HEALTH AND SPORT COMMITTEE

AGENDA

6th Meeting, 2010 (Session 3)

Wednesday 24 February 2010

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

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

   The Official Feed and Food Controls (Scotland) Amendment Regulations 2010 (SSI 2010/5).

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

   Gary Cox, Head of Alcohol Licensing Team, Alison Douglas, Head of Alcohol Policy Team, Mike Palmer, Deputy Director for Public Health, Marjorie Marshall, Economic Adviser, Rachel Rayner, Senior Principal Legal Officer, and Dr Lesley Graham, Associate Specialist, Public Health Division, Scottish Government;

   and then from—

   Ben Read, Managing Economist, Centre for Economics and Business Research;

   Prof Anna Dominiczak OBE, British Heart Foundation Professor of Cardiovascular Medicine, University of Glasgow, and Prof John Beath, Professor of Economics, University of St Andrews, Royal Society of Edinburgh.

3. **Alcohol etc. (Scotland) Bill (in private):** The Committee will consider its approach to scrutiny of the Bill at Stage 1.

4. **Inquiry into the Clinical Portal Programme and Telehealth (in private):** The Committee will consider a revised draft report.
The papers for this meeting are as follows—

**Agenda Item 1**
Note by the clerk
SSI 2010/5

**Agenda Item 2**
SPICe briefing
Scottish Government Equality Impact Assessment
Report on the Alcohol etc. (Scotland) Bill at Stage 1 by the Subordinate Legislation Committee
CEBR submission
CEBR minimum pricing report for Scotland
CEBR response to regulatory impact assessment
RSE submission

**Agenda Item 3**
PRIVATE PAPER

**Agenda Item 4**
PRIVATE PAPER
PRIVATE PAPER
Abridged Subordinate Legislation Briefing

Negative Instruments

<table>
<thead>
<tr>
<th>Name</th>
<th>Deadline</th>
<th>Motion to Annul</th>
<th>Purpose</th>
<th>Drawn to attention by SLC?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Official Feed and Food Controls (Scotland) Amendment Regulations 2010</td>
<td>1 March</td>
<td>No</td>
<td>These Regulations make minor amendments to the Official Feed and Food Controls (Scotland) Regulations 2009 so as to correct errors in those Regulations.</td>
<td>The SLC had no comments to make on this instrument.</td>
</tr>
</tbody>
</table>

Where instruments have been drawn to the Committee’s attention, the relevant extract from the Subordinate Legislation Committee (SLC) report is given as an annex to this paper.

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.
Kathleen Robson

The Alcohol etc. (Scotland) Bill is part of the Scottish Government’s attempt to help address alcohol-related harm in Scotland by:

- Implementing a minimum price per unit of alcohol
- Restricting off-sale promotions and promotional activity
- Requiring licensees to operate an age verification policy
- Giving licensing boards the power to raise the purchase age to 21
- Implementing a social responsibility levy

The most controversial part of this Bill is minimum pricing and therefore much of the briefing is focused on this. It also includes a summary of the Health and Sport Committee’s call for evidence on the provisions of the Bill and explores the key issues in relation to each.
EXECUTIVE SUMMARY

Background
The Alcohol etc. (Scotland) Bill contains a number of provisions aimed at reducing drinking and alcohol related harm in Scotland. Scotland has a higher level of consumption than the rest of the UK and a significant proportion of the population reports that they exceed alcohol guideline limits each week (20% women and 30% of men). There are an estimated 1,047,000 hazardous drinkers and 230,000 harmful drinkers in Scotland. Beer, spirits and wine are the most popular drinks (in that order), the largest proportion of which are purchased in the off-trade sector. The off-trade share of the market has been growing in recent years and the average price per unit of alcohol in the off-trade is now 43p, compared with £1.31 in the on-trade.

