Executive Summary

SABMiller believes that alcohol consumption is fundamentally a matter of personal responsibility and individual judgement and that most people drink responsibly. However, the proposals set out in the Alcohol Bill do not recognise this fact and treat all those who consume alcohol in the same way.

Many of the proposals will not be effective in tackling alcohol misuse and, in some cases, could also lead to unintended consequences. The most significant of these proposals is minimum pricing.

We do not believe that a minimum price would be effective and research by CEBR has found that the heaviest drinkers are least responsive to price increases. Indeed, the research found that a minimum price of 40p would reduce drinking by this group by only 2.3%.

At the same time, minimum pricing would penalise the responsible majority by increasing their outgoings. There are also unanswered questions about the legality of minimum pricing, which may be contrary to European Law.

We also believe that banning volume based promotions will have a negative impact on responsible consumers and also lead to unintended consequences, such as discounting below the market price, which would make such a ban ineffective.

Other policies, such as a social responsibility levy and permitting the raising of the off-trade purchase age to 21 at the local level would also have unintended consequences, such as increasing proxy-purchases and absolving individuals of their personal responsibility.

The introduction of a social responsibility fee would also send out a strong signal that the financial cost of alcohol misuse – in terms of crime, litter and vandalism – are the responsibility of industry, despite being caused by individuals. This is perhaps the clearest sign of the Scottish Government treating the symptom, not the cause.

There are already strict laws which, if properly enforced, would have a significant impact without penalising many responsible businesses. Stronger parenting, societal intolerance, improved provision of information relating to alcohol products, greater enforcement and responsible retailing can all play an effective part in tackling the causes of irresponsible consumption.

SABMiller therefore supports some of the Scottish Government’s proposals, such as those to ban irresponsible promotions and also the requirement for all retailers to introduce age verification policies. Indeed, we have already been
active in promoting these initiatives across the UK and in other markets worldwide.

Introduction

1. SABMiller is the UK’s largest drinks company by market value. We have a global presence, with brewing interests and distribution agreements in nearly 70 countries across six continents. Our wide portfolio of brands includes premium international beers such as Miller Genuine Draft, Peroni Nastro Azzurro, Grolsch and Pilsner Urquell along with market-leading local brands such as Aguila, Castle, Miller Lite, Snow and Tyskie. Six of our brands are among the top 50 in the world. We are also one of the world’s largest bottlers of Coca-Cola products.

2. Originating from South Africa and now headquartered in the UK we are listed on the London Stock Exchange falling within the FTSE 20. Our annual turnover in the previous financial year was $21.4bn.

3. Scotland is one of our key markets in the UK due to the popularity of one of our premium brands, Miller Genuine Draft. A leading beer in Scotland, Miller Genuine Draft is available in 83\%\textsuperscript{1} of on-trade premises throughout the country (MAT to September 2009). Another of our brands, Peroni Nastro Azzurro, is also the leading beer in restaurants across the country.

4. SABMiller welcomes this opportunity to submit evidence to the Scottish Parliament Health and Sport Committee.

The Scottish Government’s Approach

5. SABMiller cares about the harmful effects of irresponsible alcohol consumption on individuals and society, and agrees with the Scottish Government’s broad objective to tackle alcohol misuse. However, we do not agree that the approach the Bill outlines is the most effective or proportionate means to address alcohol misuse in Scotland.

6. Alcohol consumption is for adults, and is a matter for individual judgement and accountability. That is why SABMiller supports policies that aggressively target and, where necessary, penalise individuals who engage in irresponsible or illegal drinking and licensees who sell alcohol irresponsibly and illegally.

7. Much of the Bill outlines policies which treat all drinkers the same. In doing so, the policies penalise – financially and practically – the overwhelming majority of adults who enjoy drinking alcohol, and who do so in a legal and socially-acceptable way, neither causing harm to themselves nor to others.

\textsuperscript{1} AC Nielsen
8. We are concerned that in proposing many of the measures set out in the Alcohol Bill, the Scottish Government is ignoring the specific attitudes and behaviours that cause a minority of drinkers to engage in the cultural problem of irresponsible or illegal drinking in the first place.

9. The Scottish Government’s position also treats all alcohol the same, whereas there are certain types of drinks which have been driving much of the alcohol misuse. This is highlighted in the differences of consumption levels between Scotland and England and Wales – in terms of overall volume consumed.

10. The following graph shows that one of the key differences between alcohol consumption patterns in England and Wales and Scotland is the level of spirit consumption. In total, Scots drink around 25 per cent more on average.

