it might be possible to run figures based on that element of the modelling to assess the potential increase in receipts to the overall economy.⁸

17. In terms of the applicability of the SFP, the Bill team added that —the letter did not actually say that the Treasury felt that the statement of funding policy would kick in—that is the view that we take in the Scottish Government.”⁹

18. The Committee notes that the response from the UK Treasury appears to be ambiguous on the application of the SFP to the Bill and considers that the response is unhelpful to its deliberations.

19. While recognising that there may be longer term economic benefits resulting from the Bill from which the UK Treasury might also benefit, the Committee notes the UK Treasury view that the estimated exchequer revenue costs as set out in the FM are too low.

20. The Committee recognises, nonetheless, that much of the evidence presented and projections made both by those supporting and opposing minimum unit pricing is, by its nature, theoretical.

21. The Committee considers that the lead committee may wish to pursue these issues in its evidence session with the Cabinet Secretary for Health, Wellbeing and Cities Strategy.

Estimated savings

22. The FM indicates that, based on the modelling undertaken by SchARR, minimum unit pricing is estimated to lead to reductions in health, crime and employment harms and that the higher the minimum price per unit, the greater the estimated reduction in alcohol-related harms. The FM states that the greatest health benefits accrued from minimum pricing are seen amongst hazardous and harmful drinkers.¹⁰

23. On the basis of a minimum price per unit of 45p, the FM estimates that the societal value of these harms in the first year is estimated at around £52m made up as follows: NHS cost reductions (£6m), value of QALYs (Quality-adjusted life years) saved (£14m), crime costs saved (£2m), value of crime QALYs saved (£1m) and employment related harms avoided (£28m). The

⁷ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 444

⁸ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 444

⁹ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 443

¹⁰ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 39

societal value of the harm reductions over the 10 year period is estimated at £721m.¹¹

Assumptions

24. A number of industry organisations challenged the assumptions made in the FM, the key contention being that while an increase in price might reduce consumption it did not follow that harmful drinking would be tackled. For example, the National Association of Cider Makers (NACM) indicated that —the SchARR model does no more than demonstrate that if you raise the price of a product consumption falls.” It stated that —a evidence has been produced to substantiate the thesis that minimum unit pricing will be effective in tackling alcohol misuse other than the basic mechanism that as the price of a product goes up then the consumption of it in general goes down.”¹²

25. Likewise the SGF described the SchARR modelling as —theoretical”¹³ and stated that —there is no causal link between consumption and the harmful effects of drinking” pointing out that —intervening societal issues affect the situation.”¹⁴ While the SWA stated that—

—..w do not believe that the minimum pricing policy would address the consumption problems. It is a blanket approach that would not cause a fall in the number of harmful and hazardous drinkers.”¹⁵

26. The Wine and Spirit Trade Association (WSTA) also disputed the notion that lower prices cause irresponsible consumption and harm and indicated that evidence from across the world substantiated the view that there is no simple link between price and alcohol misuse.¹⁶

27. By contrast, the Committee notes that a number of NHS boards and health-related bodies were supportive of the assumptions made in the FM. For example, NHS Grampian supported the use of the SchARR evidence to inform the assumptions, noting that there was evidence for the effectiveness of minimum pricing in reducing consumption of alcohol and its associated harms and that the greatest impact would be on harmful drinkers.¹⁷ Highland Alcohol and Drugs Partnership also agreed that there would be a significant reduction in alcohol related admissions and that, as a result, healthcare costs would be estimated to reduce.¹⁸

28. Likewise, the joint submission from NHS Lanarkshire and Lanarkshire Alcohol and Drugs Partnership (LADP) indicated that they supported the financial assumptions made within the Bill, supporting a minimum price of £0.50 per unit.¹⁹ Applying the SchARR model at a local level, NHS Lanarkshire and

¹¹ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 44

¹² National Association of Cider Makers. Written submission.

¹³ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 422

¹⁴ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 441

¹⁵ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 440

¹⁶ Wine and Spirit Trade Association. Written submission

¹⁷ NHS Grampian. Written submission

¹⁸ Highland Alcohol and Drugs Partnership. Written submission

¹⁹ NHS Lanarkshire and Lanarkshire Alcohol and Drugs Partnership. Written submission

LADP concluded that a 40p and 50p minimum price would equate to a reduction of 367 hospital admissions and 907 hospital admissions per annum respectively in Lanarkshire alone and would equate to £6.1m and £16.3m savings in health and social care costs.²⁰

29. Finally, the Scottish Ambulance Service (SAS) stated that the impact on its organisation would be “~~in~~ productivity and efficiency gain and allowing our service to concentrate on people with healthcare needs not related to alcohol consumption of the binge drinking type.” The SAS also stated that—

~~“We still do not see the detail of how the estimates on impact on healthcare were calculated.”~~²¹

30. However, NHS Grampian emphasised that it was crucial that the impact of minimum pricing on consumption was evaluated and that the long-term population level outcomes were monitored.²²

31. In its evidence to the Committee, the Bill team responded to the comments from industry organisations and stated that—

~~“In the upper, harmful drinkers category, which comprises men who drink more than 50 units a week and women who drink more than 35 units a week, all the evidence suggests that, irrespective of the level at which they are drinking, everyone will respond to a price increase and that is predominantly those who drink most heavily and young people who buy cheap drink. Indeed, a Royal Edinburgh hospital study that was carried out by Jonathan Chick showed that those who drink incredibly heavily predominantly drink very cheap alcohol.They switch as much as they can until they get to the cheapest drinks and then reduce consumption in response to price.”~~²³

32. In its evidence to the Committee the Bill team emphasised that the SchARR modelling was based on 100 separate studies.²⁴ However, the Committee was keen to establish the range of evidence that the Scottish Government had considered in developing its minimum unit pricing policy.

33. In supplementary written evidence the Bill team indicated that Scottish Government officials had considered both UK and international evidence including NICE and WHO guidance and supplied a list of sources used to help in formulating the policy and preparing the documents that accompany the Bill.²⁵

34. In its oral evidence to the Committee, the Bill team stated that—

²⁰ NHS Lanarkshire and Lanarkshire Alcohol and Drugs Partnership. Written submission

²¹ Scottish Ambulance Service. Written submission

²² NHS Grampian. Written submission

²³ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 456

²⁴ See, for example, Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 450

²⁵ Scottish Government. Supplementary Written Evidence

—Sheffield's work contains the work of a great many other studies from around the world and from different time series. The model takes account of the maximum that it can take account of.

We look at every piece of information and every argument that we think has a bearing on aspects of the policy. We are by no means limiting ourselves to one advice source.”²⁶

35. The Committee recognises that there are conflicting views from stakeholders on the use of the ScHARR modelling and the extent to which minimum unit pricing will change the habits of harmful drinkers. The Committee notes that while concerns have been expressed regarding the modelling, that no evidence to contradict the ScHARR modelling of impacts upon harmful drinking has been presented to the Committee.²⁷ Should the Bill become law, the Committee considers it crucial that the impact of minimum unit pricing is evaluated, particularly its impact on harmful drinking, including establishing whether and the extent to which the policy has resulted in savings to the NHS and the justice system.

Employment-related benefits

36. Paragraphs 43 to 44 and Table 4 in the FM set out the estimated employment-related benefits deriving from a minimum unit pricing policy. Table 4 of the FM shows that £28m of the £52m first year benefits are due to employment-related impacts. Within this total, £2m is due to a reduction in sickness absence, while £26m is due to reduced unemployment. The £26m is based on an assumption that there will be 1,200 fewer unemployed people. The Committee notes that the estimated £26m savings resulting from reduced unemployment are listed in the FM as a first year benefit.

37. The Bill team was asked how realistic it was to assume that 1,200 people would be able to find work given the current economic climate. It responded that—

—“For a longer-run policy such as minimum pricing, one must look to the long run in assessing impacts. Shorter-term impacts in the economy as a whole will inevitably mean that the figures look better or worse, but we argue that the long run needs to be looked at.”²⁸

38. The Bill team indicated that the —benefit relates to employability and the change in the individual.”²⁹ Within this context, the Bill team was asked about investment to support people who have drink-related problems to get back into employment. The Bill team emphasised that the Bill must be seen in the context of a much wider framework for action, which includes record investment in alcohol treatment services.”³⁰

²⁶ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 448

²⁷ This sentence was agreed to by division. For: 6 (Kenneth Gibson, John Mason, Mark McDonald, Michael McMahon, Elaine Murray and Paul Wheelhouse), Against: 1 (Gavin Brown)

²⁸ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 447

²⁹ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 448

³⁰ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 448

39. The Committee recognises that the Bill is part of a wider framework to tackle alcohol consumption in Scotland. However, given that the FM sets out the estimated employment-related savings, considers that it would have been helpful if the FM could also have identified the costs and savings associated with assisting harmful drinkers who reduce their alcohol consumption as a result of minimum unit pricing back into employment.

40. The Committee agrees that it is necessary to consider the long term benefits and understands the Bill team's comments to mean that within the 10-year timeframe the average annual estimated employment savings may vary depending on the vagaries of the economic cycle.

Costs to individuals

41. Table 6 in the FM includes information regarding the costs to individuals of a minimum unit pricing policy. The Committee sought clarification on some of these figures. The Bill team confirmed that, on the basis of a 45p minimum unit price, in year one the cost to individuals would be £96 million, while the benefits would be £52 million.³¹

42. In supplementary written evidence the Bill team pointed out that Table 6 also included the financial valuation of harm reductions in health, crime and employment. It advised that there were wider crime and societal costs not included in Table 6, which included a reduction in harm to children and families of those who drink excessively and a reduction in antisocial behaviour within communities that currently experience high levels of alcohol misuse.

43. The Bill team confirmed that the 10 year figures in Table 6 were cumulative and discounted and assume that drinkers will respond to the price increase. It stated that—

—“Different groups of drinkers will respond in different ways. People's sensitivity to price increase will be different. The figures on the changes in how much people spend are based on the assumption that they will reduce their consumption but increase their spending, because the price floor will mean that they cannot buy at a very low price.”³²

44. The Committee notes that while the FM lists a range of costs and benefits relating to the Bill, the Committee heard evidence that there are a range of wider societal benefits to which costs and benefits have not been modelled and considers that the lead committee may wish to probe this further with the Cabinet Secretary.

Impact on low-income population

45. Certain industry organisations expressed concern regarding the impact of minimum unit pricing on the finances of private individuals. For example, the WSTA expressed the view that the FM did not assess fully the impact that such

³¹ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 459

³² Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 461-2

a policy would have on the majority of consumers in Scotland, particularly those on the lowest incomes.³³

46. This latter concern was shared by the SGF which stated that minimum pricing ~~was~~ a regressive policy that will affect low-income families and individuals more than people who can afford to buy more expensive alcohol.”³⁴

47. Reference was also made to the proposed public health levy and concern expressed that minimum unit pricing might lead large stores to shift their costs on to other items to compensate for the drop in alcohol sales, leading to an increase in the prices of other items. In its evidence to the Committee the Bill team argued that—

—the supplement is such a small percentage of the profit that they make, never mind of the turnover in those individual outlets or of the group turnover or profit. One would never say that any price impact, however, small could ever be immaterial, but it is just that it is such a small percentage that it is difficult to see how any meaningful impact would arise.”³⁵

48. The Committee notes the concerns of the WSTA and the SGF regarding the impact of minimum unit pricing on low income households, but is also aware of the evidence from NHS Lanarkshire and LADP which noted that “the alcohol related death rate in the most deprived 20% of our population is five times that of the least deprived 20%.”

49. The Committee considers it important that the impact on minimum pricing on people with low incomes should continue to be evaluated, should the Bill become law.

Costs on local authorities

50. The FM estimates minimal costs on local authorities following introduction of the Bill,³⁶ due to additional duties on Licensing Standards Officers (LSOs). Several local authorities commented on this issue in their submissions to the Committee. For example, Aberdeen City Council indicated that if the Bill becomes law local authorities will be required to produce and circulate new sets of conditions for current licence holders and considered that there may also be additional costs in terms of enforcement of minimum pricing conditions by LSOs, clerks and licensing boards.³⁷

51. For its part, Dumfries and Galloway Council considered that ~~the~~ proposed licence condition would put a massive amount of pressure on LSOs”.³⁸ It suggested that an increase in fee levels could only ~~be~~ in” from the next fee period (from 1 October) and stated that—

³³ Wine and Spirit Trade Association. Written submission.

³⁴ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 423

³⁵ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 457

³⁶ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, Table 9

³⁷ Aberdeen City Council. Written submission

³⁸ Dumfries and Galloway Council. Written submission

—In any event locally the annual fees are presently at the maximum: there is therefore no leeway locally to recoup for additional work.”³⁹

52. Highland Council noted, however, that the FM includes consideration of the potential need to raise licensing fees to cover the additional costs and considered that —this measure will enable us to meet any additional costs.”⁴⁰

53. Several local authorities were clearly supportive of the principle of the Bill. For example, North Ayrshire Council considered that minimum pricing of alcohol was the best way forward to begin the longer term process for dealing with alcohol consumption in Scotland.⁴¹ While South Lanarkshire Council endorsed the proposed introduction of minimum pricing for alcohol and anticipated that—

—There will be no direct financial implications for the organisation which put a strain on current resources.”⁴²

54. In evidence to the Committee, the Bill team sought to address concerns raised by local authorities, particularly relating to the impact on LSOs, by pointing to the ban on smoking in public places. It suggested that following the —right preparation”, that legislation —was introduced highly successfully and without imposing a significant additional long-term burden on those officers.” The Bill team indicated that the Scottish Government considered that minimum pricing could be achieved in the same way.⁴³

55. The Committee notes that there is a range of views on the likely impact of a minimum unit pricing on local authorities, possibly reflecting the differing impact that the policy might have on individual local authority services.

56. The Committee notes the concern raised by Dumfries and Galloway Council regarding its inability to raise licensing fees where the local maximum level had been reached and suggests that the lead committee may wish to seek clarification on this point from the Cabinet Secretary.

Costs on businesses

57. The FM indicates that —all minimum price scenarios modelled result in estimated increased revenue to the alcohol industry (excluding VAT and duty)” in both off and on-trade sectors. It notes, however, that it was beyond the remit of the modelling to consider where the change in revenue may accrue, ie whether the estimated increase benefits retailers, wholesalers or producers, or all of them to some extent.⁴⁴

58. A number of industry organisations challenged the benefits that the FM suggested would accrue to their members as a result of minimum pricing.

³⁹ Dumfries and Galloway Council. Written submission

⁴⁰ Highland Council. Written submission

⁴¹ North Ayrshire Council. Written submission

⁴² South Lanarkshire Council. Written submission

⁴³ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 454

⁴⁴ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 47.

Reduction in sales and jobs

59. Both the SWA and the SGF suggested that minimum unit pricing could result in a loss in sales to their respective members. For example, the FM quotes the SGF as stating that its members estimated that a minimum price per unit of 50p would result in a reduction in sales of 10% and a 70p minimum price per unit would have an estimated reduction in sales of 25%.⁴⁵

60. Likewise, the FM states that the SWA estimated that a minimum price per unit of 50p would result in a reduction of Scotch whisky sales in Scotland by 23%. As a result, the SWA estimated that whisky sales in the Scottish off-trade would be reduced by at least £30 million a year. These figures are adjusted in the BRIA which quotes the SWA as estimating that a minimum price of 50p would result in a reduction of Scotch whisky sales in Scotland by 15% which equates to a reduction in sales of £23 million.⁴⁶

61. During the oral evidence session both organisations were asked whether the unit price would make a big difference to the impact on their members, including on the number of jobs. The SGF suggested that a price of 40p to 45p could reduce turnover by 10 per cent, but indicated that a price below 45p would be less of a problem.⁴⁷ However, it was unable to provide —a specific figure” on the total number of jobs that could be vulnerable as a result of minimum pricing.⁴⁸

62. The SWA responded that—

—“...2 per cent of the trade is own label, so the companies in that sector of the market would be hit straight away. Almost three quarters of Scotch whisky is sold below 50p per unit in Scotland, so the impact would be felt across the board in branded and own-label business.”⁴⁹

63. The SWA suggested that minimum pricing could put at risk around 250 – 400 jobs in those companies whose business model is heavily weighted towards supplying own-label and value brands.⁵⁰

64. In its evidence to the Committee, the Bill team indicated that it had found it difficult to see how there will be significant negative employment consequences in Scotland as a result of minimum unit pricing and that —“anything we think that there will be positive consequences because of the current adverse impacts of the wrong kind of alcohol use.”⁵¹

65. While recognising that the updated SchARR data might provide different results, the Bill team indicated that—

⁴⁵ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 53.

⁴⁶ <http://scotland.gov.uk/Resource/Doc/1094/0122806.pdf>

⁴⁷ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 424

⁴⁸ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 438

⁴⁹ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 424

⁵⁰ Scotch Whisky Association. Written submission.

⁵¹ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 445

—Sfar, we have not seen a clear point at which a small change in price means a very big change in demand.....While there is a link between employment and sales or consumption, it suggests that a small change in price would not lead to a magnified impact on employment or profitability.”⁵²

66. The Committee notes the views of the SGF and the SWA regarding the potential impact of minimum unit pricing on sales and on jobs in the Scotch whisky and off-sales sectors. It further notes that the Sheffield study indicates positive impacts to the on-sales sector. Should the Bill become law, the Committee considers that the Scottish Government should continue in its dialogue with relevant industry organisations with a view to obtaining specific data on whether minimum unit pricing has affected sales and jobs in these sectors.

Impact on Scottish whisky exports

67. A key concern of the SWA is the potential impact on Scotch whisky exports, particularly given that exports make up more than 90 per cent of its business. The SWA stated that an econometric analysis of the markets in South Korea and France suggested a potential £85 million reduction in Scotch whisky exports in these two markets alone. Widening that assessment, it calculates that Scotch whisky exports could fall by 14.5% (£500 million) annually.⁵³ In oral evidence to the Committee, the SWA explained its methodology—

—We compared how Scotch whisky is currently priced with a 50p unit price and the uplift that that would give. When we apply that percentage uplift to the Wagenaar model of elasticity..it shows that for a 10 per cent increase in price, there is an 8 per cent decline in the market. We applied that to our export markets to get the figure.”⁵⁴

68. The SWA advised that its figures were based on its contention that should the Scottish Government be successful and overcome potential legal impediments to a minimum unit pricing policy, then this model would be copied in other countries, who would introduce their own trade barriers.⁵⁵ It indicated that —ti is the principle that we are concerned about rather than the mechanism.”⁵⁶

69. The SWA emphasised that any negative impact on Scottish whisky exports would have a direct impact on the Scottish economy, pointing out that the industry currently spends £1.1 billion annually with local suppliers and that investment of some £1 billion in production and manufacturing capacity has occurred in the last four years.⁵⁷

⁵² Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 445

⁵³ Scotch Whisky Association. Written submission

⁵⁴ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 427

⁵⁵ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 422

⁵⁶ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 428

⁵⁷ Scotch Whisky Association. Written submission

70. The SWA accepted that it was unable to give an indication of the impact on jobs in Scotland as a result of their predicted reduction in Scotch whisky exports, stating that it –would not like to even guess what the figure would be.”⁵⁸

71. In response to questioning from the Committee, the Bill team stated that—

–It is difficult for us to say that there will be nil impact, but we are not persuaded by the figures in the Scotch Whisky Association’s claims. We have not seen the details of the model, but it is based on a great many assumptions. The relationships that inevitably lie at the core of a model that speculates on export impacts are nowhere near as well understood as those in the Sheffield model...”⁵⁹

72. The Bill team confirmed, however, that it had not sought the views of Scottish Development International (SDI) or the enterprise agencies on the potential impact of minimum pricing on Scotch whisky exports and agreed to do so.⁶⁰ In supplementary written evidence, the Bill team reported that SDI had advised that it was the international trade and investment arm of the Scottish Government and worked closely with industry and individual businesses to both increase exports and attract inward investment. SDI advised that, within the context of this, –tiwould not be appropriate to give SDI views on issues broader than this role.”⁶¹

73. The Committee notes the concerns of the SWA regarding the potential impact of minimum unit pricing on whisky exports, but is concerned by the lack of evidence presented to the Committee to support this assertion.⁶² The Committee notes that the Scottish Government consulted the food and drink sector team at Scottish Enterprise as part of its deliberations, and it recommends that the Scottish Government should undertake regular reporting on whisky export volumes and value, in consultation with the enterprise agencies and SDI. It is not clear to the Committee why SDI does not feel it is appropriate for it to give views on the potential impact of the Bill.