Minimum Pricing
The key provision within the Bill is the establishment of a minimum price at which a unit of alcohol can be sold. The Bill does not state what that price should be but gives Ministers the power to set it in regulations. Research commissioned by the Scottish Government has estimated that a minimum price would reduce alcohol consumption (by 2.7% at 40p) and alcohol related harms. This research is based on a body of evidence linking price and consumption, and consumption and harm.

The Health and Sport Committee’s call for evidence found 81% of respondents in favour of minimum pricing and 19% against. Those in favour tended to be convinced of the health and social benefits of the proposal, while those against raised concerns about the evidence base for the policy and whether it will achieve its stated aim. Specific points raised include; the sensitivity of heavy drinkers to price (p12), the link between consumption levels in the general population and harm (p13), the effect on low income groups (p15), the effect on the alcohol industry (p21), the effect on cross-border trade (p22) and the legality of the measure under EU law (p22).

Other Provisions
Other provisions within the Bill include:

Extending the ban on discount drinks promotions to off-trade premises
The Bill seeks to amend the Licensing (Scotland) Act 2005 to prohibit supplying alcohol free or at a reduced price on the purchase of other drinks in off-sales premises, and to limit the location of alcohol promotional material to alcohol display areas. Most (83%) of the respondents to the Committee’s call for evidence who commented on the provisions relating to promotions supported the restrictions, while those who were opposed (17%) questioned the evidence that discount promotions in the off-trade affect overall levels of consumption. The research commissioned by the Government concluded that a ban on discount promotions would enhance the effect of minimum pricing, reducing alcohol consumption by 5.4% (p26).
Making it mandatory that all licensed premises should operate an age verification policy

The Bill seeks to amend the Licensing (Scotland) Act 2005 to require all licensed premises to operate an age verification policy in a bid to reduce underage sales. Such schemes are voluntary at present and include ‘Challenge 21’ whereby all those who look under the age of 21 must provide proof of age when purchasing alcohol. Of those who commented on this proposal in the Committee’s call for evidence, the majority (22/24) were in favour of this provision. (p28)

Provisions on the sale of off-sales alcohol to under 21s

The Bill contains a provision which would require licensing boards to include a statement on the impact to an area of off-trade sales to under 21s. This “detrimental impact statement” will consider the extent to which off-sales purchasing by people under the age of 21 is having a detrimental impact in any locality or the whole of the licensing board’s area. This provision could form the justification for a licensing board to implement an age restriction of 21 on the sale of alcohol by applying a condition to licensed off-sales premises. This could be done on either a geographical area, by type of premise or for a specific time period. Of those who commented on this provision in the call for evidence, 67% were against and 33% in favour. Reasons for opposing it included that it is incongruous with other age restrictions and that there needs to be better enforcement of existing laws. Data shows an increasing, but still relatively low, level of prosecutions for selling to underage persons. Another key point made was the likely different effect of such a policy on a local (as opposed to national) basis. (p29).

A power to introduce a social responsibility levy on licensed premises

The Bill would give Ministers the power to establish arrangements to introduce a social responsibility levy on licensed premises, under a principle that the ‘polluter pays’. Local authorities would be able to use the monies from the levy to offset the cost of alcohol misuse. There is no detail on the levy on the face of the Bill as this would be established in regulations. Opinion in the call for evidence was fairly evenly split (51% in favour, 49% against). Those opposed expressed concern that; such a levy would be just another tax on business, that it erodes the responsibility of individuals who act in an anti-social way, the on-trade will end up footing the bill for the off-trade where most consumption occurs, and there are existing powers within the Licensing (Scotland) Act 2005 to deal with irresponsible licensees. (p32)

Powers to vary license conditions

The Bill also contains provisions which would allow Ministers to amend or delete the list of mandatory conditions within licenses, and a power for licensing boards to vary the conditions of existing premises licenses. Mandatory conditions relate to those that are applied to all licenses nationally e.g. the role and qualifications of a premises manager. At present, Ministers can only add to or extend the list (p29). The Bill would also allow licensing boards to vary the conditions of existing licenses in its area. At the moment this can only be done on a case by case basis. Concerns were raised about the lack of a hearing and appeals mechanism for a licensee whose license was changed by a licensing board. (p32)
ALCOHOL IN SCOTLAND

Scots’ Drinking Habits

50.5m litres of pure alcohol were sold in Scotland in 2009. This equates to 12.2 litres of pure alcohol for every person over the age of 18, which is higher than for England and Wales where the average is just over 10 litres per capita. Figure 1 shows the breakdown of sales.