11. However, as Fig.1 shows, this higher level is mainly the result of spirits consumption; around 75 per cent of the difference between alcohol consumption in England and Scotland is accounted for by the difference in the level of spirits consumed. On average Scots drink around twice as much alcohol through spirits as do the English and Welsh.

Fig.1 - Per capita pure alcohol consumption per annum, litres

12. Despite spirits seemingly contributing to higher overall levels of alcohol consumption in Scotland, the proposals set out in the Alcohol Bill do not differentiate between alcohol categories.
Treating the cause not the symptom

13. There are less intrusive means by which the Scottish Government can achieve its objectives than by imposing broad, population-based policies. These less intrusive means, which include education and rigorous enforcement of existing laws, support the notion of cultural change which we believe is the key to tackling alcohol misuse.

14. Societal tolerance (or intolerance) of those who drink irresponsibly or illegally appears to be a greater determinant of the extent to which a country will experience alcohol harm than the price of alcohol. The price of alcohol is cheaper in many European countries than the UK, but they do not experience the same problems.

15. Evidence consistently shows that parents are the single biggest influence in whether their children begin drinking. By strengthening parental knowledge and skills on how to talk with their children about not drinking – and on how to be role models in their own drinking behaviour – parents can have a positive short and long-term impact on Scotland’s drinking culture.

16. SABMiller believes that training and education of staff who are involved in alcohol sales in both the on- and off-trades is one of the most effective ways of preventing breaches in the licensing laws and the subsequent social and public health problems which this can lead to.

17. SABMiller, in partnership with BII Scotland, has recently completed an initiative aimed at bar and retail staff who work in small and medium sized companies. The programme allowed 300 staff to study and sit the BIIAB Scottish Certificate for Licensed Premises Staff, which is accredited by the Scottish Qualifications Authority. These graduates gained a qualification which will assist them in understanding licensing laws, including those recently coming into force through the new Licensing Act (Scotland) 2005. In particular it will provide staff with the skills to tackle underage sales more effectively and help to address some of the associated problems this causes.

18. The impact of better retail practices, when coupled with greater enforcement, is demonstrated in a scheme led by Trading Standards officials in St Neots, Cambridgeshire has seen impressive results through the effective and coordinated enforcement of existing laws. The Community Alcohol Partnership led to a fall in antisocial behaviour of 42% and a decrease in alcohol related litter by 92%. This involved no additional resources, no increased purchasing age or price restrictions and did not shift the problem on to another area. Its success came from effective enforcement and education through a partnership approach.

---

19. Evidence also points to the role of medical or ‘brief’ interventions; The House of Commons Health Select Committee’s report on Alcohol cites ‘unusually strong’ independent evidence that brief interventions are ‘not only clinically effective, but cost effective’\(^3\). We would strongly recommend that the Scottish Government pursue this method, which is also targeted to only those individuals who misuse alcohol.

**Minimum pricing**

20. Minimum prices interfere with the most fundamental aspects of a free market economy. The process of setting minimum prices is predicated on the assumption that raising the price of alcohol will make those who misuse alcohol behave differently.

21. In fact, minimum prices are most likely to impact the drinking behaviour of those adults who enjoy drinking alcohol and who do so in a legal, moderate, and socially-acceptable way.

22. SABMiller commissioned the Centre for Economics and Business Research (CEBR) to conduct an analysis of the available research on minimum pricing to understand the economic and social implications of the Scottish Government’s proposals.

23. The CEBR research, which examined the Sheffield University study commissioned by the UK Government and utilised by the Scottish Government, concluded that minimum pricing (at 40p per unit) would have the following impact:

- The heaviest drinkers are the least responsive to higher prices – harmful drinkers, which the policy is supposed to be targeting, would reduce their consumption by only 2.3%.

  \textit{The policy increases costs for responsible consumers with little impact on those individuals who drink irresponsibly.}

- Minimum pricing would cost consumers £81m in additional expenditure on alcohol.

  \textit{At a time of economic difficulty and rising unemployment the Scottish Government wants to increase the price of a consumer product by around £36 per household per year.}

- A minimum price would generate economic savings of approximately £10m per year in reduced NHS, crime, absenteeism and other social costs.

  \textit{The costs borne by the consumer from the introduction of minimum pricing substantially outweigh the financial benefits to wider society.}

24. This means that minimum pricing is an incredibly blunt instrument which imposes significant costs across large sections of society, whilst having very limited benefits in terms of curbing the excesses of the minority. In short, it will not be effective in achieving the Scottish Government’s aim.

