Alcohol etc. (Scotland) Bill

The Edrington Group

The Edrington Group is opposed to the introduction of minimum pricing as proposed by The Scottish Government. Whilst it supports much of the Scottish Government’s strategy for alcohol in Scotland it does not believe that minimum pricing will achieve the intended objectives. Recognising that the pricing of alcohol has a role to play in responsible consumption The Edrington Group would support instead a ban on below cost sales in conjunction with a revised duty system that taxes all alcohols equally.

BACKGROUND

The Edrington Group views inappropriate consumption of alcohol as a complex social issue. Unfortunately the debate on alcohol has narrowed to a shrill argument about minimum pricing. This has inhibited bigger thinking about the combined effect that education, targeted interventions, increased enforcement, and greater personal responsibility could have.

MINIMUM PRICING

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

We do not believe minimum pricing will have a significant impact on misuse of alcohol. The Sheffield Study (see below) forecast a consumption reduction of 2.7%% at a minimum price of 40p per unit of alcohol. This is a small reduction equivalent to a pint of beer or glass of wine per.

The precedent of setting a minimum price on health grounds could be followed by countries seeking to protect their domestic alcohol products. The SWA cites several examples where this is a risk and econometric modelling indicated that 20% of Scotch whisky exports could be at risk from copycat minimum pricing in these counties.

We also believe that minimum pricing is illegal under the EU Treaty (Article 28) and likely to be in breach of World Trade Organisation Rules (GATT Art III).

Lastly, another undesirable outcome will be that retailers gain approximately £24M from incremental margin in Scotch whisky sales alone as a result of raised prices.

The rationale behind the use of minimum pricing as an effective tool to address all types of problem drinking.
Minimum pricing assumes that all consumers of alcohol are drinking too much. We disagree with that assumption. Per capita consumption of alcohol in Scotland declined between 2006 and 2009 (Source Nielsen).

Minimum pricing has been designed to impact ALL consumers (unfairly), not just the minority who consume irresponsibly.

The Sheffield Study modelled the effect of minimum pricing at various levels. Unfortunately the methodology was flawed; it assumed that budgets for alcohol are fixed and that consumers faced with minimum pricing will not maintain their current levels of alcohol consumption by cutting back other areas of their budget.

The modelling showed that the heaviest drinkers will be the least likely to change their behaviour. The proportion of heaviest and hazardous drinkers remains unchanged. Any reduction in total consumption would be driven by moderate drinkers reducing their moderate consumption.

We are a leading operator in the Nordic markets where we have tracked cross border consumption that results from significant price increases. (See attached appendix). When Finland increased its alcohol taxes by 10% in 2008 and 2009 consumers travelled en masse to Estonia for alcohol. Car ferry journeys between Finland and Estonia increased by 39%!

The Swedish alcohol market is back in growth as a result of consumers travelling less to Germany and Denmark for good value alcohol. In this case a weakened Swedish Krona changed the price differential between the neighbouring countries.

This evidence suggests that a significant price differential between Scotland and England will result in high levels of cross border Alcohol Tourism.

Other alternatives

We would like to explore with the Scottish government the combined impact of a ban on below-cost sales and a revised duty system that taxes all alcohols equally.

Social Responsibility Fee

The advantages and disadvantages of introducing a social responsibility levy on pubs and clubs in Scotland.

We would like to see a greater emphasis on enforcement. Just 47 licensees in Scotland were convicted of selling to under 18s in 2007.
We would only support a Social Responsibility Fee targeted at poorly managed licensed premises shown to be contributing to alcohol-related harm. Well-run pubs and clubs should not be penalised through a blanket approach or locally applied policy.

**Promotions**

*The role of promotional offers and promotional material in encouraging people to purchase more alcohol than they intended*

We support measures aimed at tackling irresponsible promotions, e.g. the supply of alcohol free of charge on the purchase of other products. However we want to ensure that our brands still have the opportunity to sample consumers with free product in the right context, e.g. a distillery visitor centre or a tutored tasting.

**Stopping sales to underage consumers**

*The justification for empowering licensing boards to raise the legal alcohol purchase age in their area to 21.*

We do not support this measure. Licensing laws ban sales to those who are intoxicated or under the legal purchase age. The law needs to be consistently applied, both by those selling alcohol, and by the police.

The recommendation that age levels are different for on and off premise and the potential for neighbouring licensing boards to have different policies will lead to confusion. It also could result in 18-21 year olds to travelling to those neighbourhoods that maintain the current U18 rule.

**Other Initiatives**

**The multiple-approach test in Fife** is an initiative to understand which of targeted family interventions, improved facilities for young people, and greater enforcement work best. *Can the learning from this be accelerated and rolled out?*

**The Campaign for Smarter Drinking** secured the biggest participation from UK retailers and alcohol producers with funding of £100M over five years. *If this programme is successful could it be upweighted in Scotland?*

**How much do we know about the underlying causes of harmful alcohol consumption?** What is the relationship between deprivation and irresponsible consumption? What have we learned about the drivers of big social change? *Can the Scottish government take initiatives in research to understand the problem better?*
Gerry O'Donnell
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The Edrington Group
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