Impact on smaller retailers

74. The SGF also expressed concern that the larger multiples would disproportionately benefit from any hypothetical increase in profit resulting from minimum unit pricing.⁶³ It stated, for example, that it would expect that some producers would take the opportunity under minimum pricing to increase their prices to trade in order to benefit from the increased revenue determined by a retail price increase. The SGF pointed out that this would erode any expected

⁵⁸ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 437

⁵⁹ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 449-50

⁶⁰ Scottish Parliament Finance Committee. *Official Report, 21 December 2011*, Col. 450

⁶¹ Scottish Government. Supplementary written submission

⁶² The second part of this sentence was agreed to by division. For: 6 (Kenneth Gibson, John Mason, Mark McDonald, Michael McMahon, Elaine Murray and Paul Wheelhouse), Against: 1 (Gavin Brown)

⁶³ Scottish Grocers Federation. Written submission

financial gain for smaller and independent retailers which have less bargaining powers with producers than, for example, supermarkets.⁶⁴

75. The SGF claimed that—

—Some of the larger multiples have already proven..how easy it is for them to circumvent the will of the 2010 Alcohol Act by advertising that they can still offer multi-buy deals, illegal in Scotland, by delivering them straight from a warehouse in England to the consumer's door."⁶⁵

Internet sales

76. The FM considers the loss of trade due to increased internet sales and concludes that the vast majority of consumers will not be affected as they are unlikely to purchase the type of alcohol that will be affected by a minimum pricing policy through the internet.⁶⁶

77. In its written submission to the Committee, the SGF challenged this assumption stating that—

—The FM underestimates the potential of minimum unit pricing to drive up cross-border and internet sales."⁶⁷

78. It indicated that the online grocery sector is expected to more than double in size over the next five years from £4.8 billion in 2010 to £9.9 billion by 2015 and pointed to research indicating that —there was a 55 per cent increase in UK online alcohol sales between April 2010 and April 2011."⁶⁸

79. Likewise, the WSTA stated that it was —unrealistic" for the Scottish Government to assume that consumers would not seek to purchase their alcohol from internet providers based outside Scotland where they can take advantage of better offers and pointed to a recent report from the British Retail Consortium showing that by the beginning of 2011, the internet was responsible for nearly 10% of all retail sales, up from 6% in 2009.⁶⁹

80. In its evidence to the Committee the Bill team acknowledged that the increase in internet buying was significant, but stated that—

—Until now, internet sales have been based largely on wine, although there is a bit of a specialist spirits market and a specialist beer market. In wine, even when companies are offering a first-case-for-half-price deal, for example, the price per unit is, at best, down towards 45p. However, the standard prices that customers revert to after that introductory offer are very clearly above the level that ministers have previously looked at in relation to

⁶⁴ Scottish Grocers Federation. Written submission

⁶⁵ Scottish Grocers Federation. Written submission

⁶⁶ Alcohol (Minimum Pricing) (Scotland) Bill. Financial Memorandum, paragraph 57

⁶⁷ Scottish Grocers Federation. Written submission

⁶⁸ Scottish Grocers Federation. Written submission

⁶⁹ Wine and Spirit Trade Association. Written submission

minimum pricing. It would take a fundamental change in the marketplace for minimum pricing to have a significant impact.”⁷⁰

81. The Committee notes the evidence suggesting that internet sales are predicted to increase in the future and showing that there was a 55% increase in UK online alcohol sales between April 2010 and April 2011.

82. The Committee notes, however, the evidence from the Bill team that the focus of internet sales to date has been based largely on wine, which traditionally retails at a higher unit pricing rate than that currently being considered by the Scottish Government.

83. However, the Committee recommends that given the significant increase in internet buying in recent years that, should the Bill become law, the Scottish Government should monitor trends in internet sales to assess the scale of any potential impact of minimum unit pricing on the pattern of alcohol sales.

Cross-border concerns

84. The FM also considers the impact of cross-border trade and accepts that there may be a loss of trade due to an element of cross-border alcohol tourism in order to take advantage of those areas in the UK that do not have minimum pricing in place. It concludes, however, that the majority of the population in Scotland live a considerable distance from the English border and suggests that the time and travel cost involved would be likely to outweigh any savings on the price of alcohol.

85. Nevertheless, the SGF expressed concern regarding the impact on retailers situated close to the border with England and stated that —some retailers have already started to report a loss in business from cross-border trade resulting from the 2010 Alcohol Act.”⁷¹ Likewise, Dumfries and Galloway Council noted that while the FM suggests that the cost of petrol and wear and tear on the vehicle would not make cross-border shopping worthwhile for someone based in Glasgow —this is not the case in many areas within Dumfries and Galloway.” It stated that—

—Crossborder sales might very well be financially worthwhile and if so this would deleteriously impact on the local licensed trade.”⁷²

86. The SWA indicated that there was evidence from all over the world that cross-border shopping takes place and stated that —Something like 50 per cent of the Norwegian market is supplied through cross-border shopping.”⁷³ It emphasised that—

⁷⁰ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 446

⁷¹ Scottish Grocers Federation. Written submission

⁷² Dumfries and Galloway Council. Written submission

⁷³ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 429

—the impact of the legislation must be assessed and there is no benchmark for the level of cross-border shopping that currently takes place and no assessment of where that might go.”⁷⁴

87. In its evidence to the Committee, the Bill team emphasised that it came down to economics. It pointed out that the least populated UK border was the Scottish-English one. It suggested that —People would have to travel longer distances, which would make the activity less economically viable, so it would happen less.”⁷⁵

88. The Committee notes that the discussion on cross-border sales in the FM uses, by way of illustration, a round trip from Glasgow to Carlisle to support its conclusion that the cost and time of travel would likely outweigh any savings on the price of alcohol. The Committee considers that it would also have been helpful for the FM to include assessment and analysis of the potential impact of cross-border sales for individuals and businesses based close to the border.

89. The Committee considers that it would also have been helpful if the FM had provided an assessment of the current level of cross-border trade between Scotland and England to provide a benchmark with which to compare.

Illicit trade

90. The WSTA also raised concerns about illicit trade (or white van man activity). In its oral evidence to the Committee, the SGF stated that—

—It takes only a couple of hours to get to Carlisle down the M74. People can load up cheap vodka and other cheap products and sell them in various place where illegal sales take place around the country.”⁷⁶

91. In its evidence to the Committee, the Bill team accepted that there might be —a bit of growth” in the area of illegal sales.⁷⁷ However, it pointed out that while tobacco was light, alcohol was a heavy and bulky product, which meant there were —inherent limits on how it can be sold to people.”⁷⁸

Off-sales and on-sales

92. The Committee also sought to establish the extent to which minimum unit pricing might impact on the habit of pre-loading, that is, drinking at home before going out to a licensed premise and whether there might be a shift from off-sales to on-sales. The SGF did not think that the introduction of minimum unit pricing would change the habit of pre-loading.⁷⁹

93. The Bill team indicated that it expected —the difference between on-sales prices and off-sales prices to shrink... The shrinking differential would have

⁷⁴ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 430

⁷⁵ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 447

⁷⁶ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 425

⁷⁷ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 454

⁷⁸ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 454

⁷⁹ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 441

some impact on alcohol consumption, and it would have some impact on the settings in which alcohol is consumed. The on-sales sector would benefit from that.”⁸⁰

94. In a supplementary written submission, the Bill team confirmed that Table 5 in the FM showed the estimate for the increased spend with a minimum price of 45p, was coincidentally, the same for the off and on trade sectors, at £48million.⁸¹ It explained that—

—In the case of the off trade it results from an increase in revenue to the retailer of £67m, but a decrease in duty and VAT of £19m. For the on trade, it is an increase in revenue to the licensed premise of £37m and an increased tax take to the UK Government of £11m.”

CONCLUSION

95. The Committee directs the lead committee to the specific comments made throughout this report on certain aspects of the FM.

⁸⁰ Scottish Parliament Finance Committee. *Official Report*, 21 December 2011, Col. 452

⁸¹ Scottish Government. Supplementary Written Submission

ANNEXE A: WRITTEN EVIDENCE

LETTER FROM THE CONVENER TO THE CHIEF SECRETARY TO THE TREASURY

The Finance Committee of the Scottish Parliament is currently considering the Financial Memorandum (FM) produced to accompany the Alcohol (Minimum Pricing) (Scotland) Bill.

The purpose of the Bill is to introduce a minimum price for alcohol below which alcohol must not be sold on licensed premises. The Scottish Government commissioned the School of Health and Related Research at the University of Sheffield to undertake analysis using Scottish data to model the potential effect of the introduction of minimum pricing of alcohol. Minimum prices per unit from 25p to 70p were modelled.

Paragraphs 62 to 64 of the FM consider the estimated costs on the UK Government. In particular, paragraph 64 of the FM states that there is estimated to be a net effect of an increase of between £1m and a reduction of £65m in receipts to the Exchequer taking the range of prices from 25p to 70p. The FM goes on to state that there are no costs to the UK Government which fall within the terms of the Statement of Funding.

As part of its scrutiny of the FM, the Committee agreed to seek clarification from the UK Treasury on whether it shares this view.

A copy of the Bill and accompanying documents is attached with this letter (the FM is contained within the explanatory notes) and can be found on the Parliament's website at:

<http://www.scottish.parliament.uk/parliamentarybusiness/Bills/43354.aspx>

LETTER FROM THE ECONOMIC SECRETARY TO THE TREASURY TO THE CONVENER

Thank you for your letter of 17 November regarding your committee's consideration of the Financial Memorandum produced to accompany the Alcohol (Minimum Pricing) (Scotland) Bill.

I am grateful for the sight of the Financial Memorandum, given the potential impact of the policy on the UK Government. I am aware of the modelling done by the University of Sheffield, but have some concerns about the conclusions reached on the impact on Exchequer receipts. In particular we have concerns about the methodology used by the University of Sheffield to model their results. Initial analysis undertaken by the HMRC suggests that the Exchequer revenue costs of introducing minimum pricing in Scotland, as presented in the Financial Memorandum, are too low. While recognising the competence of the Scottish Government to take forward this policy and welcoming the Scottish Government's attempts to develop a wider strategic approach to tackling alcohol abuse, I would expect the Scottish Government to take account of the potential impact on exchequer receipts when setting minimum prices under the legislation.

SUBMISSION FROM THE SCOTTISH GOVERNMENT

1. Dialogue with Scottish Development International (column 450)

As agreed The Bill Team contacted the SDI direct seeking views and received the following response:-

"Scottish Development International is the international trade and investment arm of the Scottish Government. We work closely with industry and individual businesses to both increase exports and attract inward investment.

Within the context of this, it would not be appropriate to give SDI views on issues broader than this role. However, as part of our day to day work with businesses, industry and foreign investors we routinely feedback their views into Government and Ministers on a variety of issues relevant to the international trade and investment agenda."

2. Figures for what percentage of the £96 million set out in table 3 of the Financial Memorandum would be borne by moderate, hazardous and harmful drinkers? (column 459)

Within the Financial Memorandum Table 3 shows the estimated increase in spend , on average, per head, per annum for drinkers in 3 different groups across the range of minimum price scenarios from 25 to 70p.

Table 3: minimum price: impact on consumption and spending						
Minimum Price per unit	Moderate drinkers		Hazardous drinkers		Harmful drinkers	
	Change in mean annual consumption per drinker—all beverages (%)	Change in spend per drinker per annum (£)	Change in mean annual consumption per drinker—all beverages (%)	Change in spend per drinker per annum (£)	Change in mean annual consumption per drinker—all beverages (%)	Change in spend per drinker per annum (£)
25p	+0.0	+1	+0.0	+5	-0.4	+12
30p	-0.0	+2	-0.0	+11	-1.1	+27
35p	-0.3	+3	-0.4	+22	-2.5	+53
40p	-0.9	+5	-1.4	+37	-4.8	+85
45p	-2.0	+8	-3.2	+54	-7.9	+116
50p	-3.3	+12	-5.6	+70	-11.4	+138
55p	-5.0	+15	-8.4	+84	-15.3	+151
60p	-6.8	+18	-11.3	+96	-18.9	+162
65p	-8.8	+21	-14.4	+105	-22.8	+161
70p	-10.9	+24	-17.6	+109	-26.7	+149

Table 5 shows the estimated aggregate increased spend per annum, per drinker group and across the total drinker population.

Table 5: Effect on drinkers for total population (£m): 45p minimum price per unit					
		Scotland	Moderate	Hazardous	Harmful
Total change in value of sales for population	Off-trade per annum	48	11	21	15
	On-trade per annum	48	10	24	13
	Total per annum	96	21	45	28

3. Could clarification be provided on Table 5 in the FM, in particular the figures of £48m, which seem to suggest that the increase in off-trade and on-sale sales per annum would be the same (post meeting request).

The table does indeed show that the estimate for the increased spend with a minimum price of 45p , was coincidentally, the same for the off and on trade sectors. This is the increased spend for the consumer, however it is *not* the increased revenue to the retailer.

In the case of the off trade it results from an increase in revenue to the retailer of £67m, but a decrease in duty and VAT of £19m. For the on trade, it is an increase in revenue to the licensed premise of £37m and an increased tax take to the UK government of £11m.

4. Information about the wider crime and societal costs not included in table 6 (column 461)

Table 6: Summary of financial valuation on health, crime and employment alcohol related harms: minimum price							
Minimum price per unit	Costs to individuals per annum	Health (including QALYs)		Crime (including QALYs)		Employment	
		£m		£m		£m	
		Year 1	Over 10 years	Year 1	Over 10 years	Year 1	Over 10 years
25p	9	+1	+15	0	0	2	14
30p	20	0	10	0	2	4	33
35p	39	4	91	1	7	9	75
40p	66	10	236	2	17	17	145
45p	96	20	452	4	31	28	237
50p	123	32	715	6	50	41	338
55p	148	46	1019	8	71	53	442
60p	169	60	1331	11	92	64	533

65p	184	75	1648	13	115	75	623
70p	191	90	1965	16	138	85	710

Table 6 is a summary table containing financial estimates of costs to the individuals per annum, and the financial valuation of harm **reductions** in health, crime and employment in year 1 and, cumulatively over 10 years, across a series of minimum price policy scenarios. All estimates are taken from the 2nd Sheffield report prepared for the Scottish Government: *Model Based Appraisal of Alcohol Minimum Pricing and Off-licensed Discount Bans in Scotland using the Sheffield Alcohol Policy Mode (9v2):- An update based on newly available data.*

The costs to individuals are the aggregated per annum estimated increase in spend. This is consistent with the figure given in table 5 for the 45p example, £96m, expressed as the total increase in spend.

The 10 year, cumulative, figure given is discounted at 3.5% in line with current Treasury guidance.⁸²

The financial value of harm reduction across all the policy scenarios was estimated incorporating:

- direct cost to the healthcare services, based on health service costs
- direct costs to the criminal justice system based on costing work previously carried out for the Home Office⁸³
- cost of lost economic productivity due to unemployment, based on age specific gross annual earnings
- a financial valuation of health gain (per Quality Adjusted Life Year⁸⁴ (QALY))
- for non property crime, a financial value for the crime impacts on the quality of life (per QALY of crime victims)

Although inclusion of the QALY values goes some way to measuring the societal value of the harm reduction, it inevitably underestimates. A reduction in alcohol related health and crime harm is likely, for example, to reduce harm to children and families of those who drink excessively. This is not quantified. It might also lead to a reduction in the fear of crime – this is not quantified. A community which currently experiences high levels of alcohol misuse may benefit, at the community level, from say a reduction in antisocial behaviour. This is not quantified. So although there is an estimate of the *value* of the benefits to those *directly* affected by alcohol, there is no estimate of the value of changes in harm to others.

⁸² Discounting involves multiplying a financial value by a discount rate to compute its present value (the 'discounted' or present' value).

⁸³ derived from Dubourg R, Hamed J & Thorns J, 2005, The economic and social costs of crime against individuals and households 2003/04. and Brand S & Price R, 2000, The economic and social costs of crime.

⁸⁴ A quality adjusted life year is a measure of health outcome which combines quantity of life with quality: where 0 = death and 1 = 1 year in full health. Measured in this way a QALY of 0.5, for example, could be 6 months at full health or 1 year in a health state valued at 0.5.

The Sheffield report contains very detailed disaggregated tables containing estimates of the impact across the range of minimum price and minimum price + discount ban scenarios modelled. The BRIA, also prepared to accompany the Bill, has more detailed table of benefits and their financial valuation (section 5, costs and benefits) than the Financial Memorandum. In retrospect the summary table 5 in the Financial memorandum may have been insufficiently detailed.

5. What reports/research/evidence did the Scottish Government consider, in addition to the research carried out by the School of Health and Related Research at the University of Sheffield, in formulating its policy on minimum pricing of alcohol. (post meeting request).

There is strong evidence from numerous studies, including systematic reviews, that levels of alcohol consumption in the population are closely linked to the retail price of alcohol. As alcohol becomes more affordable, consumption increases. As the relative price increases, consumption goes down. The Wagenaar systematic review⁸⁵, for example, considered 100 separate studies reporting over 1,000 statistical estimates over the last 30 years and found that there was a consistent relationship between price and consumption of alcohol: when prices go down, people drink more and when prices go up, people drink less. The RAND Europe report *The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms*⁸⁶ supports the link between alcohol price/income/affordability and consumption, and the *direct* link between alcohol price/income and harms, and states that this provides strong support for the use of alcohol pricing policies as a potentially effective measure to curb hazardous and harmful drinking in Europe. A 2011 RAND Europe report sponsored by the Home Office confirmed previous findings: that increasing the price of alcohol can be effective in reducing alcohol harms⁸⁷

SG officials considered both UK and international evidence including NICE and WHO guidance. The following is a list of sources used to help in formulating the policy and preparing the documents that accompany the Bill. In addition the SG considered the views and information supplied to them by various groups and individuals in the course of the consultation exercise and, more recently, in a repeat exercise to invite the industry to provide their assessment of potential impacts.