Figure 1: Volume of alcohol sold by type of drink (litres of pure alcohol), 2009

- Spirits: 30%
- Beer: 35%
- Light Wines: 25%
- Cider: 6%
- Fortified Wines**: 2%
- RTDs*: 1%
- Perry: 1%

Source: Nielsen Industry data obtained by NHS Health Scotland, 2010

* RTDs = ‘Ready-to-drink’ products such as alcopops **Fortified wine refers to drinks such as Sherry and Port

There is evidence that stronger drinks are being consumed as the total natural volume of alcoholic drinks sold in Scotland between 2005 and 2007 decreased but the volume of pure alcohol sold remained stable (ISD, 2009) (see also figure 2 which shows proportion of alcohol sold by beverage type). On average, each person bought 23.4 units of alcohol a week. 30% of men and 20% of women report their usual alcohol consumption as being more than the recommended limit per week (Corbett et al, 2008). Guidelines are 21 units per week for men and 14 units a week for women.

Research also suggests that in Scotland there are around 1,047,000 hazardous drinkers and roughly 230,000 harmful drinkers1 (York Health Economics Consortium, 2010). Very high levels of alcohol consumption are relatively rare with 7% of men drinking in excess of 50 units and 4% of women drinking more than 35 units a week (these are the cut-offs used to classify harmful drinking in the International Classification of Mental Disorders). For both men and women, the proportion exceeding limits declines with age and increases with income (Corbett et al, 2008).

1 For a definition see: http://www.scotland.gov.uk/Publications/2009/12/29122804/3
The majority of alcohol in Scotland is purchased in the off trade sector. The off trade share of the market has gradually been growing in recent years. This is shown in figure 3.

Figure 3: Percentage of pure alcohol sold in the on and off trade in Scotland, 2009

Source: Nielsen Industry Statistics obtained by NHS Health Scotland

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2008X = 12m. Off - Trade to w/e 04.10.2008 / On-Trade to end September2008
2009X = 12m. Off - Trade to w/e 03.10.2009 / On-Trade to end September2009
Of the 50.5m litres of pure alcohol sold in Scotland in 2009, 33.8m (67.1%) litres of this were sold through the off trade and 16.6m (32.9%) in the on trade. The average price paid per unit in Scotland is 72p but this differs markedly between the on and off trade. The following figure shows the average price paid per unit of alcohol in each drink category, broken down by whether it was sold in the on or off trade.

Figure 4: Cost per unit by beverage type in the on and off trade sector, Scotland 2009

Source: Nielsen Industry Statistics obtained by NHS Health Scotland, 2010

COMMITTEE CALL FOR EVIDENCE

The Health & Sport Committee issued a call for evidence on the Bill in November 2009. 170 responses were received. The following figure shows the distribution of responses. Each response was grouped based on the broad sectoral interest of the organisation.