25. CEBR also highlights concerns about the methodology of the Sheffield University report:

   The definition of a ‘moderate drinker’ is very broad, but averages out at 6 units per week. This means that it is inevitable that the modelling shows that moderate drinkers do not see a huge impact on their finances. However the impact on finances of average drinker of between 10-20 units per week is clearly much greater

We believe that this allows the Scottish Government to disingenuously claim that minimum pricing will not affect moderate drinkers.

The impact of price and duty

26. In much of continental Europe, the price of alcohol is far cheaper than in the UK but there are not the same problems. Societal tolerance (or intolerance) of those who drink irresponsibly or illegally appears to be a greater determinant of the extent to which a country will experience high levels of alcohol harm than the price of alcohol.

27. For example, according to the 2007 Eurobarometer Report, only 2% of Italians reported drinking more than 4 drinks on a single occasion, compared with 24% in the UK; the price of alcohol in Italy is significantly cheaper than in the UK.

28. The price of different categories of alcohol also plays a role in shifting the type of alcohol they purchase. The UK Government’s Safe, Sensible, Social report states that the increase in the consumption of wine and spirits is a key driver of increased hospital admissions.

29. Despite this, the UK Government has continued a policy of ‘equivalence’ which has reduced the ratio between beer and spirits duty. Most countries have far higher rates of duty for spirits than beer, particularly in countries with low levels of alcohol misuse. In France, spirits duty is 5.6 times higher than beer duty, in Spain it is 4.2 times the rate of beer.

30. In the UK spirits duty is only 1.4 times that of beer duty. This is despite the UK Government identifying increased spirits consumption as a key driver of alcohol harms. This is the lowest ratio for the past century (except for one year during WWII) and, in the last decade, spirits

---

consumption has increased by 24%, whereas beer consumption has declined by 13%.

31. As taxation is one of the main drivers of the price of alcohol, we have strongly recommended that the policy of ‘equivalence’ be ended and a move towards lower rates of duty for lower strength products should be taken forward by the UK Government.

Unintended consequences

32. There are numerous instances of Governments from across the world which have attempted to influence irresponsible alcohol consumption through a price mechanism – either through taxation or artificial pricing – which have led to unintended negative consequences.

33. The Scottish Government’s proposals on setting a minimum price for packages containing more than one alcoholic product (where the minimum price will be equal to or greater than the price of the equivalent individual products) will generate the following unintended consequences:

a. Increased costs for responsible consumers: The retailer Tesco has highlighted statistics which demonstrate that the vast majority of their customers buy alcohol as part of the weekly food shop along with other normal household products. Tesco also highlights the fact that most shoppers who buy larger quantities of alcohol when it is on promotion, tend not to purchase alcohol again for a longer period than normal. This suggests that promotions are used by customers as a way to stock up on product they purchase regularly anyway – as opposed to purchasing more than intended overall. Responsible consumers will therefore end up paying more for their weekly shop – CEBR estimates that, on average, households will pay around £36 more per year during a recessionary environment.

b. An adverse effect on tackling alcohol misuse: the proposal to set a minimum price for packages containing more than one alcoholic product is likely to mean retailers will revert to selling packages of multiple products only, rather than offer consumers with a choice of single bottles or cans and multipacks. This is likely to engender a situation where consumers are compelled to purchase more than they had intended to because single bottles or cans are not also available.

34. There are also examples from abroad. In the 2008-09 Australian Budget the Government increased the taxation on Ready to Drink (RTD) products by 70% with the aim of reducing binge drinking. The effect, after a single month, was a 20% increase in the sale of straight
spirits which consumers were using to mix their own drinks – often containing more alcohol than the RTD they replaced\(^5\).

35. For those consumers that drink irresponsibly, changing attitudes should be a priority. The Australian experience demonstrates that these consumers will always find a way to consume harmful levels of alcohol despite attempts to limit their consumption by making alcohol more expensive.

36. An additional and unintended effect of minimum pricing will be cross border purchasing, both from England, Ireland and the rest of the EU. Recently the Republic of Ireland has drastically reduced the duty rate on alcoholic products to prevent a growing trend towards cross-border purchases from Northern Ireland where prices are much lower.

37. The same situation would likely occur if Scotland were to introduce minimum pricing, with retailers and online suppliers in England benefiting from the increased trade.

38. In economies where the price of legally produced alcohol is high there are greater levels of illegal production and distribution through an informal market which cannot be regulated in any way by government and is more harmful to consumers.