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⁸⁵ Wagenaar A.C., Salois M.J., Komro K.A Effects of beverage alcohol taxes and prices on consumption: a systematic review and meta-analysis of 1003 estimates from 112 studies *Addiction*: 2009, 104

⁸⁶ Rabinovich et al (2009) *The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms*
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⁸⁷ Hunt P, Rabinovich L, Baumberg B (2011) *Preliminary assessment for economic impacts of alcohol pricing options in the UK*. RAND Europe
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SUBMISSION FROM ABERDEEN CITY COUNCIL

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

No comment.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

No comment.

3. Did you have sufficient time to contribute to the consultation exercise?

No.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

No comment.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Any significant costs may ultimately require to be recovered through increased the licence fees.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

No comment.

Wider Issues

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

No comment.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

If minimum pricing is to be introduced as a mandatory condition local authorities will be required to produce and circulate new sets of conditions for current licence holders.

There may also be additional cost in terms of enforcement of minimum pricing conditions by Licensing Standards Officers, Clerks and Boards.

SUBMISSION FROM DUMFRIES AND GALLOWAY COUNCIL

Consultation

9. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

N/A

10. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

N/A

11. Did you have sufficient time to contribute to the consultation exercise?

N/A

Costs

12. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

No. Although mention is made of the possibility of increasing fee levels this could only —~~be~~ in” from the next fee period (from 1 October). In any event locally the annual fees are presently at the maximum: there is therefore no leeway locally to recoup for additional work.

13. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

No. As 4. The proposed licence condition would put a massive amount of pressure on LSOs. The Explanatory Notes to the Bill emphasise only the responsibility of the LSOs and Boards without mentioning that failure to comply will be an offence and therefore also a police matter.

14. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Unknown.

Wider Issues

15. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

Mention is made that there will be little opportunity for cross border alcohol scales. The example given is Glasgow – the cost of petrol and wear and tear on the vehicle would not make it worthwhile.

That is not the case in many areas within Dumfries and Galloway. Crossborder sales might very well be financially worthwhile and if so this would deleteriously impact on the local licensed trade.

16. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

Impossible to speculate.

SUBMISSION FROM THE NATIONAL ASSOCIATION OF CIDER MAKERS
(NACM)

INTRODUCTION

The National Association of Cider Makers (NACM) represents and promotes the interests of producers of cider and perry in England, Wales and Northern Ireland; and by implication the interests of cider apple growers and the rural communities in which this activity takes place. We appreciate the opportunity to comment on the Alcohol (Minimum Pricing) (Scotland) Bill.⁸⁸

CIDER INDUSTRY

The cider industry is characterised by its wide range of scale of production with two major producers, a handful of medium scale producers and a very long tail of very small scale producers with some perry and cider makers producing less than 70Hl per annum. Approximately 480 producers, in all, predominately based in rural communities in the South West of England and the three counties of Gloucester, Hereford and Worcester. Some 1,000 jobs are directly dependent on cider making with a further 5,000 rural/cider related jobs overall.

The principal raw material for making perry and cider is pears for perry and apples (both cider apples and dessert apples) for cider. The source of the pears and apples for making perry and cider is from a wide variety of orchards, varying in scale from 2-3 trees to large orchards in England, Wales and Northern Ireland. Without the continued existence of the cider industry the UK's apple orchards would be reduced by more than 50%.

Cider and perry is sold throughout the United Kingdom in a wide range of outlets from major national and regional pub chains, major multiple retailers to farm shops and local pubs and local supermarkets.

As set out in the BRI⁸⁹, the share which cider and perry have of the Scottish alcoholic drinks market is only a relatively small 7%; this effectively means that 930 people out of 1,000 people do not drink cider. Furthermore of the 70 that do, cider is usually their 4th preference drink.⁹⁰ Strong white ciders only represent ½%⁹¹ of the total alcoholic drinks market, not the 2% as set out in the BRI⁹². They are a declining part of the market and it is interesting to observe that in the leading multiple retailers these products are placed on the bottom shelf and are not regularly replenished.

⁸⁸ The views presented within this document reflect the majority of NACM members. However, one of the association's largest members, C&C Group plc (–G&C–), makers of Magners, Gaymers and Blackthorn cider and Tennent's lager are supportive of the Scottish government's plans on minimum pricing as part of a range of measures designed to tackle problem drinkers, as long as it is implemented reasonably and proportionately. As a result C&C's views are not included within this evidence. C&C would be happy to present separate evidence if requested.

⁸⁹ (BRI) Framework for Action: Changing Scotland's Relationship with Alcohol – **Business and Regulatory Impact** for Minimum Price per Unit of Alcohol as Contained in the Alcohol (Minimum Pricing) (Scotland) Bill, Scottish Government 2011, paragraph 5.52, p 44.

⁹⁰ Trade research

⁹¹ CGA/IRI On & Off Trade

⁹² Table 3, p 73

ALCOHOL MISUSE

As the figures clearly show, due to its small market share, cider and perry cannot be singled out as being responsible for alcohol misuse in Scotland, as some would suggest. A review of published reports in the public domain produced by the Scottish Executive, UK Government and other bodies, quite clearly demonstrates that no one alcoholic drink is responsible for alcohol misuse – misuse is caused by certain drinkers who clearly misuse alcohol and by some under 18s who are clearly breaking the law, with their parents⁹³ principally responsible for supplying the alcohol to them. This therefore is not a problem about problem drinks but about problem drinkers and individual's attitude towards alcohol.

NACM fully appreciates the Scottish Government's concerns about alcohol misuse in Scotland and its desire to address this issue. NACM is an active member of the Scottish Government Alcohol Industry Partnership, set up to develop effective, practical and targeted measures to address the misuse of alcohol by the few.

The cider industry looks forward to continue its partnership with the Scottish Government to tackle these serious problems. In drawing up policies to reduce harm from problem drinkers, however, it is essential to base solutions on the facts and robust evidence of what works.

NACM fully subscribes to the Portman Group Code of Practice which is successful in ensuring that products are marketed in a socially responsible way and only to an adult audience, fully supports the aims and objectives of the Drinkaware Trust (with NACM's leading members being directly involved in its operations) and an active participant in the Responsibility Deal.

MINIMUM PRICE BASED ON A UNIT OF ALCOHOL

Given that the majority of the public drink sensibly and that alcohol is misused by a minority of drinkers, general population measures such as increasing taxes or other means of raising prices e.g. introducing minimum unit pricing are not generally regarded as the appropriate means for tackling misuse – it penalises the majority of sensible drinkers without necessarily dealing with alcohol misuse.

The SchARR⁹⁴ model does no more than demonstrate that if you raise the price of a product consumption falls (the economic principle of price elasticity of demand)⁹⁵; the basis on which the whole minimum unit pricing thesis is built.

A number of factors can affect the price elasticity of demand for example:

1. Availability of substitute goods and their relative price (in this case substitute goods could include discretionary food products whose purchase is dropped to maintain alcohol purchases.)
2. Consumer's real personal disposable income,

⁹³ Research by Drinkaware and John Moores University, Liverpool.

⁹⁴ School of Health and Related Research at the University of Sheffield.

⁹⁵ Price Elasticity of Demand is a measure to show the responsiveness of a quantity of a product demanded in response to a 1% change in price (holding constant all other determinants of demand). It was devised by Alfred Marshall in 1890. The determining factor for establishing the price elasticity is the willingness and ability of consumers after a price change to postpone immediate consumption decisions concerning the goods and to search for substitutes.

⁹⁶ Marshall, A (1920), *Principles of Economics* (revised edition), MacMillan

3. Market dynamics, to name a few.

MARKET DYNAMICS AND DISTORTION

The SchARR study did not adequately model situations where other determinants were not held constant. The application of a 35p/unit minimum price (and above) would not appear to fall within the parameters of the 1% price change: the double digit price change represents a paradigm shift, where the level of price increase for one category is sufficient to alter existing market dynamics which would render historical price elasticities questionable.

The application of minimum unit pricing will compress price ranges of products (in the off-trade) within a category – eroding price hierarchies as the gap between the new artificial floor price of a product and the premium price is drastically reduced. Price ranges across categories will also be compressed: historic price elasticities would not be applicable as the basis for calculating impacts on demand for a range of alcoholic beverages (and the collateral reduction in the demand for discretionary food items.) Such price compression will be market distorting and bring with it unintended consequences. The impact on cider sales in Scotland will be far greater than that calculated by SchARR.

This measure effectively denies access to Scottish markets because minimum pricing favours least efficient producers and denies cost efficient producers in England, in other EU member states and non – EU countries who make ‘English’ style cider access to market by not being able to reflect their cost efficiencies in lower prices. Minimum unit pricing is effectively a restriction on the operation of the free market and a barrier to international trade.

Minimum unit pricing removes price as a vehicle for reflecting quality considerations and removes the incentive for maintaining quality aspects of production. In the case of cider, as far as the Scottish market would be concerned, minimum unit pricing could undermine and make redundant the minimum juice content criteria for cider as the minimum price (depending on the level it was set) could nullify the tax penalty for lower juice content product.

The above assessment effectively challenges two claims made in the BRI:

1. —. . that the effects of the price increase may not be disadvantageous to the alcohol industry as a whole because the estimated decrease in sales volume may be more than offset by the unit price increase.”⁹⁷
2. —Minimum pricing is estimated to result in increased revenue to the alcohol industry as a whole.”⁹⁸

The BRI clearly shows that there will be serious damage to cider sales if the minimum price were set at 40p/unit of alcohol⁹⁹.

⁹⁷ BRI p 17 paragraph 2.34

⁹⁸ BRI p 39 paragraph 5.37

⁹⁹ BRI p 73, Table 3

Parallel markets

The BRI is dismissive of the impact of internet trading and the development of an illicit market for alcohol. It tends to assume a passive response from consumers. This view is not shared by the Economist, *—£lprices are much higher in Scotland than in England, parallel markets, both legal and illegal, will emerge.*¹⁰⁰ Parallel markets are active in Sweden and Finland where penal tax regimes operate against alcoholic beverages.

There is an example from recent history when coffee prices rose very steeply where lorries on route between production centres to distribution depots in the UK were hi-jacked for their cargoes for selling in illicit markets.

Where prices are artificially raised above a market price illicit alcohol production and counterfeiting does take place which is recognised by the WHO Global Strategy. The recommended course of action is greater enforcement but this adds to policing costs yet the BRI figures show that overall crime volumes are estimated to fall by around £18m over 10 years.¹⁰¹

Conclusion

Penalising the general population does not seem to be the appropriate way forward in either seeking to bring about cultural change in Scotland's relationship with alcohol or dealing with alcohol misuse (the problem drinkers).

The industry is working with the Scottish Government to address the issue of alcohol misuse and as the Economist pointed out, *—ome drinking trends are beginning to come right, with a recent fall in alcohol related deaths, fewer adults saying that they drink over the limit and fewer 13 – 15 year olds saying they drank at all the previous week: why rush into more change?*¹⁰²

Given the significant anticipated drop in the sales of cider as a result of the introduction of minimum pricing the negative impact on industry is disproportionate to the outcomes that are being sought particularly as they stand to be undermined by unintended consequences.

NACM is concerned, along with other organisations representing alcoholic drinks producers that:

1. Policy on alcohol misuse should be addressed to those who have the problem not the majority who do not rather than propose a measure which unnecessarily impacts all consumers of alcoholic drinks regardless of whether or not they have anything to do with alcohol misuse.
2. There is the assumption of a direct link between price and reducing harm, particularly as it has yet to be supported by the evidence. No evidence has been produced to substantiate the thesis that minimum unit pricing will be effective in tackling alcohol misuse other than the basic mechanism that

¹⁰⁰ The Economist, December 3rd – 9th 2011, p 36.

¹⁰¹ BRI p 34, paragraph 5.21 and Table 4.

¹⁰² The Economist, December 3rd – 9th 2011, p 36

as the price of a product goes up then the consumption of it in general goes down.

Of concern is the apparent failure by those wishing to introduce further legislative controls on the availability and the price of alcohol to identify and deal with the real causes of alcohol. To focus on the availability and affordability of alcohol as the sole and root cause of misuse loses sight of this. When the BRI looked at alternative policy instruments it looked no further than price instruments and failed to give consideration to targeted interventions¹⁰³.

The real drivers behind harmful drinking, binge drinking behaviour and under 18's alcohol misuse are overlooked as a consequence. Failure to get this right means that behaviour does not change, misuse and harmful drinking continues but that the general public are penalised as a result of failed policies built on false premises.

¹⁰³ BRI p 90 paragraphs 72 – 78.

SUBMISSION FROM NHS GRAMPIAN

Thank you for the opportunity to present our views on the Financial Memorandum produced to accompany the Alcohol (Minimum Pricing) (Scotland) Bill. NHS Grampian are producing a joint comment on the Bill itself with partners. The comments in this letter concern implications for NHS Grampian as an organisation.

1. *Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?*

As described above, we are taking part in the consultation exercise for the Bill. We commented that there is evidence for the effectiveness of minimum pricing in reducing consumption of alcohol and its associated harms. Additionally we agree that the greatest impact will be upon harmful drinkers. We have recommended a minimum price per unit of 60p.

2. *Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?*

Yes we do. We agree with the use of the School of Health and Related Research (SchARR)¹ evidence to inform the assumptions.

3. *Did you have sufficient time to contribute to the consultation exercise?*

The consultation exercise is still ongoing at the time of writing. However, we feel there has been sufficient time to contribute.

4. *If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.*

NHS Grampian do not anticipate any additional costs as a result of the Bill, and indeed expect future cost savings due to a projected reduction in health harm. This has been accurately reflected in the Financial Memorandum.

The costs of alcohol misuse in Scotland to the NHS have recently been estimated as £348.46 million per year.² A minimum price per unit of 60p would be expected to reduce health harms by up to £60 million in the first year and by £1331 million over ten years.¹ However, it is crucial that the impact of minimum pricing upon consumption is evaluated and we welcome the fact that research has been commissioned to examine this.³ It is also important that the long-term population level outcomes are monitored.

5. *Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?*

There are no anticipated additional costs to NHS Grampian.

6. *Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?*

There are no anticipated additional costs to NHS Grampian.

7. *If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?*

No other policies are mentioned within the Bill or Memorandum.

8. *Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?*

NHS Grampian does not anticipate any future costs associated with the Bill in its current form.

Thank you again for the opportunity to bring our views to the attention of the Finance Committee.

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SUBMISSION FROM HIGHLAND ALCOHOL AND DRUG PARTNERSHIP

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

HADP have submitted a response to the request for evidence to the Health & Sport Committee, the key focus was to respond to the questions and as such no direct comment was given on the financial assumptions made.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

N/A

3. Did you have sufficient time to contribute to the consultation exercise?

The timescale was restrictive however HADP considers the ALCOHOL (MINIMUM PRICING) (SCOTLAND) BILL to be an important piece of legislation, which sets out a real opportunity to address the issues of high alcohol consumption to have a significant and positive impact on the health of our communities therefore responding, was considered a priority. In terms of commenting on the financial memorandum, perhaps this could have been more explicit at the time the initial call for evidence was made in order that a more in depth analysis could be made at local level.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

HADP believes that the Financial Memorandum has adequately covered the implications of the Bill. It is recognised the introduction of a minimum price for alcohol will have significant impact on the reduction of alcohol related harm.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

HADP agree with the conclusion contained within the memorandum that there will be a significant reduction in alcohol related admissions, therefore healthcare costs are estimated to reduce.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

The analysis contained within the Financial Memorandum would appear to have accurately captured this.

Wider Issues

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

The Financial memorandum has considered the financial impact from a range of perspectives, including those areas where the Bill will have a significant financial impact. HADP believes that the gain for society in implementing the Bill out ways any financial outlay.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

It would be difficult to quantify potential future costs although HADP would suggest that to be an accepted risk in order to ensure improvement in public health.

SUBMISSION FROM NHS LANARKSHIRE AND LANARKSHIRE ALCOHOL AND DRUGS PARTNERSHIP (ADP)

1 Consultation

Q1 Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes, NHS Lanarkshire did take part in the consultation exercise for the Bill. NHS Lanarkshire supported the financial assumption made within the Bill and supported a minimum price of £0.50 per unit. The justification for this level was based on the University of Sheffield's Report (2009) which suggests that as the minimum price threshold increases, alcohol-related hospital admissions and deaths are estimated to reduce.

At a national level this would see a reduction of 3,600 admissions per annum for a £0.40 price threshold compared to a fall of 8,900 alcohol related hospital admissions per annum for a £0.50 price threshold. In Lanarkshire alone this equates to a reduction of 367 hospital admissions and 907 hospital admissions respectively.

This report also notes that most of the prevented deaths over a ten year timeframe occur in harmful drinkers, while the majority of health related harms are reduced in middle or older age groups who are at significant risk of developing and potentially dying from chronic disease. The Sheffield Report concludes that as the minimum price threshold increases, healthcare costs are reduced. At a national level, health and social care costs will be reduced by approximately £60m for the £0.40 price threshold and £160m for the £0.50 price threshold over a ten year period. In Lanarkshire this equates to £6.1m and 16.3m savings in health and social care costs respectively.

Q2 Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes, these are clearly laid out and are primarily based on the work of the Sheffield Report (2009) referred to earlier.

Q3 Did you have sufficient time to contribute to the consultation exercise? - Yes

2 Costs

Q4 If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Yes the financial Memorandum incorporates the modelling carried out by the Sheffield Report (2009), referred to earlier which estimated that Alcohol misuse costs the National Health Service (NHS) an estimated £405m each year. Health harms are estimated to reduce by up to £88m in the first year, and between £12m and £2,211m over 10 years.

The difference in these figures reflects the modelling of 21 separate scenarios conducted by the University of Sheffield. These modelling scenarios incorporate

the estimated impact on reduction to health harms based on minimum price thresholds which range from £0.25 to £0.70 per unit of alcohol and the estimated effects of including a discount ban. Financial implications for NHS Lanarkshire are incorporated in Q1.

Q5 Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Yes, the financial Memorandum notes that at a national level, health and social care costs will be reduced by approximately £60m for the £0.40 price threshold and £160m for the £0.50 price threshold over a ten year period. In Lanarkshire this equates to £6.1m and 16.3m savings in health and social care costs respectively.

Q6 Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Yes, the financial Memorandum provides an accurate reflection of these margins.

Wider Issues

Q7 If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

Yes, the financial Memorandum clearly sets out where a Regulatory Impact Assessment (RIA) was required. There were 3 topics within the original Bill that carried a significant financial impact. For the purposes of the financial memorandum, a significant financial impact was defined as a topic having a financial impact of over £0.4m per annum once implemented and included the introduction of a minimum price for a unit of alcohol.