Table 1: Respondents to the Health and Sport Committee’s call for evidence

<table>
<thead>
<tr>
<th>Respondent Group</th>
<th>Count of Respondent Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>36</td>
</tr>
<tr>
<td>Individual</td>
<td>19</td>
</tr>
<tr>
<td>Alcohol Misuse Organisations</td>
<td>18</td>
</tr>
<tr>
<td>Local Authority</td>
<td>14</td>
</tr>
<tr>
<td>Licensing Body</td>
<td>14</td>
</tr>
<tr>
<td>Other</td>
<td>13</td>
</tr>
<tr>
<td>Industry – Manufacturer</td>
<td>12</td>
</tr>
<tr>
<td>Children and Young People's Organisation</td>
<td>10</td>
</tr>
<tr>
<td>Respondent Group</td>
<td>Count of Respondent Group</td>
</tr>
<tr>
<td>--------------------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Academic</td>
<td>8</td>
</tr>
<tr>
<td>Industry - Off Trade</td>
<td>7</td>
</tr>
<tr>
<td>Industry - On Trade</td>
<td>5</td>
</tr>
<tr>
<td>Faith/Religious Groups</td>
<td>4</td>
</tr>
<tr>
<td>Business Representative Group</td>
<td>3</td>
</tr>
<tr>
<td>Police</td>
<td>3</td>
</tr>
<tr>
<td>Community Council</td>
<td>2</td>
</tr>
<tr>
<td>Consumer Organisation</td>
<td>2</td>
</tr>
<tr>
<td>Total</td>
<td>170</td>
</tr>
</tbody>
</table>

A summary of the findings on the call for evidence are included for each section of the Bill discussed below.

**SECTIONS 1 & 2: MINIMUM PRICING**

**BILL PROVISIONS**

Section 1 of the Bill seeks to amend the Licensing (Scotland) Act 2005 (asp 16) (‘the 2005 Act’) to ensure that alcohol is not sold below a minimum price. The minimum price would be linked to the alcohol content of the drink as a ‘price per unit’. The Bill does not propose what the price per unit should be or outline any way in which it would be modified (e.g. by linking to a price index) but instead it gives Ministers order making powers. Such an order would be subject to the affirmative resolution procedure in Parliament and would be added to the list of mandatory conditions in the 2005 Act (see Modification of Mandatory Conditions).

Section 2 of the Bill provides that a package containing two or more alcoholic products must not be sold for less than the price at which each product is for sale individually. This only applies if each product is available for sale separately on the premises.

**BACKGROUND**

The concept of minimum pricing for alcohol has been much debated over the last year. There is no direct evidence of the effect of the model proposed in the Bill because it is an approach that has not been used before (see also ‘Experiences of Other Countries’). Evidence used in support of minimum pricing comes from academic studies and econometric modelling.

There is a substantial body of research which has examined the relationship between price, alcohol consumption and harm. In 2006, a review of cost-effective interventions on substance use by the World Health Organisation found that:

> Taxation has the most sizeable and least resource-intensive impact on reducing the avertable burden from…high-risk alcohol misuse. (Chisholm et al, 2006)

In 2008, the Department of Health in England commissioned the University of Sheffield to undertake research examining the link between alcohol price, advertising and consumption. The project consisted of 2 parts; a systematic review of the literature; and a modelling exercise using
domestic data (Booth et al, 2008; Meier et al, 2008). A subsequent version of the modelling was carried out on behalf of the Scottish Government using Scottish data (Meier et al, 2009).

The results of both studies form the basis of the case for minimum pricing. The research team concluded that a 40p minimum price together with a total off-trade discount ban in Scotland would give an estimated:

- reduction in alcohol consumption of 5.4%
- reduction of around 6,300 hospital admissions per year
- reductions in direct health (NHS) costs of £21m per year
- reduction in numbers of crimes by 3,200 per annum of which 850 are violent offences
- direct cost savings associated with crime of around £2.7m per annum
- gains in quality of life associated with decreased crime is valued at £1.9m per annum
- reduction of 29,000 days absence per annum in the workplace
- 1,200 avoided unemployment cases per annum in the harmful drinker group (assuming jobs are available for those able to work)
- financial value for these estimated unemployment reductions of £29m per annum

The Scottish Government argues that minimum pricing would be a targeted measure as it would only affect those drinks which fall below the minimum at present. These drinks are more likely to be drunk by heavy and harmful drinkers.

The following sections look in more depth at some of the key points being debated in relation to minimum pricing.

**COMMITTEE CALL FOR EVIDENCE**

The following table shows the breakdown of opinion on minimum pricing received to the call for evidence.