Legally flawed

39. Since minimum pricing was officially unveiled as a Scottish Government policy proposal, several legal issues have been raised by various organisations. SABMiller asked the leading international law firm Lovells, a leader in the field of competition and EU law, to assess the legality of the Scottish Government introducing minimum pricing.

40. It is questionable whether minimum pricing falls within the legislative competence of the Scottish Parliament. The Law Society of Scotland has argued that although health powers have been devolved to Scotland, regulations concerning the sale and supply of goods and services to consumers are matters which are expressly reserved to the Westminster Parliament.

41. The introduction of minimum pricing in Scotland is also likely to introduce barriers within the EU to the free movement of alcoholic beverages contrary to European law – under Article 28 of the EC Treaty: “Quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States.” The European Court has held that even when a national price control measure (such as minimum pricing) applies without distinction to domestic and imported products, that measure remains contrary to European law in situations where imported products are placed at a

\(^5\) Ryan, S., Alcopop drinkers 'turning to spirits', The Australian, 29/05/08, [available at: http://www.theaustralian.news.com.au/story/0,25197,23775465-5013871,00.html]
disadvantage, or deprived of a competitive advantage they would otherwise enjoy.

42. It seems most likely that the minimum pricing measures contemplated by the Scottish Government will adversely impact on a number of imported alcoholic products in this way, thereby restricting trade between their country of origin and Scotland, contrary to Article 28 of the EC Treaty.

43. Whilst it is possible for measures which affect trade between Member States to be permissible under European law where they pursue a legitimate aim, such as public health (Article 30 EC Treaty), they must be effective in achieving that aim and be the least intrusive means available. For the reasons set out above, the Scottish Government's proposal is unlikely, in practice, to benefit public health by reducing alcohol harm, and is certainly not the least intrusive means available.

44. We would request that the Health Committee asks to see a copy of the Scottish Government's legal advice on minimum pricing to satisfy itself that the legislation falls within the competence of the Parliament.

Alternative Solutions

45. Instead of seeking to tackle alcohol misuse through artificial pricing, which harms responsible retailers, licensees and consumers, there should be a focus on securing genuine and long-term cultural change.

46. Attitudes towards drinking can be changed without broad restrictions being placed on responsible consumers and businesses. The best example of how this has been achieved is visible in the vast reduction of drink driving which has been achieved through rigorous enforcement and consistent high profile education campaigns.

47. Measures taken should educate consumers, providing them with all the information necessary to make informed decisions about their personal responsibility towards the consumption of alcohol. Tackling harmful drinking patterns will only be effective if people (as well as licensees and retailers) accept their individual responsibility.

Social responsibility levy

48. Fundamentally, this type of proposal sends a signal that any individual who misuses alcohol or who engages in anti-social or illegal behaviour is absolved of their responsibilities. Again, this is another example of the Scottish Government tackling the symptom (crime and disorder), rather than the cause (excessive and irresponsible alcohol consumption).

49. It sends a message to individuals that they do not need to take responsibility for their actions as the financial costs of their own
personal negative behaviour, such as vandalism and policing, will be paid for by industry and retail.

50. It signals that drunkenness and its consequences are tolerable, so long as the financial costs they create to society as a result are met by someone else. This would be a damaging setback in progressing to a society whereby individuals make their own choices and are held accountable for those decisions.

51. A far better approach would be to tackle the problem of drunkenness and the irresponsible or illegal selling of alcohol to the intoxicated or under-aged.

52. Mechanisms for dealing with such individuals and businesses are already available to the police and enforcement agencies. This approach should be pursued more vigorously before any further measures are introduced. The Licensing Act 2005 allows for the removal of licences and laws against violence, vandalism and anti-social behaviour are well established.

Alternative Solutions

53. As well as fully enforcing the existing laws on the sale and consumption of alcohol, there should be a greater level of awareness amongst bar staff and retailers as to their responsibilities and legal obligations.

54. Retailers and licensed premises are the gateway through which all legal alcohol (with the exception of home production) is obtained. Making bar and retail staff aware of their legal obligations should be a priority.

55. As stated above, SABMiller believes that training staff who are involved in alcohol sales in both the on- and off-trades is one of the most effective ways of preventing breaches in the licensing laws and the subsequent social and public health problems which this can lead to.

56. While many large retailers provide staff training in relation to alcohol sales, many smaller retailers do not. In order to plug this gap SABMiller, in partnership with BII Scotland, has recently completed an initiative aimed at bar and retail staff who work in small and medium sized companies. The programme allowed 300 staff to study and sit the BIIAB Scottish Certificate for Licensed Premises Staff, which is accredited by the Scottish Qualifications Authority.