Q8 Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

At this stage we are unable to quantify these costs, although it is anticipated that there will be no direct financial implications for the organisation which put a strain on current resources.

Response to the Health and Sport Committee

4.1 The advantages and disadvantages of establishing a minimum alcohol sales price based on a unit of alcohol

Advantages

The ADP strategy for 2011 – 2015 recognises the significant impact alcohol has on the health and well-being of our population, especially those living in our most deprived communities, where the alcohol related death rate in the most deprived 20% of our population is five times that of the least deprived 20% (ISD 2009).

Scotland's CMO also reported that deaths from liver disease now account for one in 50 of all Scottish deaths, at a time when the rate in most Western countries is falling. Worryingly since 1991, the average age at which people die from alcoholic liver disease has also dropped from 70 to 55 years of age. Both in terms of direct costs, such as hospital services and the criminal justice service, and indirect costs such as loss of productivity and the effects on families, the impact of alcohol misuse on the Scottish economy is substantial. There are also increasing numbers of 16-24 year olds who are drinking above safe levels, while nationally over 65,000 children are living with parents who are currently experiencing alcohol related problems.

Whilst addiction services have in recent years tended to focus on the young and adult population under 55, the drinking habits of older people have traditionally not been regarded as high priority. There is, however, evidence of an increase in both binge drinking and alcohol dependency in older adults. Alcohol Statistics Scotland 2011 showed that 24% of men aged 65+ were hazardous or harmful drinkers, as were 11% of women in the same age group. Hence, older adults may benefit from age specific targeting and treatment as much as younger groups, and it is therefore reasonable to conclude that a minimum price per alcohol unit will have an impact on levels of alcohol consumption in this population.

We therefore endorse the proposals set out within the Alcohol Bill which adopts a whole population approach to tackling Scotland's alcohol problem, including the proposed introduction of blanket minimum pricing of alcohol. This proposal is based on the most fundamental law of economics which links the price of a product to the demand for that product. Accordingly, increases in the monetary price of alcohol, including the introduction of a minimum price per unit would be expected to lower alcohol consumption and its adverse consequences.

Studies investigating such a relationship found that alcohol prices were one factor influencing alcohol consumption among youth and young adults. Other studies determined that increases in the total price of alcohol can reduce drinking and driving and its consequences among all age groups; lower the frequency of diseases, injuries, and deaths related to alcohol use and abuse; and reduce alcohol-related violence and other crime.

Indeed the World Health Organisation (2009) also recognise the extent and consistency of the evidence that alcohol-related harm is linked to product price, with a particular impact on younger and heavier drinkers.

Disadvantages

There are no direct disadvantages in adopting this approach from a public health perspective, however depending on how it is implemented it will have little or no impact on those who tend to drink the most expensive drinks (it is feasible that some retailers will attempt to maintain price differentials). However, there may be other consequences of minimum pricing which need to be considered in any analysis of advantages and disadvantages. First there is the potential increase in profits for alcohol retailers under minimum pricing, and second there, potentially, could be the development of a black market in alcohol (depending on the minimum unit price).

4.2 The level at which such a proposed minimum price should be set and the justification for that level

We would support a minimum price of £0.50 per unit. The justification for this level is taken from the University of Sheffield's Report (2009) which suggests that as the minimum price threshold increases, alcohol-related hospital admissions and deaths are estimated to reduce. At a national level this would see a reduction of 3,600 admissions per annum for a £0.40 price threshold compared to a fall of 8,900 alcohol related hospital admissions per annum for a £0.50 price threshold. In Lanarkshire alone this equates to a reduction of 367 hospital admissions and 907 hospital admissions respectively.

The report also notes that most of the prevented deaths over a ten year timeframe occur in harmful drinkers, while the majority of health related harms are reduced in middle or older age groups who are at significant risk of developing and potentially dying from chronic disease. The Sheffield Report concludes that as the minimum price threshold increases, healthcare costs are reduced. At a national level, health and social care costs will be reduced by approximately £60m for the £0.40 price threshold and £160m for the £0.50 price threshold over a ten year period. In Lanarkshire this equates to £6.1m and 16.3m savings in health and social care costs respectively.

The rationale behind the use of minimum pricing as an effective tool to address all types of problem drinking

Many of us have witnessed or been caught up in antisocial behaviours resulting from the worst excesses of Scotland's drinking culture. There are significant numbers of people in Scotland, including Lanarkshire, who do not necessarily drink above the safe drinking levels, but who nevertheless cause themselves and others problems, often of a violent nature – this group of drinkers are often termed hazardous drinkers. The Sheffield Report (2009) found that minimum pricing is an effective strategy to reduce drinking amongst this population as well as those drinking at levels harmful to their health.

4.3 Any other aspects of the Bill.

Setting a minimum price for alcohol and ending deep discounting and promotions across the board will reduce the price gap between the off-licensed and on-licensed trade. Regardless of the level of minimum price set, the combination of these measures will have a major impact on the health of Scotland. It will lower overall consumption with significant health benefits for the Scottish population and will curb the ability of problem drinkers to get drunk cheaply.

SUBMISSION FROM NORTH AYRSHIRE COUNCIL

Submission to the Health and Sport Committee of the Scottish Parliament copied to the Finance Committee

Introduction

North Ayrshire Council welcomes the opportunity to comment on the terms of the Alcohol (Minimum Pricing) (Scotland) Bill currently before the Scottish Parliament. It is noted that the Committee invites evidence on the following:

- The advantages and disadvantages of establishing a minimum alcohol sales price based on a unit of alcohol;
- The level at which such a proposed minimum price should be set and the justification for that level;
- Any other aspects of the Bill.

Background

North Ayrshire is one of the more socially challenged areas of Scotland having a number of data zones within the most deprived 15% in the Scottish Index of Multiple Deprivation. Social and economic deprivation is also reflected in the health statistics for North Ayrshire. The number of people assessed for alcohol or drug misuse within North Ayrshire rose from 336 in 2009/10 to 463 in 2010/11. Alcohol related deaths rose from 22.1 per 100,000 in 2008/09 to 24.1 in 2009/10.

More generally, the cost of alcohol over the period from 1990 to 2010 has fallen by 30% for beer and cider and 20% for wines and spirits in real terms. Put simply, alcohol is more affordable. North Ayrshire is statistically worse than the Scottish average for alcohol related hospital admissions.

Dealing with alcohol related issues is a priority for North Ayrshire Council and its Community Planning Partners. The Action Plan for 2009-12 sets out a series of actions all of which relate to living healthier lives. The pressure on health services and related Council services is constant. For this reason the Council supports any action to be undertaken to address the influence alcohol has on daily lives.

Advantages and Disadvantages of Minimum Pricing

There is strong evidence from around the world that price increase or higher taxation on alcohol has a significant impact on reducing demand for alcohol. Whatever steps are taken these have to reflect the spectrum of society's use of alcohol be it youth, middle age or the elderly. As a local authority with health agenda as a high priority any effort to increase the price of alcohol is to be supported.

By setting a minimum price for a unit of alcohol this will standardise the retail minimum price across Scotland. Alcoholic drinks vary in strength depending on the type and quality. Evidence from the Institute of Fiscal Studies has demonstrated that the majority of alcohol purchased from supermarkets and other

off licences is below the 50p per unit value and these lower valued alcoholic drinks make up a significant proportion of all alcohol sold in these premises.

It is recognised that the terms of the Bill will allow for subsequent variation of the unit price set by Ministers and if this is the preferred option, then the ability to vary, depending on current relevant factors would appear to be appropriate.

The consultation Memorandum describes the alternate of increased taxation as a method of increasing the price of alcohol and hopefully reducing consumption. Taxation is levied at source from the manufacturer but is passed on to the consumer in the retail price of the product. It is recognised that the levy or duty varies depending on the type of alcohol – spirits, wines, beer, with some lower alcohol value beers being taxed at much lower rates. This is seen by many to encourage the purchase of this type of product.

There are mixed views on the benefits of taxation as a means of reducing alcohol consumption. We do not believe that this is the most effective means of achieving the government's objects.

Minimum pricing will achieve a consistent approach to alcohol and with the cooperation of the drinks industry will see investment in measures to develop longer term strategies to address alcohol consumption within our communities.

Given the above facts the Council considers that minimum pricing of alcohol is the best way forward to begin the longer term process of dealing with alcohol consumption in Scotland.

Level of Proposed Minimum Price

The level to be set for the unit of alcohol presents significant difficulty as the current range of unit values depends on where the alcohol is purchased and the type of alcohol. In-house sales can be on average £1.31p per unit, while off sales can be anything from 40p to 20p per unit.

The Council is aware of the work being undertaken by the University of Sheffield on alcohol pricing and promotion. Their evidence supports that in Scotland the majority of off sales alcohol (80%) is sold at between 25p to 55p per unit. Of that 75% of cider is sold at less than 40p per unit. Vodka sales through off sales premises are often at a rate of less than 35p per unit.

Given the above range of statistics it is difficult to determine what should be the minimum price unit. The previous Bill on minimum pricing proposed a unit value of 45p. Modelling around this value suggests that this would decrease consumption of alcohol by 6.47% across Scotland. As this is a new concept and therefore untested, and the fact that Ministers have the right to vary the unit price, we consider that 45p would be an appropriate starting point although the final decision must rest with the Scottish Ministers.

Other Aspects of the Bill

The Bill itself has little detail to consider other than the formula for calculating the minimum price. Much more work needs to be undertaken to increase awareness of alcohol and its detrimental effect on health. The minimum price will impact on the drinks industry and the Scottish Government needs to engage more robustly with that industry to develop a longer term strategy on addressing alcohol consumption in Scotland.

SUBMISSION FROM SCOTTISH AMBULANCE SERVICE

QUESTIONNAIRE

This questionnaire is being sent to those organisations that have an interest in, or which may be affected by, the Financial Memorandum for the Alcohol (Minimum Pricing) (Scotland) Bill. In addition to the questions below, please add any other comments you may have which would assist the Committee's scrutiny.

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes we took part and yes we commented on the financial assumptions.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Our comments were not directly related to the assumptions and were more around the impact on healthcare from reduction in alcohol consumption. We still do not see the detail of how the estimates on impact on healthcare were calculated.

3. Did you have sufficient time to contribute to the consultation exercise?

Yes

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Again, the impact on our organisation would be in productivity and efficiency again and allowing our service to concentrate on people with healthcare needs not related to alcohol consumption of the binge drinking type. Therefore this is not considered in the financial memorandum.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Yes and more so there should be additional funding from the Bill that is placed directly with Health Bodies impacted by alcohol-related issues and disease.

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

We do not have sufficient information to answer this question.

Wider Issues

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

They appear to be.

8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

SUBMISSION FROM THE SCOTTISH GROCERS FEDERATION

Questionnaire

Question 1

1.1 SGF has participated in all opportunities to comment on the proposals included in the Alcohol (Minimum Pricing) (Scotland) Bill, including a written submission to the Finance Committee on the Alcohol etc. (Scotland) Bill, which included provisions for a minimum unit price, and a written submission to the Health and Sport Committee on the same legislation.

1.2 SGF also responded to the Scottish Government's consultation *Challenging Scotland's relationship with alcohol: a discussion paper on our strategic approach* held in June 2008. At that time we raised our concerns regarding the measures in the consultation and the impact they would have on smaller and independent retailers.

1.3 We have also engaged extensively with MSPs on the issue of minimum pricing through individual meetings.

Question 2

2.1 Whilst we accept that the Financial Memorandum does accurately reflect comments previously made by SGF we do believe that some of our previous financial assumptions could be revised on the basis of subsequent evidence.

Question 3

3.1 Yes.

Question 4

4.1 Our assessment of the administrative costs to the retailer of the policy broadly remains. However, we do not believe that the Financial Memorandum (FM) has fully accounted for all of the financial implications of the proposed legislation and we are concerned with some of the assumptions it makes.

4.2 Firstly, it is our view that the FM underestimates the potential of minimum unit pricing to drive up cross-border and internet sales. Research shows that consumers are becoming more adept at shopping online for their groceries including making alcohol purchases. For example, the online grocery sector is expected to more than double in size over the next five years from £4.8bn in 2010 to £9.9bn by 2015, thus making online the fastest growing channel in UK grocery retailing.¹⁰⁴ Indeed online grocery sales, with a growth of 21.4% last year, continue to grow at a faster rate than any other sector in the grocery market.¹⁰⁵ According to IMRG, the trade body for e-retailing, there was a 55 percent increase in UK online alcohol sales between April 2010 and April 2011.¹⁰⁶

4.3 It is our view that - depending at what price the minimum unit price is set – this Bill will only serve to exacerbate this demand for online alcohol sales.

¹⁰⁴ IGD Retail Analysis. (2011), <http://www.igd.com/analysis/Hub.aspx?id=23&tid=3&nid=7821&app=10>

¹⁰⁵ Ibid

¹⁰⁶ IMRG/Capgemini e-retail Sales Index, May 2011

4.4 We would also like to draw the Finance Committee's attention to the experience of the Alcohol etc. (Scotland) Act 2010 whereby larger multiples, and indeed other online alcohol retailers, have made no secret of the fact that their online operations are immune to the ban on quantity discount selling.

4.5 Secondly, in light of the conclusion of the Financial Memorandum that —~~a~~*5p minimum price per unit is estimated to increase overall spend by consumers by around £96m per annum*¹⁰⁷ we would like to warn against conclusions which assume that our retailers are going to see a 'windfall' of the sort which can be used to offset any additional costs of the legislation as is implied by the Financial Memorandum. It is our view, and as the evidence would suggest¹⁰⁸, that the larger multiples will disproportionately benefit from any hypothetical increases in profit resulting from the policy. We also believe that producers — particularly those which will want to recoup losses made on producing own brand label products — and wholesalers will also take a slice of this revenue.

4.6 That is why we welcome the Financial Memorandum's frank admission that ~~—i~~*was beyond the remit of the modelling to consider where the change in revenue may accrue i.e. whether the estimated increases benefit retailers, wholesalers or producers, or all of them to some extent.*¹⁰⁹

4.7 Finally, we are concerned by the following comment in the Financial Memorandum: ~~—f~~*l the costs of implementing minimum pricing were found to increase the workload of LSOs significantly, a review of the level of fee income would be appropriate.*¹¹⁰

4.8 We believe that any suggestion of increasing the cost of the licence — which has already been subject to significant increases in recent years — would be iniquitous considering that it would involve charging the sector for the administrative costs of a policy which we oppose. It would also follow other recent and significant costs (see below) which retailers have had to endure due to Government policy on alcohol.

4.9 Whilst we note the Cabinet Secretary for Justice has given a commitment to review alcohol licence fees, we are not convinced that the current regime offers value for money. A recent Freedom of Information request, for example, exposed that some local authorities could not even provide a total figure for their administrative costs of the licensing regime.

Question 5

5.1 Whilst the actual administrative implementation of the legislation would not be such as to render any of our members unable to comply, we must nevertheless raise our concerns about the wider costs of the policy including a potential increase in the licence fee, loss of trade, increased costs resulting from a potential increase in retail crime and the spectre of the Social Responsibility Levy, the

¹⁰⁷ Financial Memorandum, Page 13

¹⁰⁸ Leicester, A., (2011), *Alcohol pricing and taxation policies*, IFS Briefing Note BN 124, Institute for Fiscal Studies

¹⁰⁹ Ibid, Page 14

¹¹⁰ Ibid, Page 10

implementation of which the Cabinet Secretary for Health has stated will be used to claw any revenue gains from the legislation.¹¹¹

Question 6

6.1 SGF would echo the comments made by the Scottish Retail Consortium in their evidence submission to the Bill in stating that the modelling undertaken by the University of Sheffield researchers is by its nature theoretical. There are no other robust comparative examples of minimum unit price in use around the world. Therefore whilst there is some merit to the study we do believe as Dr Meier of Sheffield University conceded during an evidence session in the Health and Sport Committee that the model is *–like the weather forecast* and therefore while offering predictions does not necessarily represent what will *actually* happen in reality.

Question 7

7.1 The Alcohol (Minimum Pricing) (Scotland) Bill will be the third piece of legislation which has seen the retailer as the delivery agent of Scottish Government policy to control the behaviour and consumption of individuals.

7.2 Each of these legislative interventions has occurred over a relatively short period of time and therefore the costs associated with this Bill should not be seen in isolation but rather as part of the wider costs to retailers incurred as a result of the Scottish Government's approach to tackling alcohol abuse.

7.3 The 2005 Licensing Act cost our members around £3000 per store to implement. This cost included the application fee for the new alcohol licence, legal costs and architect fees to draw up the layout plan which was an essential requirement of the legislation. The 2005 Licensing Act also required additional staff training and the reconfiguration of many of our members' stores which both incurred costs.

7.4 The 2010 Alcohol Act has involved further reconfiguration of many of our members' stores, additional staff training and extra administrative costs associated with re-pricing products.

Question 8

8.1 Aside from a potential future loss of trade we believe that there are three further future costs associated with the Bill.

8.2 Firstly, any future changes to the minimum unit price will incur an administrative cost similar to the one associated with implementation of the legislation in the first instance. We do not accept the Financial Memorandum's assertion that it is *–usual operational practice*¹¹² to change all store prices simultaneously. Such changes are usually only associated with increases or reductions in VAT or duty which do not occur regularly.

¹¹¹ On 10th Nov 2010, during the Stage 3 Debate of the Alcohol etc. (Scotland) Bill the Cabinet Secretary stated: *–...we suggested that we work together to use the social responsibility levy to claw back increased revenue for reinvestment in our services.*"

¹¹² Ibid, Page 15

8.3 Secondly, as we state in the submission accompanying this response, as gatekeepers to the products which Government wish to artificially inflate in price, we are concerned about a potential increase in retail crime. Depending on the support our members' stores receive from the police this could involve another on-going future cost.

8.4 Finally, we have noted the considerable and informed opinion which has questioned the legality of the Bill within the parameters of EU law and other international trade obligations. We are concerned about the possibility of our members using valuable time and resource to comply with the legislation only for that legislation to be struck down at a later date. That is why we have called on the Scottish Government to publish its legal advice concerning the Bill.