<table>
<thead>
<tr>
<th>Respondent Group</th>
<th>For</th>
<th>Against</th>
<th>Unclear/no comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic</td>
<td>6</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Alcohol Misuse Organisations</td>
<td>16</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Business Representative Group</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Children and Young People's Organisation</td>
<td>9</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Community Council</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer Organisation</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faith/Religious Groups</td>
<td>4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>35</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>11</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Industry - Manufacturer</td>
<td>10</td>
<td>2</td>
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</tr>
<tr>
<td>Respondent Group</td>
<td>For</td>
<td>Against</td>
<td>Unclear/no comment</td>
</tr>
<tr>
<td>----------------------</td>
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<td>---------</td>
<td>--------------------</td>
</tr>
<tr>
<td>Industry - Off Trade</td>
<td>2</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Industry - On Trade</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Licensing Body</td>
<td>9</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Local Authority</td>
<td>9</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>3</td>
<td>7</td>
</tr>
<tr>
<td>Police</td>
<td>3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>114</td>
<td>27</td>
<td>29</td>
</tr>
<tr>
<td>Percentage</td>
<td>67%</td>
<td>16%</td>
<td>17%</td>
</tr>
</tbody>
</table>

The majority of respondents favoured the minimum pricing proposal, with significant support among the health and alcohol misuse organisations. Most of the opposition stemmed from the industry and business groups, specifically, alcohol manufacturing organisations and the off trade sector. There was more support for the proposal from the on-trade respondents. If those who did not express an opinion (or did not make it clear) are excluded from the analysis, then this gives a figure of 81% of respondents in favour of minimum pricing and 19% against.

KEY ISSUES

The following sections explore some of the key issues raised in relation to minimum pricing.

The link between price and alcohol consumption

Respondents to the committee call for evidence who were in favour of minimum pricing generally supported the rationale that price is a key driver in the consumption of alcohol. One of the main factors underpinning the modelling carried out by Sheffield is the sensitivity of drinkers to changes in price. ‘Price elasticity of demand’ is the economic concept used to indicate how consumer demand for a product changes when the price changes. It is the proportionate change in demand given a change in price, therefore if a 1% drop in price results in a 1% increase in demand, the elasticity value is said to be 1. Goods or services with an elasticity of less than 1 are termed ‘inelastic’ (i.e. less responsive to price changes) while goods with an elasticity value greater than 1 are termed ‘elastic’ (i.e. more responsive to price changes). Goods that are more essential to everyday living and have fewer substitutes are generally inelastic (e.g. staple foods) and have a low elasticity value, while goods or services that are not essential or have more substitutes tend to be elastic (e.g. restaurant meals).

One of the central aspects of the Sheffield study was ascertaining the price elasticity of demand for different alcoholic drinks and for different types of drinker. There were 2 parts to this. Firstly, the research team conducted a systematic review of the literature for previous studies which had measured elasticity, and secondly, the modelling team calculated elasticity values using UK data. The following outlines the key elasticity values found in the literature and through the Sheffield modelling exercise:
Table 3: Key Elasticity Values from the Sheffield Study, by Type of Drink and Type of Drinker

<table>
<thead>
<tr>
<th></th>
<th>Literature</th>
<th>Modelling</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alcohol</td>
<td>-0.497 (median – Gallet)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.51 (Wagenaar et al, 2008)</td>
<td></td>
</tr>
<tr>
<td>Wine</td>
<td>-0.700 (Gallet, 2007)</td>
<td>-0.2829 to -0.5764</td>
</tr>
<tr>
<td></td>
<td>-0.68 (Clements et al, 1997)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.69 (Wagenaar, 2008)</td>
<td></td>
</tr>
<tr>
<td>Spirits</td>
<td>-0.679 (Gallet, 2007)</td>
<td>-0.62 (off-trade)</td>
</tr>
<tr>
<td></td>
<td>-0.98 (Clements et al, 1997)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.8 (Wagenaar, 2008)</td>
<td></td>
</tr>
<tr>
<td>Beer</td>
<td>-0.36 (Gallet, 2007)</td>
<td>-0.4794 to -0.5525</td>
</tr>
<tr>
<td></td>
<td>-0.35 (Clements et al, 1997)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>-0.46 (Wagenaar, 2008)</td>
<td></td>
</tr>
<tr>
<td>Moderate Drinkers</td>
<td></td>
<td>-0.23 to -0.52</td>
</tr>
<tr>
<td>Hazardous Drinkers</td>
<td></td>
<td>-0.30 to -0.61</td>
</tr>
<tr>
<td>Harmful Drinkers</td>
<td></td>
<td>-0.41 to -0.70</td>
</tr>
<tr>
<td>Heavy Drinkers</td>
<td>-0.28 (Wagenaar et al, 2008)</td>
<td></td>
</tr>
</tbody>
</table>