57. These graduates gained a qualification which will assist them in understanding licensing laws, including those recently coming into force through the new Licensing Act (Scotland) 2005. In particular it will provide staff with the skills to tackle underage sales more effectively and help to address some of the associated problems this causes.
Raising the age of off-trade purchases to 21

58. The proposal to allow local licensing boards to increase the legal age for purchasing from off-trade premises from 18 to 21 is not in our view a practical solution to tackling the problem of underage drinking.

59. Whilst we support the aim of this measure – in its desire to reduce alcohol related harm, antisocial behaviour and crime – it is in our view a disproportionate approach which penalises those people between the ages of 18-20 who drink responsibly but who prefer to buy alcohol from an off-trade retailer to enjoy at home.

60. This change will simply lead to people between the ages of 18-20 obtaining alcohol from unlicensed social sources (e.g., older friends or siblings), rather than from licensed retailers directly. It will not change the attitudes and behaviours of those people in this age group who abuse alcohol or engage in illegal behaviours when they drink, which is what the Bill seeks to achieve.

61. The UK Government’s Safe Sensible Social report states that the main source of alcohol for under 18s is parents (48%), followed by friends (29%). That is, the majority (72%) of under-18s do not buy alcohol from a licensed retailer; they obtain it from a “social source.” In the United States where the legal drinking age is 21, approximately 70% of underage people who drink alcohol obtain alcohol from social sources, including their parents, older siblings, friends, and strangers outside of stores where alcohol is sold.

62. Another recent study found that the wide availability of social sources meant that reducing availability of alcohol from commercial sources has only a moderate impact on the amount of alcohol consumed by underage drinkers. Of those surveyed that did consume alcohol, 87% secured alcohol from social sources at least once over the relevant 30 day period, not directly from retailers.

63. A dual age purchase scheme would also demand additional law enforcement resources which could be better allocated to ensuring a stronger and more consistent enforcement of the current legal purchase age.

64. The Scottish Government has frequently cited schemes across Scotland to demonstrate that raising the age of purchasing to 21 reduces antisocial behaviour and crime.

---

65. However we believe that the driving factor in the reduction of crime and anti-social behaviour in these schemes is the, collaboration among police, licensees, and the local council and community in an intensified programme, not the change of purchasing age.

**Alternative solutions**

66. To prevent underage drinking, there must be an emphasis placed on changing the attitude of those who are the social sources – primarily parents – and a more rigorous enforcement regime to tackle underage sales.

67. There are already a number of measures available to enforcement agencies to tackle the problem under the Licensing (Scotland) Act 2005.

68. Sections 102 – 110 specifically seek to prevent those who are under-18 from obtaining alcohol – these laws should be fully enforced before any new measures are considered.

69. A greater emphasis on age verification and its enforcement should also be a focus of action against underage consumption. Schemes such as Challenge 21 and the Community Alcohol Partnership highlighted above have been widely utilised by retailers and pubs have greatly increased the awareness of the need for age to be verified by both staff and consumers.

70. We are pleased that the Alcohol Bill will make it mandatory for retailers and licensed premises to put age verification policies in place. This would be a first in the UK.

**Role of Promotional Offers and Promotional Material**

71. SABMiller expects our products to be sold and marketed responsibly. The company conforms to a strict Code of Communication which ensures that products are marketed responsibly to those who are legally able to purchase them.

72. As a brewer of premium products, SABMiller supports the sale of our beer based on its quality and heritage. We market our products on the basis of their premium brand appeal, rather than price. We are therefore opposed to the deep discounting practices of some retailers; although we recognise that it is the right and responsibility of retailers to set their own prices as per competition law and the principles of a free market which we believe benefits the consumer.

73. SABMiller supports restrictions on some types of promotions in all on-trade venues, off-trade retailers and those who offer mail order and online purchasing. For example, irresponsible promotions and sales methods include:
• alcohol being dispensed directly into the mouth
• serving alcohol only in larger measures
• ‘all you can drink’ or ‘ladies drink free’ promotions

74. However, the Scottish Government also proposes restrictions on all volume based promotions which we believe is a disproportionate response; It would be unfair to penalise the majority of responsible consumers who are currently able to take advantage of a temporary offer which allows them to save money whilst still consuming alcohol in small quantities over a long period of time.

75. There would also be nothing to prevent retailers continuing to reduce the cost of individual products to prices which are significantly below the average or market price – for example, changing buy-one-get-one-free offers to those offering to 50% off.

Kristin Wolfe
Head of Alcohol Policy
SABMiller plc
20 January 2010