Submission of written evidence

1. The Scottish Grocers' Federation (SGF) welcomes the opportunity to provide written evidence to the Finance Committee on the Alcohol (Minimum Pricing) (Scotland) Bill.
2. SGF is the trade association for the Scottish Convenience Store Sector. It is the authoritative voice of the Scottish convenience trade with nearly 2,000 stores in membership including groups such as SPAR Scotland, Booker Premier, KeyStore, Nisa, Costcutter, McColl's, the Scottish co-operative and Scotmid, as well as a number of independent retailers including David Sands Ltd and Margiotta Ltd. In total, SGF members employ over 32,000 people across Scotland.
3. SGF members take a responsible approach to retailing alcohol and why we proactively work with the Scottish Government through bodies like the Scottish Government Alcohol Industry Partnership to promote sensible drinking and tackle alcohol related harm. SGF members were, for example, operating a Challenge 25 policy on a voluntary basis several years before the introduction of the 2010 Alcohol Act.
4. SGF recognises the harmful relationship which some Scots have with alcohol and the detrimental social and economic impact irresponsible levels of drinking can have. Nevertheless, we are also cognisant that over the last five years there have been some welcome signs of improvement.
5. Alcohol related deaths, for example, declined by 15 percent over the last five years¹¹³, with 2010 showing the second lowest recorded rate for the last decade, whilst alcohol related hospital discharges also declined between

¹¹³ General Register Office for Scotland (GROS): <http://www.gro-scotland.gov.uk/statistics/theme/vital-events/deaths/alcohol-related/index.html>

2007/08 and 2009/10¹¹⁴. Between 2007 and 2010 there was a decline in the number of alcoholic products, across six alcohol groups except wine, being sold below a unit price of 45p.¹¹⁵

6. We also note the fact that since the introduction of an alcohol duty escalator in 2008 by the UK Government, duty on alcoholic products has risen by 2% in real-terms each year since then. The Institute for Fiscal Studies argue that —*assuming current plans for 2% real increases to continue up to 2014 are fully implemented, real beer duty in 2014 will be higher than at any time since at least 1982, wine duty will reach levels last seen in 1983 and spirit duty at levels last seen in 2000.*”¹¹⁶
7. Nevertheless, despite some of these more positive trends we understand the Scottish Government’s desire to do more to curb the excesses of those who abuse alcohol. We also understand that the parliamentary arithmetic is such that the Minimum Unit Pricing Bill will become law. However, SGF would like to detail some of our concerns with the legislation.

Impact on low-income and moderate consumers

8. As retailers we, perhaps more than most, witness on a daily basis the financial pressures on households across Scotland. It is reflected in the choices consumers make and in the profitability of our businesses. That is why we found it regrettable that little attempt was made to model the impact of minimum unit pricing (MUP) on different income groups when it was proposed as part of the 2010 Alcohol Bill. The Sheffield study failed to do this adequately and little attempt, to our knowledge, has been made by the Scottish Government to establish this subsequently.
9. SGF is concerned that MUP will be a regressive measure which will disproportionately penalise those on lower incomes and the moderate consumer.
10. The Office of National Statistics, for instance, shows that those on the lowest incomes spend, on average, a greater proportion of their weekly budget on off-sales alcohol than those on higher incomes.¹¹⁷ The Institute for Fiscal Studies, for example, argued in a recent report that *“a minimum price would have a larger effect on low-income households.”* Indeed, the report continued,

¹¹⁴ Alcohol-related discharges have declined over the past two years (2007/08 -2009/10) from 43,054 to 39,278, a reduction of 8.8, Alcohol Statistics Scotland Report 2011, Pg. 50:

http://www.alcoholinformation.isdscotland.org/alcohol_misuse/files/alcohol_stats_bulletin_2011.pdf

¹¹⁵ Leicester, A., (2011), *Alcohol pricing and taxation policies*, IFS Briefing Note BN 124, Institute for Fiscal Studies, Pg.35

¹¹⁶ Ibid, Pgs. 13-14

¹¹⁷ Office for National Statistics, Family Spending Survey 2009

—Our figures suggest that at 45p a minimum price would directly affect the vast majority of off-licence consumers.”¹¹⁸

11. The same research showed that those on higher incomes, although more likely to purchase higher quantities of alcohol, will also spend more per unit than those on lower incomes. This is problematic from an MUP perspective for two reasons.
12. Firstly, those on higher incomes are least likely to be affected by a moderate minimum price, for instance 45p, due to the fact that they consume higher quantities of more expensive alcohol.
13. Secondly, as the Scottish Government’s own research shows, those on the highest incomes - who can more easily absorb price increases through MUP - have a greater propensity for exceeding the healthy drinking guidelines than lower income consumers.¹¹⁹
14. We are also profoundly concerned that MUP will be anathema to the concept of a free market of which competitive pricing is the keystone. It is our view that when Government starts to intervene in the market a range of unintended and undesirable outcomes can result. For instance, MUP will remove the price advantage of the own-brand product vis-à-vis the brand leader. This could result in own-brand products being de-listed, or at least ceasing to offer the price advantage on which the lower income consumer is reliant. Either way, this will reduce choice for customers and create a considerable loss of business for the producers involved.

The impact on SGF members

15. We have a number of concerns with regards to the impact MUP will have on our members.
16. Firstly, we would expect that some producers would take the opportunity under MUP to increase their prices to trade in order to benefit from the increased revenue determined by retail price increases. This will erode any expected financial gain for smaller and independent retailers which have less bargaining power with producers than, for example, supermarkets.
17. Secondly, whilst we accept that MUP may introduce more of a level playing field on price between convenience stores and larger supermarkets, we do note the findings of research¹²⁰ which shows that larger multiples will make

¹¹⁸ Leicester, A., (2011), *Alcohol pricing and taxation policies*, IFS Briefing Note BN 124, Institute for Fiscal Studies, Pg.35

¹¹⁹ Scottish Health Survey 2010, <http://www.scotland.gov.uk/Resource/Doc/358842/0121284.pdf>

¹²⁰ Leicester, A., (2011), *Alcohol pricing and taxation policies*, IFS Briefing Note BN 124, Institute for Fiscal Studies

more of a financial gain under MUP due to their greater propensity to sell more alcohol below 45p per minimum unit price than many of our members.

18. We also believe that the supermarkets could employ a range of compensatory measures with which our members cannot compete. For instance, some of the larger multiples have already proven, for example, how easy it is for them to circumvent the will of the 2010 Alcohol Act by advertising that they can still offer multi-buy deals, illegal in Scotland, by delivering them straight from a warehouse in England to the consumer's door.
19. We believe that this pattern of behaviour will only be exacerbated by minimum unit prices with more consumers buying in bulk online. Indeed, there was a 55 percent increase in UK online alcohol sales between April 2010 and April 2011.¹²¹ With more consumers becoming well-versed in online shopping we believe that this consequence of MUP should not be underestimated.
20. Thirdly, we are also concerned about the impact MUP will have on retailers situated close to the border with England. Some retailers have already started to report a loss in business from cross-border trade resulting from the 2010 Alcohol Act. Minimum pricing will only serve to further undermine these businesses.
21. Fourthly, we are concerned about the prospect of increased incidences of retail crime and violent behaviour towards our members as a result of minimum unit pricing. We noted the comments of Dr Laura Williamson, a Wellcome Trust Research Fellow at Glasgow Caledonian University's Institute for Applied Health Research, who stated in *The Sunday Times* that: —*If minimum pricing helps denormalise alcohol and changes our drinking culture, those who struggle with alcohol may find it easier to avoid drinking, but no one is really sure of that...The alcohol-dependent often choose cheaper, high-alcohol drinks that will be hit by minimum unit pricing and it is not clear whether they will reduce or stop their drinking because prices go up or if they will find other ways to access alcohol, such as theft or turn to other substances.*”
22. For SGF members, retail crime is a very real and serious issue and as the gatekeepers to alcoholic products, and often delivery agents of government policy, we believe that this is an issue which should be considered when proceeding with the Bill.
23. Finally, we believe that any discussion of a windfall for retailers through minimum pricing should be tempered vis-à-vis convenience stores by the

¹²¹ IMRG/Capgemini e-retail Sales Index, May 2011

points we have raised above and through an acknowledgement that the Cabinet Secretary, Nicola Sturgeon, has put on public record¹²² her desire to use the Social Responsibility Levy to claw back any extra profits arising from the legislation.

The legality of the policy

24. We note with concern the large and growing body of opinion which raises questions over the legality of MUP under EU law.
25. Most recently, the Parliamentary Under Secretary of State for Public Health, Anne Milton MP, questioned the legality of MUP in evidence to the House of Commons Science and Technology Committee stating: —*Our advice is that in itself it is probably illegal as it contravenes European free trade legislation. I know that Scotland is thinking about introducing it. They will be challenged and that will clarify the law. Our advice is that that is illegal.*¹²³
26. Anne Milton has not been alone in her observations about the legality of the policy. Organisations like the Scotch Whisky Association have pointed to legal precedence within the case history of the European Court of Justice which would suggest that minimum unit pricing could be open to legal challenge and there are a number of academic sources which all question the legality of implementing a minimum unit price for alcohol.¹²⁴
27. It is our view and the view of our members that whilst there are such a number of concerns being raised about implementing a minimum unit price for alcohol it would be advisable for the Scottish Government to make their legal advice public in order to provide more reassurance of the compliance of the legislation with EU law and other international trade agreements.

Concluding remarks

28. SGF is uncomfortable with any policy which seeks to modify behaviour through price changes alone, not least because this policy seems to abdicate individuals from any sense of responsibility about how much they consume.
29. We are sceptical about the extent to which this policy will have a positive impact on those who are addicted to alcohol and to those who over consume on higher incomes. We believe that it is problematic that such a narrow

¹²² On 10th Nov 2010, during the Stage 3 Debate of the Alcohol etc. (Scotland) Bill the Cabinet Secretary stated: —...*suggested that we work together to use the social responsibility levy to claw back increased revenue for reinvestment in our services.*”

¹²³ The Science and Technology Committee, Inquiry into ‘The evidence base for alcohol guidelines’, 25 October 2011

¹²⁴ For examples please consult: Baumberg, B., Anderson, P., (2008), ‘Health, alcohol and EU law: understanding the impact of European single market law on alcohol policies’, *European Journal of Public Health*, Vol. 18, No. 4, 392-398, Pg. 393, and Rabinovich, L., et al., (2009), ‘The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms’, Technical Report, RAND Europe

approach has been taken, an approach we would suggest which singularly fails to account for a range of other variables, such as wealth, addiction, education and culture. It is these intervening variables which can undermine claims that there is a direct causal link between price, consumption and harm.

SUBMISSION FROM THE SCOTCH WHISKY ASSOCIATION

Introduction

1. The SWA is the trade association for the Scotch Whisky industry. Representing over 90% of the industry, members include distillers, blenders, and bottlers.
2. The Scotch Whisky Association (SWA) is delighted to provide written evidence to the Scottish Parliament's Finance Committee on the Alcohol (Minimum Pricing) (Scotland) Bill. We would welcome the opportunity to discuss the points set out in our submission in more detail with the Committee.
3. Scotch Whisky is Scotland's second largest export after oil and gas. It accounts for around 80% of Scotland's food and drink exports and nearly 25% of the UK's total food and drink exports. Export figures for the first three quarters of 2011 show that Scotch Whisky earns £125 every second for the UK balance of payments. The value of exports over the nine month period totalled almost £3billion, an increase of 23% on the same period of 2010.
4. The industry employs 10,300 workers directly with another 35,000 jobs across the UK supported by the industry. In addition, the industry has invested some £1 billion in its production and manufacturing capacity in Scotland over the last four years. Scotch Whisky sales in the UK contribute between £600m-£700m annually in excise duty¹²⁵. There are also significant additional tax receipts from VAT, National Insurance, and Corporation Tax.
5. The SWA recognises the need to address alcohol misuse in Scotland. We are firmly committed to playing our part to reduce alcohol-related harm, promoting a culture where responsible alcohol consumption is the accepted norm and misuse is minimised.
6. A key objective of the Scottish Government's approach is lowering total alcohol consumption. This misses the target. It is suggested 30% of those drinking consume 80% of the alcohol sold. We need to address alcohol misuse by this group. We believe the focus should be on a reduction in the number of people drinking at harmful and hazardous levels. Targeting such drinkers would lead to a reduction in total consumption, without requiring blunt measures that penalise all drinkers.
7. The Scotch Whisky industry is fundamentally opposed to minimum unit pricing (MUP):
 - There is no strong evidence that MUP as a policy will reduce alcohol-related harm. It will not reduce the number of hazardous and harmful drinkers in Scotland.
 - The EU jurisprudence is clear, minimum pricing has invariably been ruled illegal. It is contrary to EU Single Market rules and international trade law.

¹²⁵ HMRC Spirits Bulletin

- Minimum pricing will damage the Scotch Whisky industry in the long term. If brought into law it will establish, for the first time, a barrier of trade on health grounds that will be used by other administrations against Scotch Whisky overseas to protect local markets from imported premium spirits. We calculate that exports could fall by 14.5% (£500 million) as a direct result of protectionist trade barriers.

Questions

Consultation

Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

8. The Bill was introduced to Parliament on 31 October 2011. The Business & Regulatory Impact Assessment (BRIA) was published on 16 November 2011. On 26 August 2011, the SWA received a questionnaire from the Scottish Government seeking information which would be used to input to the Business & Regulatory Impact Assessment (BRIA) for the Alcohol (Minimum Pricing) (Scotland) Bill. The Association submitted a response to this request on 28 September 2011, which provided detailed comments on the financial implications of this Bill on the Scotch Whisky industry. Much of our material was not used.
9. The information in the Financial Memorandum (para 53) is outdated and refers to information supplied in response to a questionnaire for input to the BRIA for the Alcohol Etc (Scotland) Bill in 2009.
10. Much of the Financial Memorandum is based on the second Sheffield report (April 2010). The Health & Sport Committee requested views on the updated report in July 2010, which the SWA responded to. We would be more than happy to provide a copy of our submission to the Finance Committee. There is no strong evidence as to the effectiveness of minimum pricing as a policy to reduce alcohol-related harm¹²⁶. It is often portrayed as a targeted measure having greatest impact on problem drinkers with limited impact on moderate drinkers. A recent report from the Institute for Fiscal Studies¹²⁷ rejected these assertions finding that MUP will hit responsible drinkers and, in particular, those on lower incomes at a time when household budgets are already under extreme pressure.

Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

11. No. The SWA was not consulted on any financial assumptions made. As the Financial Memorandum states (para. 52), the Association was asked a series of questions in relation to introducing minimum unit pricing and provided information within the BRIA in September. Throughout the passage of the

¹²⁶ Babor et al, Alcohol: No Ordinary Commodity, 2nd Edition, Oxford University Press 2010.

¹²⁷ Alcohol Pricing and taxation policies, IFS Briefing Note NB 124, 2011

Alcohol etc. (Scotland) Bill in 2010, the SWA continually pointed out the negative financial implications that the introduction of a minimum unit price for alcohol would have on the industry. However, despite the importance of the Scotch Whisky industry to both the Scottish and UK economies, our financial concerns only merited one paragraph (para 53) in the Financial Memorandum.

12. We therefore believe that the negative implications that minimum pricing will have for the Scotch Whisky industry have not been taken into consideration and our concerns have not been addressed by the financial assumptions made in the Financial Memorandum for the Alcohol (Minimum Pricing) (Scotland) Bill. We regret the failure of the Scottish Government to analyse the impact of its policies on the industry's export performance, particularly at a time when the Government is seeking to raise exports from Scotland by 50% in the next four years.

Did you have sufficient time to contribute to the consultation exercise?

13. Similarly with the Alcohol etc. (Scotland) Bill, there was no consultation with the SWA for this Bill regarding the financial assumptions made in relation to the Financial Memorandum.

Costs

If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

14. No. Minimum pricing threatens fundamental damage to the financial well being and export performance of the Scotch Whisky industry, with consequences for the wider Scottish economy. A negative impact on employment is likely, as is reduced spend with suppliers and a decline in investment.

International Implications

15. A MUP for alcohol will have significant financial implications for the Scotch Whisky industry and the wider economy which relies on the sector. Such costs have not been reflected in the Financial Memorandum.
16. Scotch Whisky is a powerhouse of the Scottish economy. The value of exports over the last nine months totalled almost £3billion – an increase of 23% on the same period of 2010. 10,300 people are directly employed in the Scotch Whisky industry and 35,000 jobs are indirectly supported. This includes bottles, packaging, logistics etc.
17. Market access restrictions globally threaten industry competitiveness. Many countries try to hinder the industry's success through the application of trade barriers. We have no doubt that a Scottish minimum pricing mechanism would particularly damage the industry and encourage increased barriers to the trade of Scotch Whisky overseas. The BRIA states no information was provided in

respect of which countries are contemplating, or are likely, to pursue such discriminatory action. The MESAS Report¹²⁸ states:

International interest is apparent from policy makers and academics who are seeking knowledge about the effectiveness of innovative mechanisms such as those designed to influence price'

The Scottish Government regularly refers to New Zealand, Canada, and Ireland as countries following the Scottish debate closely. If the eyes of the world are on Scotland, we can expect proposals for like action in other markets. The creation of a trade barrier in Scotland sets a precedent which we know from our international experience will be used by other countries as an excuse to introduce trade barriers against Scotch Whisky with the aim of protecting their local alcoholic products.

18. Two case studies were included in our submission on the BRIA. These provided information on the potential negative impact overseas in South Korea and France. An econometric analysis of these markets suggests a potential £85 million reduction in exports in these two markets alone (based on a minimum price of 50p per unit increasing in price by 18.6%). Widening that assessment, minimum pricing could result in an annual loss which could potentially reach up to half a billion pounds in reduced Scotch Whisky exports, equivalent to 14.5% of global sales.
19. It has been suggested that the Scottish MUP scheme would not discriminate or be protectionist and thus not present a precedent for governments abroad. However, it is the precedent of overriding trade rules rather than the specific mechanism that concerns the industry. We believe this would lead to a domino effect of health-based restrictions on Scotch being applied in export markets.
20. The BRIA also states that it is not possible to predict the reaction of other jurisdictions. The SWA has dedicated years to removing trade barriers against Scotch Whisky in over 140 countries. We understand the industry and the reasons why other jurisdictions act as they do. Challenging and removing trade barriers to protect Scotch Whisky will be much harder if this legislation is passed. The Scottish Government will find it impossible to support our work in this area.
21. Any negative impact on Scotch Whisky exports will have a direct impact on the Scottish economy. The industry currently spends £1.1 billion annually with local suppliers. Investment of some £1 billion in production and manufacturing capacity has occurred in the last four years.

Domestic Implications

22. The SWA's submission to the Government's questionnaire for input to the BRIA set out the potential implications for the Scotch Whisky market in Scotland (pg 50-55 of the BRIA refers). These include:

¹²⁸ MESAS Setting the Scene. Theory of change and baseline picture. March 2011.