These research findings demonstrate that, like most other consumer goods, if the price of alcohol increases, demand drops, although the demand is inelastic. However, the research also demonstrates that sensitivity to changes in price vary by the type of drink, by country and the type of drinker. This reflects the fact that ‘alcohol’ is not a homogenous product.

Differences in sensitivity to price have become one of the central issues in the debate on minimum pricing. This is explored in more detail below.

Responsiveness of Heavy Drinkers to Price

One of the key points raised by those opposed to minimum pricing is the responsiveness of heavy and harmful drinkers to price. It is perceived by many that those with a level of dependency on alcohol will be less likely to reduce their consumption if prices rise, thereby remaining unaffected by minimum pricing:

…*price is a nearly irrelevant factor in addictive substance purchase.* (Individual submission to the Health & Sport Committee’s call for evidence)

The Board does not agree that establishing minimum prices will alleviate the problems faced by the minority section of our society who are very heavy drinkers or persons that are addicted to alcohol. Such persons will purchase alcohol, regardless of the price, because their need for alcohol outweighs the cost of alcohol. (Aberdeenshire Licensing Board, 2010)

As the elasticity values above demonstrate, consumers of alcohol increase their drinking when prices are lowered, and decrease their consumption when prices rise. Research has found that heavy or harmful drinkers are no exception to this (Babor et al, 2003), although the level of their response is disputed.

The results of the Sheffield study appear on the face of it to be slightly conflicting in relation to this point. While the modelling exercise undertaken by Sheffield found hazardous and harmful drinkers were more sensitive to changes in price than moderate drinkers, the systematic review
undertaken by the research team acknowledged evidence that heavier drinkers are less responsive to price increases. For example, Manning et al (1995) found that moderate drinkers are the most price elastic while the top 5% of heaviest drinkers have ‘an elasticity not significantly different from zero’, that is, their consumption would remain almost the same regardless of any price increase. Wagenaar et al (2008), also found a mean elasticity of -0.28 for heavy drinkers compared to -0.51 overall.

However, the Sheffield report explains that its modelling includes ‘cross-price elasticities’ and that hazardous drinkers are more responsive because they show the greatest level of substitution behaviour. The study does go on to provide an elasticity estimate for total alcohol purchasing which results in an elasticity value of -0.21 for hazardous and harmful drinkers and -0.47 for moderate drinkers. The authors note that this is in keeping with the findings of the literature that (for overall alcohol consumption) hazardous and harmful drinkers are less sensitive to price increases than other drinkers. Though it should be noted that these are provided for reference and used in the sensitivity analysis, not in the baseline model.

Critics have argued that this demonstrates the policy would have little effect on those it wishes to target the most. The Centre for Economics and Business Research was commissioned by the brewer SABMiller to conduct a review of the Sheffield study and found:

…the University of Sheffield report provides scope for misinterpretation of the evidence, as it highlights ’own price’ elasticities which show that for individual alcohol products, heavier drinkers are more responsive to price changes. However, own price elasticities include the impact of switching between product types. The executive summary fails to mention the substantial evidence that overall, heavier drinkers are least responsive to price changes. (Centre for Economics and Business Research, 2009, pg 5)

In response to these criticisms in the Scottish model, the research team urged caution as: “Comparing these findings against elasticities based on mean levels of consumption may lead to invalid conclusions since the bases of demand are different” (Page 55). However, the researchers concede that studies do exist which suggest that price responsiveness may reduce with increasing levels of mean consumption, although they question to what extent they can be generalised to Scotland.