- An assessment on the impact on those companies whose business model is heavily weighted towards supplying own-label and value brands. These are likely to be significantly impacted by the introduction of minimum pricing. We estimate this could put at risk around 250 - 400 jobs.
 - Minimum pricing would not solely impact on 'low cost, high strength products' as claimed by the Scottish Government. Brands that seek to maintain a premium to value brands will be forced to increase their prices in order to maintain the differential. Given the price sensitivity of Scotch Whisky this may be difficult to achieve. Alternately, we could see commoditisation or compression of the market where the differential between value brands and premium brands is removed.
 - Minimum pricing gives retailers considerable control. It could be that with reduced shelf space due to the Licensing Act provision restricting display areas, retailers stock branded Scotch Whiskies exclusively, removing own label and value products (26% of sales) from shelves. Alternatively, own label brands facing price increases may provide a source of incremental retailer margin, who may lift the price of premium spirits beyond the minimum to maximise the return available. This may encourage consumers to trade down to value brands sold at the minimum price, or to switch to other categories of alcohol. A brand's premium position may also be threatened if retailers hold price close to the minimum, reducing brand value in the eyes of the consumer.
23. The BRIA (para 5.78) acknowledges the supply side reaction to the introduction to minimum pricing is unknown. It suggests producers may be incentivised to produce lower strength products, but recognises this is not an option for Scotch Whisky which, as required by law, has a minimum strength of 40% vol.
24. It is widely accepted that there are unintended consequences resulting from the introduction of MUP. These are likely to include an increase in cross-border shopping, illicit production, smuggling and opportunities for organised crime. These issues are not addressed by the Sheffield report or analysed by the Scottish Government.
25. The Financial Memorandum and the BRIA pay scant regard to these issues even though they have the potential to impact on a key objective for the Scottish Government – a reduction in alcohol consumption. For example, the Financial Memorandum states (para 56) that there 'may be an element of cross-border alcohol tourism' but refutes that it will be a problem given the price of petrol and other costs. This is belied by the experience of cross channel and cross Irish border shopping to take advantage of differential pricing. The Financial Memorandum also states that there is no evidence that illegal sales of alcohol were an issue (para 59). However, with MUP providing a differential between England and Scotland, the impetus for illegal sales increases. The fact that this is not a current problem becomes irrelevant. HMRC are increasingly concerned about alcohol fraud and are consulting on measures to

reduce fraud in the beer sector. Higher prices in Scotland will incentivise/aggravate the level of fraud.

26. Our experience shows those markets which deploy over-stringent control policies see a greater incidence of fraud with alcohol supplied through grey and black markets. We would expect greater cross-border shopping with England where consumers will be able to source their preferred brands not only cheaper, but will also have access to quantity discounts.
27. Internet shopping is increasing for all types of goods. Internet sales for alcohol products sourced from outwith Scotland are not subject to the Scottish licensing provisions and therefore MUP; we expect to see increased alcohol Internet sales.
28. As one of the benchmarks for success of any policy is likely to be reduced consumption the Scottish Government must first establish a baseline of the unrecorded alcohol on the Scottish market and put measures in place to assess changes in such activity for alcohol consumed in Scotland, but obtained elsewhere. Also, an assessment should be made of the current amount of alcohol bought via Internet sales, which are not subject to the provisions of the Alcohol Etc (Scotland) Act and the current level of cross-border purchasing in England in order to monitor the impact of Scottish Government policies on such activity.

Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

29. As set out above, we strongly believe MUP will fundamentally damage the long term financial well being of the Scotch Whisky industry, with wider consequences for the Scottish economy. A negative impact on employment is likely, as is a reduced spend with supplies and a decline in investment.
30. It is difficult to predict what the administrative costs would be in relation to the introduction of MUP, because its impact on the market is unknown.

Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

31. No. The information presented in the Financial Memorandum presents no margins of uncertainty or range of costs for this policy measure. This point was made by the Finance Committee in its report on the Financial Memorandum of the Alcohol etc (Scotland) Bill.
32. Significant reliance is placed on the 'Sheffield' model. This modelled minimum pricing, and minimum pricing in combination with a discount ban. A range of minimum prices was modelled from 25p to 70p per unit of alcohol in 5p increments. The costs and benefits set out in the Financial Memorandum are a range based on the lowest and highest minimum unit prices modelled as the Scottish Government has not specified the minimum price that would be set.

There is no indication of the margin of error related to the output figures derived from the Sheffield modelling work.

33. Indeed the figures derived from the Sheffield model are surprisingly very precise and absolute. They are point estimates rather than a range being presented. As to whether these figures would actually be achieved in reality is a different matter.

Wider Issues

If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

34. The Bill is part of the Scottish's Government's wider Alcohol Strategy and is aimed at one of the four areas set out in the Government's Framework for Action: to reduce alcohol consumption.

35. As far as we can ascertain, the associated costs of delivering the other three areas of the Framework for Action: – supporting families and communities; positive public attitudes, positive choices and improved support and treatment – have not been included within the Financial Memorandum.

Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

36. The introduction of MUP will distort the Scottish market. It is unclear from the BRIA how consumers, retailers and producers will react and therefore it is difficult to make an assessment of potential other costs.

37. The uncertainty of the proposed initial MUP, plus the ability of Government to alter this with limited scrutiny or consideration of the implications of any change is also a concern.

38. In addition, the proposed retail levy for retailers that sell both alcohol and tobacco, that was announced by John Swinney in the Draft Budget in September 2011, is also likely to impose a cost to the industry as we believe that this cost will be passed on to consumers or back to producers. The method by which this was announced has also sparked concern among the business community as to which other sectors might face unheralded taxes being placed upon them which do not appear to have addressed all the knock-on consequences.

SUBMISSION FROM SOUTH LANARKSHIRE COUNCIL

Q1 Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

Yes, South Lanarkshire Council did take part in the consultation exercise for the Bill and supported the financial assumption made within the Bill and supported a minimum price of £0.50 per unit. The justification for this level was based on the University of Sheffield's Report (2009) which suggests that as the minimum price threshold increases, alcohol-related hospital admissions and deaths are estimated to reduce.

At a national level this would see a reduction of 3600 admissions per annum for a £0.40 price threshold compared to a fall of 8900 alcohol related hospital admissions per annum for a £0.50 price threshold.

This report also notes that most of the prevented deaths over a ten year timeframe occur in harmful drinkers, while the majority of health related harms are reduced in middle or older age groups who are at significant risk of developing and potentially dying from chronic disease. The Sheffield Report concludes that as the minimum price threshold increases, healthcare costs are reduced. At a national level, health and social care costs will be reduced by approximately £60m for the £0.40 price threshold and £160m for the £0.50 price threshold over a ten year period.

Q2 Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Yes, these are clearly laid out and are primarily based on the work of the Sheffield Report (2009) referred to earlier.

Q3 Did you have sufficient time to contribute to the consultation exercise? - Yes

Costs

Q4 If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

Yes the financial Memorandum incorporates the modelling carried out by the Sheffield Report (2009), referred to earlier which estimated that Alcohol misuse costs the National Health Service (NHS) an estimated £405m each year. Health harms are estimated to reduce by up to £88m in the first year and between £12m and £2,211m over 10 years.

The significant variation in these figures reflect the modelling of 21 separate scenarios conducted by the University of Sheffield. These modelling scenarios incorporate the estimated impact on reduction to health harms based on minimum price thresholds which range from £0.25 to £0.70 per unit of alcohol

and the estimated effects of including a discount ban. Financial implications for South Lanarkshire Council are not quantifiable at this stage.

Q5 Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Yes, the financial Memorandum notes that at a national level, health and social care costs will be reduced by approximately £60m for the £0.40 price threshold and £160m for the £0.50 price threshold over a ten year period. In Lanarkshire this equates to £6.1m and 16.3m savings in health and social care costs respectively.

Q6 Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Yes, the financial Memorandum provides an accurate reflection of these margins.

Wider Issues

Q7 If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

Yes, the financial Memorandum clearly sets out where a Regulatory Impact Assessment (RIA) was required. There were 3 topics within the original Bill that carried a significant financial impact. For the purposes of the financial memorandum, a significant financial impact was defined as a topic having a financial impact of over £0.4m per annum once implemented and included the introduction of a minimum price for a unit of alcohol.

Q8 Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?

At this stage South Lanarkshire Council is unable to quantify these costs, although it is anticipated that there will be no direct financial implications for the organisation which put a strain on current resources.

SUBMISSION FROM THE WINE AND SPIRIT TRADE ASSOCIATION

The Wine and Spirit Trade Association (WSTA) is the UK organisation for the wine and spirit industry representing over 340 companies producing, importing, transporting and selling wines and spirits. We want a future for our industry in which it remains competitive and contributes to the UK's economic growth – and one in which our products are made, sold and enjoyed responsibly.

Consultation

1. Did you take part in the consultation exercise for the Bill, if applicable, and if so did you comment on the financial assumptions made?

1.1 The WSTA, as a member of the Scottish Government Alcohol Industry Partnership, responded to the initial consultation and did provide comment on some of the financial assumptions made in the Bill. A copy of this response can be found at annex A.

2. Do you believe your comments on the financial assumptions have been accurately reflected in the Financial Memorandum?

Lack of evidence to support a link between price and harm

2.1 The Financial Memorandum makes a number of assumptions linking price to harm that are not supported by evidence. No one disputes the notion that there is a link between price and sales; all available research points to lower prices resulting in increased sales. While studies do not prove the reverse it seems safe to assume that if a bottle of wine was suddenly priced at £20 rather than £4 then unit sales would decline. However, we vigorously dispute the notion that lower prices cause irresponsible consumption and harm.

2.2 Evidence from across the world substantiates this view that there is no simple link between price and alcohol misuse. In fact, in Europe alone, it seems that those countries with the highest taxes on alcohol and the highest prices are those where alcohol misuse is a problem. World Health Organisation statistics show binge-drinking in Italy and Spain, where prices are low, at a much lower level than in Finland or Iceland where prices are high. Alcohol is one of the most heavily taxed products in the UK, with 82% of the average price of a bottle of vodka and 57% of the average price of a bottle of wine, accounted for by tax. Despite these high taxes and prices we are yet to see the corresponding drops in alcohol related harm that health experts predict.

2.3 The Sheffield model estimated that a 1% fall in alcohol consumption would yield a saving per year of £0.2514bn. This is comprised of a reduction in crime harms, health harms and employment harms from alcohol misuse. Official statistics show that alcohol consumption in the UK has been falling since 2004¹²⁹ In fact over a seven year period it is down by 12% (Scottish consumption dropped by 9.3% since 2003). If the Sheffield formula was correct this decline should have been accompanied by a corresponding

¹²⁹ HMRC data. See <https://www.uktradeinfo.com/index.cfm?task=bulletins>

decrease in the numbers admitted to hospital for alcohol-related problems and a reduction of £9bn in the costs of alcohol related harm. Yet we are consistently told by Government and health professionals that more people are requiring hospital attention for alcohol-related problems and the financial burden arising from alcohol-related harms is increasing¹³⁰. This would strongly suggest that there is no direct correlation between overall levels of alcohol consumption and alcohol harm.

Hitting the majority of the consumers and those who can least afford it most

- 2.4 We are concerned that the financial memorandum does not assess fully the impact minimum unit pricing will have on the majority of consumers in Scotland, and particularly those on the lowest incomes. We believe that the most effective way to address the problem is to focus attention and resource on those who mis-use alcohol rather than the majority of responsible drinkers.
- 2.5 The most recent statistics published by the Scottish Government demonstrate that progress is being made, over the past two years alcohol-related hospital discharges have declined by 8.8% from 43,054 in 2007/08 to 39,278 in 2009/10. The Government's own statistics show that the majority of people in Scotland are drinking within the Chief Medical Officer's recommended weekly limits – with 73% of men and 82% of women drinking within the limits¹³¹. Why waste resources on punishing the responsible majority when a more targeted approach could have a greater impact on reducing alcohol related harm in Scotland.
- 2.6 A minimum unit price of 50p would hit 73% of alcohol sold in the off-trade in Scotland affecting the vast majority of consumers. 92% of vodka, 72% of whisky, 77% of beer and 63% of wine prices in the off-trade would rise overnight as a result of a 50p minimum unit price.¹³² In the current economic climate consumers are particularly concerned about the impact of inflation on their weekly grocery bills and minimum unit pricing will push up prices for the majority of consumers in Scotland.
- 2.7 This scenario is particularly concerning when we look at the impact of a minimum unit price on the lowest income groups. The recent report by the Institute for Fiscal Studies (IFS) showed that *'A minimum price would have a larger effect on low-income households.'* Even though *'Poorer households are less likely to consume alcohol and pay lower prices when they do.'*¹³³ The Government has been clear that minimum unit pricing will have the biggest impact on those in low income groups even though its own statistics show that 76% of men and 84% of women in the lowest income quintile do not

¹³⁰ NHS Information Centre, Statistics on Alcohol: England, 2009

¹³¹ Scottish Health Statistics, 2010

¹³² Monitoring and Evaluation Scotland's Alcohol Strategy (MESAS) – Nielson sales data 2010
<http://www.healthscotland.com/documents/5435.aspx>

¹³³ Institute for Fiscal Studies, Briefing note BN12, Alcohol Pricing and Taxation Policies

drink or drink moderately.¹³⁴ We would urge the Committee to look closely at the impact of minimum unit pricing on those that can least afford it.

- 2.8 The Sheffield Study data predicted a smaller drop in consumption at 50 pence per unit than has already been achieved. At 50 pence per unit the study predicted a 6.7% drop in overall consumption; however the data also shows that consumption in Scotland has dropped by 9.3% since 2003 without any price intervention. If consumption is already dropping why is the Scottish Government pushing ahead with a policy that will have little additional impact, is this a proportionate and fair response?

Impact on the market

- 2.9 Introducing a minimum price for alcohol would artificially alter the shape of the marketplace with some interesting and unintended consequences. It would undoubtedly put further jobs at risk within the UK's alcohol industry.
- 2.10 Consider the impact for example on products which sell at the less expensive end of the market. In the case of spirits this segment includes both own brand and a range of lower priced non-marketed brands. A minimum price of 50p per unit of alcohol would mean that a 1 litre bottle of own-brand spirits at 40% abv would cost £20. At such a level the own-brand product has lost its competitive advantage and would be competing in the same price range as branded products which are supported by large marketing and advertising budgets. Who is going to buy own-brand products when for the same price you can buy premium branded product? Reducing competition between brands will also have an impact on consumers as experience shows that competition helps to drive wider benefits for consumers.
- 2.11 Minimum unit pricing will have a differential impact on wines according to country of origin by virtue of their alcoholic strength. Wine strength varies widely, with hotter climates such as Chile and Australia characteristically producing wines of 13% abv or more compared to wines from cooler Northern European climates of around 9% abv to 11% abv. A minimum unit price would make the former more expensive per bottle. Notwithstanding the possible competition law issues this raises, the implications are fairly obvious. It seems unlikely that countries whose products now face an unfavourable market in which to compete, courtesy of minimum pricing, will wish to look favourably towards UK exports, such as Scotch Whisky.
- 2.12 These market distortions would undoubtedly impact on jobs. Producers of lower priced and own-brand products employ thousands of people in the UK. It would seem particularly odd during such testing economic circumstances to pursue a policy which risks further job losses.
- 2.13 As currently proposed minimum unit pricing would dictate the retail price at which products can be sold and therefore any additional revenue would pass to the retailer. Beyond that it would be part of a commercial conversation

¹³⁴ Scottish Health Survey 2009 - Volume 1: Main report (2010) Scottish Government
<http://www.scotland.gov.uk/Publications/2010/09/23154223/0>

between the retailer and their suppliers. It should be noted, however, that predicting the margin and profitability of any given product, let alone category in the future is impossible, with changing costs of production, transportation, global exchange rates and the impact of an increasingly global marketplace. The UK grocery market is amongst the most competitive in the world and retailers continuously work hard to reduce prices for customers across their stores including fruit and vegetables. There is no evidence to suggest that fruit and vegetable prices are inflated due to alcohol pricing policies.

3. Did you have sufficient time to contribute to the consultation exercise?

3.1 The WSTA had sufficient time to respond to the consultation exercise.

Costs

4. If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the Financial Memorandum? If not, please provide details.

4.1 The WSTA asked the Scottish Government to acknowledge the wider legislative landscape in which minimum unit pricing would be introduced, paying particular regard to recent legislative changes and the proposal to introduce an additional tax on large retailers selling both alcohol and tobacco in Scotland from 2012. Whilst the financial memorandum acknowledges the recent changes we do not think that it accurately reflects the full costs to our members of the constantly changing licensing regime in Scotland over the past 5 years and the uncertainty that this causes to business.

5. Are you content that your organisation can meet the financial costs associated with the Bill? If not, how do you think these costs should be met?

Not applicable

6. Does the Financial Memorandum accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

Not applicable

Wider Issues

7. If the Bill is part of a wider policy initiative, do you believe that these associated costs are accurately reflected in the Financial Memorandum?

7.1 The WSTA raised a number of concerns about the potential impact of the proposals on cross border, internet and illicit sales in Scotland. We do not believe that the Financial Memorandum accompanying the Bill gives these issues serious consideration and we are concerned about attempts to down play the impact minimum unit pricing could have on each of these areas. We would urge the committee to look closely at the impact of each of these

factors on businesses located in Scotland and how this will impact on the Scottish Government's intention to make Scotland the most competitive place in Europe to do business.

More detail on each of these areas can be found below:

Cross Border

7.2 In areas close to the border there will be an added incentive to shop in England as opposed to Scotland. It is likely that as well as buying alcohol consumers will also choose to buy their weekly groceries in England. This will have a significant impact on retailers with stores in the Scottish Borders. The creation of differing pricing structures within the UK market could lead to significant shifts in consumer behaviour where people choose to travel, or access the black market, to buy products at a lower price. Indeed, the First Minister of Wales recently acknowledged this problem saying: *“As regards alcohol pricing, the major problem—and this will be a problem in Scotland—is that if you have different prices either side of the border, people will just cross the border to buy alcohol on the other side. This will be a problem in Scotland if they proceed with their policy on alcohol pricing.”*

7.3 Parallels can be drawn with the situation in Newry, Northern Ireland which saw significant increases in sales when Irish duty rates were increased by 50 euro-cents duty on a bottle of wine in October 2008. If duty rates were to be higher in Scotland than the rest of the UK it is likely that consumers may travel to England to access lower prices. Ultimately, the level of cross border trade was such that the Republic of Ireland reduced its excise duty rates on alcohol in 2009 with the Finance Minister Brian Lenihan stating: *“Recent CSO data show that 44 per cent of cross border shoppers buy alcohol. To protect exchequer revenue and stem the flow of cross border shopping, I have decided to reduce excise duty on alcohol products.”* It is disingenuous of the Scottish Government to say that groceries and not alcohol was the main driver of cross border trade between Eire and Northern Ireland.

Internet sales

7.4 Internet sales are the fastest growing part of the market with an estimated value of approximately £800 million. It is unrealistic for the Government to assume that consumers will not seek to purchase their alcohol from internet providers based outside of Scotland where they can take advantage of better offers. A recent report from the British Retail Consortium shows that general on-line sales are a significant and growing part of UK sales: *“In 2010, total non-store retail sales in the UK were estimated at £30.3bn, of which internet sales comprised £23.4bn. By the beginning of 2011, the internet was responsible for nearly 10% of all retail sales, up from 6% in 2009. A quarter of the UK's most popular websites are online retail sites.”*¹³⁵

7.5 Whilst these figures are UK wide it would be fair to assume that a significant proportion of Scottish sales are already made online and the introduction of

¹³⁵ British Retail Consortium (Oxford Economics & Oxford Institute of Retail Management) UK Retail: Leading Globally, Serving Locally

minimum unit pricing is likely to encourage Scottish consumers to look for offers on-line from retailers based outside of Scotland to the detriment of Scottish based businesses. Ofcom's consumer research in April 2011 suggested that 72% of adults used their broadband connection for purchasing goods and services, making it the third most popular online activity after emailing and web browsing.

Illicit trade

- 7.6 There is a risk that if some people are priced out of the legitimate market, they will simply turn to illicit sources from which to obtain their drinks. There is very strong evidence to suggest that price increases fuel illicit trade in alcohol, particularly where there is a disparity between one country and another¹³⁶.
- 7.7 We know this too from our experience in the UK when high tax on alcohol and high prices helped cross-Channel buying in France. Research carried out by the industry with the Treasury at that time showed that people were coming from as far afield as Aberdeen in vans to cross the channel to purchase large quantities of alcohol. At its height the cross-channel industry represented approximately 13% of all UK alcohol consumption.
- 7.8 HMRC estimates that beer and spirits in the black market worth an estimated £1.2bn were sold in the UK last year, up 46%, at a cost to the Treasury of more than £800m in lost duty. It is unrealistic to say that this is not a problem in Scotland and one which would not be exacerbated by the introduction of minimum unit pricing. We would urge the Government to take this issue seriously and put in place a clear action plan to ensure that minimum unit pricing does not bring with it an increase in duty fraud.
- 8. Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation or more developed guidance? If so, is it possible to quantify these costs?**
- 8.1 The WSTA has always been clear that we believe minimum unit pricing to be illegal under EU law and therefore subject to legal challenge which could incur significant future costs to the Scottish Government.
- 8.2 Our legal advice thus far suggests that minimum unit pricing conflicts with the terms of UK and European Competition law and World Trade Organisation rules. In the Business and Regulatory Impact Assessment of the Bill the Scottish Government indicates that it has been keeping the European Commission and the Office of Fair Trading informed about its proposals. We would urge the Scottish Government to publish the legal advice it has received about its proposals and any advice it has received from the European Commission and the Office of Fair Trading. It is important to note that UK Health Minister, Anne Milton MP recently confirmed that the

¹³⁶ Alavaikko, M., & Osterberg, E. (2000). The influence of economic interests on alcohol control policy: A case study from Finland. *Addiction*, 95(Suppl.4), S565- S579.

Department of Health's legal advice is that the Scottish Government's proposal will prove to be illegal under European Law.¹³⁷

- 8.3 There will also be considerable on-going costs to retailers to ensure that their staff are trained about the changes to the pricing regime; that their IT systems are compatible and that in-store promotions and point of sale materials are compliant. Whilst we cannot put a specific figure on the administrative cost to business of introducing a minimum unit price overall, we do know that our member have already incurred significant costs in changing point of sale materials and IT systems to deal with the promotional changes coming into effect on 1 October 2011. The changes already introduced in Scotland require businesses to operate separate systems at considerable additional expense.
- 8.4 There may also be competition implications relating to retailers running different pricing strategies in different stores that are trading under the same fascia. For example, multiple grocers that operate in England and Wales as well as in Scotland would be forced by the introduction of a minimum unit price in Scotland to operate different pricing policies in different stores and this may fall foul of OFT guidelines.

Conclusion

There are a number of areas where we would welcome greater scrutiny by the Committee of the financial impact of minimum unit pricing in Scotland as outlined in our submission. We believe that the health benefits of minimum unit pricing and the financial assumptions associated with its impact are overstated. Our view is that policy should be evidence based and focussed on tackling the minority of consumers who mis-use alcohol not targeted at the majority who don't.

¹³⁷ Oral Evidence, House of Commons Science and Technology Committee, 26 October 2011, Q92: <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmsctech/uc1536-ii/uc153601.htm>

Appendix A

WSTA response to the Government's initial consultation to its minimum unit pricing proposals

The Wine and Spirit Trade Association (WSTA) is the UK organisation for the wine and spirit industry representing over 340 companies producing, importing, transporting and selling wines and spirits. We want a future for our industry in which it remains competitive and contributes to the UK's economic growth – and one in which our products are made, sold and enjoyed responsibly.

Where possible we have outlined our members' views on the questions below. However we do want to make clear that these responses do not indicate that we believe the introduction of a minimum unit price in Scotland will be effective in tackling alcohol misuse.

Minimum pricing questions

i) In order to estimate what the effect might be of the introduction of a minimum price for alcohol, it would be useful to have your comments on and/or estimates of the potential costs/savings on the following minimum prices: 25p, 50p and 70p. Please note that these are illustrative prices, and have been selected from the range of prices modelled in order to broadly represent minimum prices in the low, medium and high categories.

There is no evidence to suggest that minimum unit pricing will be effective in tackling alcohol misuse, and there are substantial grounds to believe the policy breaches EU law. It is therefore difficult to provide an accurate assessment of the impact of the price ranges set out in the question above, other than to note that an average bottle of wine would be priced at £5 at a 50p minimum unit price and £6 at minimum unit price of 60p. Whilst an average bottle of 70cl whisky would be priced at £14 at 50p minimum unit price and £16.80 at a minimum unit price of £60p.

No one disputes the notion that there is a link between price and sales. All available research points to lower prices resulting in increased sales. While studies do not prove the reverse it seems safe to assume that if a bottle of wine was suddenly priced at £20 rather than £4 then unit sales would decline. We vigorously dispute the notion however that lower prices cause irresponsible consumption. Prices are low in France but they don't seem to have the alcohol misuse problem that exists in Ireland for example, a country with both high excise duty on alcohol and high prices. It should be noted that alcohol is one of the most heavily taxed products in the UK, but despite these high levels of inflation we are yet to see the corresponding drops in alcohol related harm that health experts predicted.

When assessing the likely impact of minimum unit pricing it is important to take into account the wider legislative environment. For instance a number of changes to the promotion and sale of alcohol were introduced on 1 October and it is important to take account of the impact of these changes. Similarly the Scottish Government has also announced its intention to introduce an additional tax on

large retailers selling alcohol and tobacco. No regulatory impact assessment has been published to accompany the proposal but it is important to note that a tax that seeks to raise £30-40 million per year from retailers would require them to make additional sales of at least £1 billion to cover the costs of the additional tax to their business.

We believe that the whole population approach of minimum unit pricing is wrong in principle, as it will impact on all consumers of alcoholic drinks regardless of whether or not they misuse alcohol. Moreover, evidence of consumer spending habits points to problem drinkers being more likely to adopt strategies to maintain alcohol consumption levels, rather than reduce them. We believe that policy on alcohol misuse should address those who have the problem, not the majority who don't and we would therefore question the overall impact of a minimum unit price which would hit the poorest in society hardest, regardless of whether they misuse alcohol.

Any proposal to introduce minimum unit pricing should maintain the sunset clause which was introduced in the Alcohol etc (Scotland) Act 2010 to ensure that the policy's effectiveness is independently reviewed against evidence based criteria and the objectives set out by Government for the policy. If the independent assessment determines that minimum unit pricing is not having the effect the Government intended, the policy should be repealed.

ii) What percentage of alcohol products do you estimate would be affected by the introduction of a minimum price using the following broad categories: less than 25p, 25p to 49p, 50p to 69p, over 70p?

It is difficult to assess the impact of a minimum unit price on the categories set out in the question as we do not know how consumers will respond to the policy. Our response to question iii) below outlines some of the areas of complexity that need to be considered when assessing the impact of minimum unit pricing on the entire supply chain.

However, as minimum unit pricing is untested we do believe that any new legislation should be assessed and evaluated for its impact and effectiveness. This is in line with best regulatory practice and will provide Scottish Ministers with an opportunity to intervene should many of the concerns that the industry has highlighted come to fruition (such as, for example, the adverse impact on lower-income groups, increases in cross-border or illicit sales).

We are opposed to the suggestion that Ministers can raise the level at which a minimum unit price should be set at regular intervals. It is important with any legislative change that reasonable time is given for the impact to be fully considered before more significant changes are made. We would also urge that any future increases to the level at which a minimum unit price should be set would be subject to consultation with the industry and subject to a full debate and vote in parliament. Ministers have talked about minimum unit pricing as a mechanism to reduce the amount of alcohol being sold. Our view is that policy should be focussed on tackling the mis-use of alcohol and minimum unit pricing

should not be used as a means of pricing consumers out of buying alcohol completely.

iii) For any products that may increase in price due to minimum pricing, who would you consider is most likely to retain any additional revenue? – Would retailers retain it all as profit? - Would some be passed back to producers? Would any additional revenue arising from minimum pricing be used by retailers to reduce the price of other products such as fruit and vegetables?

The Government's stated purpose of introducing a minimum unit price for alcohol is to reduce overall consumption of alcohol in Scotland. We believe that the purpose of Government policy should be to tackle alcohol related harm not to reduce consumption. If the Government is confident that the policy will achieve its aim, the question of 'additional revenue' will become void as any increased profits linked to a higher unit price will be counterbalanced by a decrease in overall sales of alcohol. There is a significant risk that Scottish consumers will choose to order online rather than purchase at an increased price in Scotland. New online businesses could target the Scottish market to take advantage of this opportunity which could reduce sales to Scottish based business. It will be important to ensure that the impact of a minimum unit price is independently assessed and evaluated so that the impact on the market can be monitored.

As currently proposed minimum unit pricing would dictate the retail price at which products can be sold and therefore any additional revenue would pass to the retailer. Beyond that it would be part of a commercial conversation between the retailer and their suppliers. It should be noted, however, that predicting the margin and profitability of any given product, let alone category in the future is impossible, with changing costs of production, transportation, global exchange rates and the impact of an increasingly global marketplace. The UK grocery market is amongst the most competitive in the world and retailers continuously work hard to reduce prices for customers across their stores including fruit and vegetables. There is no evidence to suggest that fruit and vegetable prices are inflated due to alcohol pricing policies.

There is no evidence about what will happen to consumer purchasing patterns when minimum unit pricing is introduced. Problem drinkers are simply likely to find another source as no evidence yet exists that this policy will have the effect intended on harmful drinkers. It could lead consumers to switch from one channel to another if there is little price differential between products or consumers may decide to shop around and purchase their alcohol online from distributors where a minimum unit price would not be applicable. It could be, as has been suggested by some, that consumers may decide to purchase their alcohol in an on-trade environment if a minimum unit price creates greater parity between on and off-trade prices. It is important to recognise that just because there may be an increase in the cost of some products this will not occur across the entire product range; it is therefore very simplistic to assume that a minimum unit price will automatically generate increased profits.

The WSTA and its members have also raised concerns that the introduction of a minimum unit price in Scotland could lead to a significant increase in illicit or white

van man' trade. In this situation you could see official statistics showing an overall drop in consumption as people turn to the illicit trade where prices would be lower. Given the range of factors at play it is exceptionally difficult to assess where any additional profits from minimum unit pricing would be retained, if indeed any were generated.

iv) Any details about the supply chain and who would be affected by minimum pricing proposals.

It is important to recognise that this is a complex issue which will be difficult to assess until the policy is implemented. Retailers and producers enter into contracts which are confidential and which may cover a wide range of products. The terms of each contract will vary between each producer and retailer. It is likely that contracts would be reviewed in light of any new legislation that would have an impact on their terms and conditions. Given the potential shifts in consumer behaviour to on-line, cross border or illicit outlets it is difficult to give any clear picture of the likely impact to the supply chain of a minimum unit price.

However, we do know that the introduction of minimum unit pricing is likely to require retailers to reduce the range of products available to Scottish consumers. The policy is likely to introduce complexities around ranging and logistical issues as organisations will see too much difficulty in providing 'Scottish-only' products. As many logistics operations are UK wide, significant changes will have to be made as a result of minimum unit pricing; this will incur excess cost to the industry and will result in less consumer choice.

Suppliers will find it more difficult to bring new products to market, as price promotional offers will be more difficult to assert. Minimum unit pricing will also have a discriminatory affect on products that come from markets where the costs of production are lower. Minimum unit pricing could put in place a barrier to products produced in these countries that will no longer be able to compete in the UK market.

v) What would you estimate the administrative costs would be of introducing a minimum price in Scotland taking account of such issues as altering prices on barcodes, shelves, tills etc.?

Whilst we cannot put a specific figure on the administrative cost to business of introducing a minimum unit price overall, we do know that our member have already incurred significant costs in changing point of sale materials and IT systems to deal with the promotional changes coming into effect on 1 October 2011. The changes already introduced in Scotland require businesses to operate separate systems at considerable additional expense. Consideration should also be given to the costs of staff training to ensure they fully understand the implications of minimum unit pricing legislation on their trade in Scotland.

There may also be competition implications relating to retailers running different pricing strategies in different stores that are trading under the same fascia. For example, multiple grocers that operate in England and Wales as well as in Scotland would be forced by the introduction of a minimum unit price in Scotland

to operate different pricing policies in different stores and this may fall foul of OFT guidelines.

vi) What lead-in time do you consider would be required to implement minimum pricing?

Given the significant changes that members would be required to make to their point of sale materials and IT Systems, additional resource and time required for staff training and to ensure that contracts between retailers and producers are reflective of the minimum unit price we would suggest that a period of 2 years should be allowed for implementation. This is a significant change that has not been tested by another country and we therefore think it is imperative that a sufficient and reasonable lead in period is given to enable retailers and producers to plan effectively for the change.

Subordinate Legislation Committee

3rd Report, 2012 (Session 4)

Alcohol (Minimum Pricing) (Scotland) Bill

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Printed and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by
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The Scottish Parliament
Pàrlamaid na h-Alba

Subordinate Legislation Committee

3rd Report, 2012 (Session 4)

Alcohol (Minimum Pricing) (Scotland) Bill

Published by the Scottish Parliament on 25 January 2012



The Scottish Parliament
Pàrlamaid na h-Alba

Subordinate Legislation Committee

Remit and membership

Remit:

The remit of the Subordinate Legislation Committee is to consider and report on—

(a) any—

(i) subordinate legislation laid before the Parliament;

(ii) [deleted]

(iii) pension or grants motion as described in Rule 8.11A.1;

and, in particular, to determine whether the attention of the Parliament should be drawn to any of the matters mentioned in Rule 10.3.1;

(b) proposed powers to make subordinate legislation in particular Bills or other proposed legislation;

(c) general questions relating to powers to make subordinate legislation;

(d) whether any proposed delegated powers in particular Bills or other legislation should be expressed as a power to make subordinate legislation;

(e) any failure to lay an instrument in accordance with section 28(2), 30(2) or 31 of the 2010 Act; and

(f) proposed changes to the procedure to which subordinate legislation laid before the Parliament is subject.

(Standing Orders of the Scottish Parliament, Rule 6.11)

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Nigel Don (Convener)

James Dornan (Deputy Convener)
Mike MacKenzie
Michael McMahon
John Pentland
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Clerk to the Committee
Irene Fleming

Assistant Clerk
Euan Donald



The Scottish Parliament
Pàrlamaid na h-Alba

Subordinate Legislation Committee

3rd Report, 2012 (Session 4)

Alcohol (Minimum Pricing) (Scotland) Bill

The Committee reports to the Parliament as follows—

INTRODUCTION

1. At its meetings on 22 November, 20 December 2011 and 24 January 2012, the Subordinate Legislation Committee considered the delegated power provisions in the Alcohol (Minimum Pricing) (Scotland) Bill (~~the~~ Bill) at Stage 1. The Committee submits this report to the Health and Sport Committee as lead committee for the Bill under Rule 9.6.2 of Standing Orders.
2. The Scottish Government provided the Parliament with a memorandum on the delegated powers provisions in the Bill (~~the~~ DPM).¹
3. The Cabinet Secretary for Health, Wellbeing and Cities Strategy also provided oral evidence to the Committee at its meeting on 20 December 2011.

OVERVIEW OF THE BILL

4. The Alcohol (Minimum Pricing) (Scotland) Bill was introduced in the Parliament on 31 October 2011. It is a Government Bill which seeks to introduce minimum pricing of alcohol products. The power to set the minimum price per unit is substantially the same as that which was proposed in section 1 of the Alcohol etc. (Scotland) Bill introduced in November 2009 but which was subsequently rejected by the Parliament.
5. In the Policy Memorandum which accompanies the Bill, the Scottish Government sets out the intended impact the Bill will have on alcohol consumption in Scotland and the reasons for bringing forward the legislation—

¹ Alcohol (Minimum Pricing) (Scotland) Bill. Delegated Powers Memorandum. Available at: [http://www.scottish.parliament.uk/S4_Bills/Alcohol%20\(Minimum%20Pricing\)%20\(Scotland\)%20Bill/DPM.pdf](http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/DPM.pdf)

—The Scottish Government considers the minimum pricing measure in the Bill will help reduce alcohol consumption in Scotland, in particular reducing the consumption of alcohol by harmful drinkers, and reduce the impact that alcohol misuse and overconsumption has on public health, crime, public services, productivity, and the economy as a whole.”²

COMMITTEE’S REMIT

6. The Committee’s role in scrutinising the delegated powers provisions in Bills is distinct from the lead committee’s interest in policy matters. The Committee considers whether the grant of a delegated power is acceptable in the circumstances and whether the appropriate level of parliamentary procedure is applied to scrutinising the exercise of these powers. As part of this process the Committee considers the nature of the power in the context of the scheme of the Bill and the balance between the respective legislative powers of the Parliament and the Scottish Ministers.

7. Looking ahead to the scrutiny of instruments made under the powers once the Bill is passed, the Committee has regard to its function of reporting on the instrument to the lead committee and the Parliament as required by Standing Orders. This function requires the Committee to consider whether any instrument is within competence, including the requirement that any instrument made by the Scottish Ministers is compatible with EU law. In looking ahead the Committee must ensure that there is a sufficiently robust scrutiny process in place throughout the lifetime of the power to enable the Committee to fulfil this function effectively.

DELEGATED POWERS PROVISIONS

8. The Committee considered each of the delegated powers provisions in the Bill.

Section 1 – Minimum price of alcohol

Section 1(2) and (3) – power to specify the minimum price per unit of alcohol (inserted paragraph 6A(4) of schedule 3 and paragraph 5A(4) of schedule 4 of the Licensing (Scotland) Act 2005)

9. Section 1 makes provision in relation to the prohibition on the sale of alcohol below the minimum price. This is achieved through the imposition of a new mandatory licence condition – whether in relation to a premises licence (new paragraph 6A of schedule 3 to the 2005 Act) or an occasional licence (new paragraph 5A of schedule 4 to the 2005 Act). Where a licence holder fails to comply with this new mandatory condition, he or she will have committed a criminal offence under section 1 of the Licensing (Scotland) Act 2005 and on conviction could be fined up to £20,000 and/or imprisoned for up to 6 months.

10. The minimum price is calculated by multiplying together the following—

- the minimum price per unit (MPU)

² Alcohol (Minimum Pricing) (Scotland) Bill. Policy Memorandum, paragraph 3. Available at: [http://www.scottish.parliament.uk/S4_Bills/Alcohol%20\(Minimum%20Pricing\)%20\(Scotland\)%20Bill/Policy_Memo.pdf](http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/Policy_Memo.pdf)

- the strength of the alcohol
- the volume of the alcohol in litres
- 100

11. The MPU is the price specified by the Scottish Ministers by affirmative order.

12. The DPM sets out the Scottish Government's reasons for taking this power to set the MPU. Firstly, the Scottish Government is of the view that the principle of minimum pricing can be considered without the price being specified. Secondly, further evidence and research into minimum pricing and its effects needs to be considered before the Scottish Ministers exercise their judgement and specify a price per unit. Finally, it considers that flexibility is required to amend the MPU in order to ensure that inflation does not erode the benefits of the measure.

13. The Committee acknowledges that, if the principle of minimum pricing is accepted, in order to ensure its continued effectiveness, the power to modify the MPU from time to time would be necessary and considers that delegated powers are in principle an appropriate mechanism for keeping the MPU up to date.

14. However, the reason for not setting out the initial MPU on the face of the Bill at this point and requiring delegated powers to do so was not as clear. The Committee therefore sought further evidence from the Cabinet Secretary for Health, Wellbeing and Cities Strategy in an oral evidence session.

15. In response to whether the initial MPU should be set out on the face of the Bill, the Cabinet Secretary emphasised the need for the evidence used to determine the MPU to be as up-to-date as possible and indicated that the Scottish Government was not in a position to set the price at this stage as further work needed to be carried out on the modelling process. When questioned further on this matter, the Cabinet Secretary explained—

—“The sale and consumption of alcohol do not stay steady over time—they change. Since the Parliament considered the bill in the previous session, more updated data has been published on consumption, hospital admissions and mortality rates.”³

16. She indicated that the model developed by Sheffield University (—the “Sheffield model”) was currently being updated and was due to be completed by January. She confirmed that this would enable the Scottish Government to take a view on the MPU as the Bill progresses through the Parliament and that, by the time Stage 3 was reached, the Scottish Government's intentions in this regard would be known.

17. However, this would not mean that the Scottish Government would then seek to set the initial MPU on the face of the Bill. She indicated that she did not believe that to be the right approach given that any variation of the MPU would be made

³ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 211

under delegated powers⁴. She also emphasised that the use of delegated powers would still allow for robust parliamentary scrutiny—

—In seeking to set the price through delegated powers, the Government is not seeking the ability to set a price without reference to anyone; the order will have to go through the very robust affirmative procedure. This committee, other relevant committees and the Parliament as a whole will have to satisfy themselves about the various tests that will be required. I know from previous experience that the delegated powers provision is no walkover—there is still a fairly robust procedure that we must go through.”⁵

18. The Committee accepts that it is vital that the model used is as robust and as up-to-date as possible. It also notes that work is ongoing on updating the Sheffield model to that end and welcomes the Cabinet Secretary’s commitment to provide up-to-date information on this exercise and to make available to the Parliament details of what the proposed initial MPU will be before the conclusion of parliamentary consideration of the Bill. The Committee would also welcome further information on other evidence which may be used in determining the minimum price.

19. The Committee accepts the Cabinet Secretary’s view that what is important is that this Committee, the lead committee and the Parliament as a whole are satisfied that the appropriate legal tests have been applied and are met and that the policy objective will be achieved. It recognises that these requirements can be met through the use of delegated powers provided the process applied to the scrutiny of those powers is sufficiently robust.

20. However, the Committee considers that, in order to carry out its important scrutiny function in advising the Parliament appropriately on the compatibility of any instrument proposing an MPU with EU law, there are still a number of issues outstanding in relation to the process of using delegated powers that remain to be addressed. It accepts the Scottish Government’s position that the principle of minimum pricing set out in the Bill *could* be applied within legislative competence but notes that it is incumbent upon the Committee to ensure that sufficient scrutiny safeguards are put in place to ensure that the Parliament is satisfied that in its view any particular MPU set *would in fact be* within competence. This was acknowledged by the Cabinet Secretary—

—...any price that is set by subordinate legislation would be required to comply with the law as well.”⁶

⁴ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 209

⁵ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 213

⁶ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 209

Legislative competence

21. With regard to legislative competence and the compatibility of minimum pricing with EU law, the Committee notes that there is the potential for minimum pricing to interfere with intra-EU trade. It is important to scrutinise carefully the level at which the MPU is set. In giving evidence to the Committee's predecessor on the matter in Session 3 the Scottish Government's legal adviser explained—

—European law does not ban minimum pricing as such. Whether a particular measure is contrary to European law will depend on whether it interferes with trade between or discriminates against products from member states. If such interference or discrimination can be justified in certain cases, there is no breach of European law. The grounds on which that can be done include protection of public health and reduction of crime, but it also has to be shown that any interference is proportionate, so that there is a balance between the interference to trade and the protection of health.”⁷

22. At the meeting on 20 December 2011, the Cabinet Secretary acknowledged that this was the case—

—...in setting the price, we must ensure that it is compatible with other provisions of Community law, including those on the free movement of goods.”⁸

23. She also stated—

—...we need to ensure that the measure meets the public health objectives that we have set for it and that it complies with European law. [...] In short, we need to ensure that we are not setting the price too low, so that it would be ineffective, or too high, so that it would be an unwarranted interference in the freedom of movement of goods.”⁹

24. The Committee considers that there will need to be careful evaluation of the evidence as to the potential health benefits anticipated by the adoption of any particular MPU, which will need to be weighed against the potential impact on competitiveness of imports and trade within the EU to establish that this is a proportionate approach. In addition to scrutiny of the effectiveness of the policy by the lead committee, the Subordinate Legislation Committee must be able to discharge its function to report to the Parliament on whether in its view the instrument is compatible with EU law. This will be the case in relation to any instrument made under section 1 for so long as minimum pricing remains in force and not just in relation to the initial MPU.

25. The evidence given by the Cabinet Secretary makes it clear that Ministers' decision will involve a careful and considered balancing exercise to be conducted on the basis of up-to-date and reliable data. The parliamentary scrutiny process

⁷ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 26 January 2010, Cols 832-833.

⁸ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 214

⁹ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 209

will require a similar approach. The Committee therefore considers that it is vital that sufficient time and full details of the relevant supporting information are available to the Parliament in order to carry out this important scrutiny role when any order setting or varying the MPU is brought forward.

Super-affirmative procedure

26. The Committee queried whether consideration had been given to applying super-affirmative procedure to allow for additional scrutiny of the evidence underpinning the setting of and any proposed change to the MPU to ensure that the measure was compatible with EU law (as well as ensuring that it will deliver the intended practical effect). The Cabinet Secretary indicated that she did not think that this was necessary—

—“I do not think that it will be challenging. The Government has to specify the unit price by order. That order will be very short—it is likely to be one line long—but it will come with the necessary, normal and required supporting evidence and policy justification.”¹⁰

27. The Committee accepts that an order setting or varying an MPU will be short and concise; however the matter under consideration is much more complex. In particular, the issue of EU law and the consequent impact this has on legislative competence would need to be considered in agreeing to set the MPU.

28. While it accepts the Cabinet Secretary’s view that, on balance, affirmative procedure still allows for robust parliamentary scrutiny and is therefore sufficient in order to carry out adequate scrutiny of the MPU, the Committee seeks assurances that the necessary evidence and background information used to determine the MPU will be available to the Parliament to support the scrutiny process. The Committee is not convinced that the standard documentation which accompanies affirmative instruments will be adequate for the Parliament to be able to form a view on legislative competence. It therefore calls on the Scottish Government to commit to providing additional accompanying documentation at the time an order is laid which provides further detail of the evidence used to determine the MPU. The Committee notes that it is not unprecedented for additional accompanying documentation to be required to be produced by the Scottish Government when bringing forward certain Scottish statutory instruments.¹¹ Therefore, in order to be reassured that this information will always be made available to the Parliament, the Committee considers that such a requirement should be made on the face of the Bill.

Variation of MPU

29. The Committee also explored with the Cabinet Secretary the basis on which a variation to the MPU would be made and how often it was anticipated that such a revision would be required. She indicated that the Scottish Government had not reached a final view on either of these points. With regard to the basis on which a variation to the MPU would be brought forward, while noting that this was not

¹⁰ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 215

¹¹ For example, under Part 2 of the Public Services Reform (Scotland) Act (asp 8). Available at: <http://www.legislation.gov.uk/asp/2010/8/part/2>

setting out the Scottish Government's intent on its policy, she set out examples of possible approaches to setting variations in the price—

—An inflation-based approach to changing the price could be taken—the price could rise in line with the retail prices index or the RPI plus 2 per cent. Alternatively, the price could be reviewed every two years or five years—if that approach was taken, I strongly suspect that any future Government would look to update the evidence before it changed the price. There are various options for ensuring that the price stays up to date with current prices; we have not taken a final decision on what the best approach would be.”¹²

30. With regard to how often it is anticipated variations to the MPU would be made, while emphasising that the Scottish Government had not reached final view on the matter, she indicated that there may be circumstances where frequent changes may be required—

—For example, at certain times, the inflation rate might be changing because of economic circumstances, so more frequent price changes might be needed then than in periods when inflation and other associated forms of behaviour are much more stable. We have to give that serious thought.”¹³

31. She did, however, indicate that the Scottish Government would listen to views expressed and that she would be happy to update the Committee on the Scottish Government's position as it developed. The Committee welcomes this commitment.

Conclusion

32. **As stated earlier, the Committee accepts in principle that any variation to the MPU should be done by delegated powers. It also accepts the Cabinet Secretary's arguments for the initial price also being set through delegated powers. However, this acceptance is predicated on the imposition of robust scrutiny procedures and it therefore seeks reassurances from the Scottish Government in a number of respects.**

33. **In order to ensure the robustness of the evidence used to determine the MPU, the Committee calls on the Scottish Government to keep the Parliament informed of any developments with regard to the review of the Sheffield model used to set the MPU during the passage of the Bill. In particular, it welcomes the Scottish Government's commitment to provide the Parliament with an indication of what the initial MPU is expected to be before the Bill completes its passage through the Parliament. It also welcomes the Scottish Government's commitment to provide details of the basis on which variations to the MPU will be made and how regularly it is anticipated these variations will be made.**

¹² Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 211

¹³ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 216

34. With that in mind, it encourages the lead committee to give careful consideration to the modelling process during its scrutiny of the Bill and calls on the Scottish Government to provide further information on the evidence which may be used in determining the minimum price as part of this scrutiny process.

35. Finally, in line with its observation in paragraph 28 that it is not unprecedented for additional accompanying documentation to be required when certain Scottish statutory instruments are brought forward, the Committee recommends that the Scottish Government bring forward an amendment at Stage 2 which places an obligation on the Scottish Government to provide detailed accompanying documentation providing detail of the modelling carried out and the evidence used to determine the minimum price when bringing forward an instrument to set or vary the MPU.

36. With the caveats set out above, the Committee considers that the delegation of the powers under section 1(2) and (3) to specify the minimum price per unit of alcohol to be acceptable and that affirmative procedure is a suitable level of scrutiny.

Section 1(2) and (3) – power to specify relevant labelling provisions (inserted paragraph 6A(6) of schedule 3 and paragraph 5A(6) of schedule 4 to the Licensing (Scotland) Act 2005)

37. The Committee notes that the calculation of the minimum price is based in part on the strength of the alcohol in question. Inserted paragraph 6A(6) of schedule 3 and paragraph 5A(6) of schedule 4 to the Licensing (Scotland) Act 2005 provide that the strength marked or labelled on the alcohol –*in accordance with relevant labelling requirements*¹⁴ can be used for the purpose of the formula. The Committee understands that it is intended that this will make operation of minimum pricing easier in practice.

38. Sub-paragraph (6) of each condition allow the Scottish Ministers to list the enactments which are –*relevant labelling provisions*” and so which can be relied upon for the purposes of the calculation of the formula.

39. The Committee accepts the reasons given for taking this power. It notes that it may be complicated to set out the relevant labelling requirements as they may differ depending on the type of alcohol product and therefore to do so in primary legislation might inhibit the clarity of the mandatory conditions. The Committee therefore considers that the specification of relevant enactments is a minor technical exercise which is well suited to subordinate legislation.

40. The Committee considers that the delegation of the power under section 1(2) and (3) to specify labelling provisions is acceptable and that negative procedure is a suitable level of scrutiny.

¹⁴ Alcohol (Minimum Pricing) (Scotland) Bill. Delegated Powers Memorandum, paragraph 8.

Available at:

[http://www.scottish.parliament.uk/S4_Bills/Alcohol%20\(Minimum%20Pricing\)%20\(Scotland\)%20Bill/DPM.pdf](http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/DPM.pdf)

Section 3 – Commencement

Section 3 – commencement and ancillary provision on commencement

41. Section 3 provides a power to commence sections 1 and 2. Sections 3 and 4 come into force on Royal Assent. The power to commence includes the power to make transitional, transitory or saving provision.

42. The Committee notes that, as a Government Bill, it is normal practice for the Scottish Ministers to determine on what date or dates they wish one or more of the Bill's provisions to come into force. It further notes that, in accordance with normal practice, it is proposed that the commencement order is subject to laid only procedure. However, it also notes that these orders may also make transitional, transitory or saving provision considered appropriate in connection with commencement. As the Bill stands, these additional provisions would not be subject to parliamentary scrutiny.

43. The Committee asked the Cabinet Secretary to confirm what additional provision it is envisaged may be required and whether these were likely to be complex or cause practical problems in implementation.

44. The Cabinet Secretary indicated that she did not expect there to be many transitional measures required as the commencement powers were relatively straightforward. However, she did confirm that some incidental issues may need to be dealt with—

—...contracts might have been started but not completed. If somebody had started the process of buying something by mail order when the minimum price came in, we would have to allow the contract to be completed at the price at which it started. However, such cases are pretty incidental.”¹⁵

45. The Committee accepts that these commencement powers are likely to be relatively straightforward and is therefore content with the order-making power under section 3 relating to commencement, which may include transitional, transitory or saving provision, and furthermore, is content that an order under this power is not to be subject to Parliamentary procedure beyond the laying requirement.

¹⁵ Scottish Parliament Subordinate Legislation Committee. *Official Report*, 20 December 2011, Col 217

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BRIEFING PAPER ON EVALUATION PLANS FOR MINIMUM UNIT PRICING

Purpose

1. This briefing paper has been produced to inform Members of the Health and Sport Select Committee of the existing and proposed plans for evaluating alcohol minimum unit pricing (MUP) in Scotland should it be introduced by the Scottish Parliament.

Background

2. There is consistent evidence to support a positive relationship between affordability and consumption. Econometric modelling evidence suggests that MUP will be effective in reducing consumption among the whole population, including hazardous and harmful drinkers.^{1,2} In addition, alcohol pricing policies have been identified as a potentially important intervention to reduce health inequalities.³ However, the evidence for MUP is necessarily limited by the lack of examples of MUP, although empirical evidence is now emerging from Canada.

3. If MUP is implemented, it will be crucial to undertake robust evaluation to inform Scotland's people and their Parliament of its impact. Such an evaluation needs to assess the extent to which MUP contributes to a reduction in alcohol-related harm in the population as a whole and in particular groups, and the extent and impact of any unintended outcomes or displacement effects, particularly those differential effects which may impact negatively on health inequalities.

The MESAS Portfolio

4. NHS Health Scotland leads the evaluation of Scotland's alcohol strategy through the Monitoring and Evaluating Scotland's Alcohol Strategy (MESAS) programme.⁴ MESAS is responsible for evaluating the key components of all elements of alcohol strategy such as licensing reforms, delivery of alcohol brief interventions and the ban on quantity based price promotions. MESAS also analyses routinely collected data to assess changes in price, consumption and alcohol-related harms at a population level. Such data will be used to provide the foundation for an evaluation of MUP should it be implemented:

- Firstly, trends in the average price of alcohol sold in the on and off-trades, and the price distribution of alcohol (total and by drink type) sold in the off-trade will be analysed over time and compared to England & Wales. This would determine what impact MUP has had on average price in general and on the availability of the cheapest alcohol in particular.
- Secondly, the volume of alcohol (total and by drink type) sold in the on and off-trades over time and in comparison to England & Wales would be analysed to determine the impact of MUP on the sale of alcohol. Sales data would be analysed alongside self report survey data to determine if there are changes in drinking patterns or consumption and whether such changes differ by age, deprivation and gender.
- Thirdly trends in alcohol-related harms (for all and by sub-groups e.g. age, sex and deprivation) will be assessed using routine data over time and compared to England & Wales. The need to use robust and reliable data means that the focus of this would be on morbidity and mortality but there would be some assessment of change in alcohol-related crime where the data are available. The relationship between price, consumption and harm would be analysed, both over time and between Scotland and England & Wales, to enable the actual impact of MUP to be determined.

5. In 2010, a MESAS scoping study concluded that a full study of the economic impact of alcohol policy at that time was not feasible or warranted. If MUP is implemented, MESAS will give further consideration to this.

6. The focus of MESAS is using routinely collected data and hence cannot answer all questions of interest; in particular, individual level changes in drinking and acute health harms not captured by routine data; the possible unintended consequences of MUP and the differential (positive or negative) impact on particular groups. MESAS will therefore be complemented by other studies.

Evaluating the impact on heavy drinkers

7. A study led by Dr. Gill and Prof. Chick at Queen Margaret's University is already in place to determine the impact of MUP on heavy drinkers in contact with specialist services. It will use a longitudinal design to determine if MUP results in change in consumption, type of beverage, price paid or substitution to industrial/illicitly produced alcohol or drugs in these drinkers, and whether any changes are differentially patterned, for example by deprivation. A Newcastle study arm will help enable the researchers to determine if any observed change in behaviours in Scotland is attributable to MUP.

Intended and unintended consequences, behavioural and attitudinal change

8. A collaboration of researchers from a number of academic and NHS organisations have submitted a bid to the National Institute of Health Research for a grant to fund additional studies that would significantly contribute to the evaluation of MUP. This proposal aims to build on the existing MESAS research programme to assess:

1. Changes in drinking behaviours and selected acute health harms not captured by routine data
2. Possible displacement/substitution effects related to source of alcohol (legal and illegal), food expenditure; and/or use of other drugs,
3. Whether MUP implementation contributes to changes in public attitudes to alcohol use.

9. MUP may affect population sub-groups differently. This research will therefore look at potential disproportionate effects by comparing the impact across different socioeconomic groups. Given MUP has only just been introduced to Parliament, these evaluation plans are still in development and subject to funding.

Summary

10. NHS Health Scotland is leading an internationally peer reviewed, multi-component evaluation of the impact of Scotland's alcohol strategy. Working closely with the academic sector we are currently developing the study portfolio to ensure that the impact of minimum pricing on consumption and harm is monitored, and that any differential impacts between groups or unintended consequences are fully understood.

¹ Purshouse R et al. Model-based Appraisal of Alcohol Minimum Pricing and Off-Licensed Trade Discount Bans in Scotland: A Scottish adaptation of the Sheffield Alcohol Policy Model version 2: SCHARR, University of Sheffield; 2009.

² Meier P et al. Independent review of the effects of alcohol pricing and promotion. Part B: modelling the potential impact of pricing and promotion policies for England: Results from the Sheffield Alcohol policy model. University of Sheffield [online]. 2008

³ Fair Society, Healthy Lives. The Marmot Review. Strategic review of health inequalities in England post 2010

⁴ See <http://www.healthscotland.com/scotlands-health/evaluation/planning/MESAS.aspx>.