A previous literature review commissioned by the Scottish Executive (Ludbrook, 2004) found at the time that there was ‘unconvincing evidence’ that price affects consumption in heavy drinkers, but there was more convincing ‘indirect evidence’ that it does from studies which have shown a decrease in alcohol related problems following increases in taxation.

In addition, it is also worth noting that even if heavier drinkers are less sensitive to price changes than other drinkers, the relevant research findings indicate that their consumption would still decline.

**The link between population consumption and harm**

While there is a debate around the relationship between price and alcohol consumption, at the same time there is a question over what effect reducing alcohol consumption would have on alcohol related harm. Would a reduction in alcohol consumption at a population level lead to a reduction in alcohol related harm? Or will the harm only reduce when particular groups reduce their drinking to a certain level?

The Sheffield model calculates changes in consumption and harm at a population level, and has estimated that a 40p unit price would reduce consumption by 2.7%. It then uses this figure to model the effects on health, crime and employment. Many of the submissions in opposition to minimum pricing questioned the likelihood that reducing consumption across the population would significantly impact on harm given that hazardous and harmful drinkers are in the minority.

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3 This is the measure of demand for one good when the price of another good changes.
Anderson & Baumberg (2006) state that alcohol's causal role in social and health harms is usually contributory, being one of only several factors responsible for the problem (pg 135). Research has shown that it is not only the volume of alcohol that is consumed that is important, but the pattern of drinking. That is, the pattern of drinking may result in a different effect despite the overall volume of alcohol consumed being the same (Rehm, 2003; Gmel & Rehm, 2003).

The problems arising from alcohol can be through the effects on:

- physical agility and coordination (e.g. falls)
- thinking and reasoning processes (e.g. reckless behaviour such as drink driving)
- moods and emotions (e.g. violent crime)
- the body (e.g. liver disease)

There is a body of research which has examined the link between population level consumption and harm. For example, the RAND corporation report on ‘The Affordability of alcoholic beverages in the European Union’ (Rabinovich et al, 2009) reports a statistically significant association between alcohol consumption at the population level and 3 alcohol-related harms. Namely that a 1% increase in alcohol consumption at a population level is associated with an increase of:

- 0.86% in traffic accidents
- 0.61% in traffic injuries
- 0.37% in chronic liver disease

The Institute for Alcohol Studies also highlights research which has found that it is not only the heavy and harmful drinkers that cause alcohol-related problems but that light and moderate drinkers cause the largest proportion of alcohol related problems. This is because there are more light and moderate drinkers in the population and also because problems from alcohol use can occur at all consumption levels, therefore a small risk is spread across a large group. (Institute for Alcohol Studies, 2001). Finnish studies show that the majority of problems were found in the 90% of the population consuming moderately, compared to the 10% of the population drinking heavily (Poikolainen et al, 2007). This point was raised in the call for evidence:

“Population level problems require a population approach, which can be counter-intuitive to those who argue for an approach that targets those at high-risk of alcohol-related consequences. Half of all alcohol is consumed by just 10% of drinkers.  

The individuals within that 10% are certainly at high risk of experiencing alcohol-related harms. A targeted approach to reduce alcohol consumption would reduce their risk, but would not necessarily reduce the overall harm experienced in society. This is because alcohol-related disease occurs with consumption levels far below that of the heaviest ‘problem’ drinkers, and because there is no such thing as ‘risk-free’ intoxication. (Aberdeen City Alcohol and Drug Partnership, 2010)

In relation to health harms specifically, research has linked alcohol consumption to more than 60 different medical conditions (WHO, 2008; Rehm et al 2003; Room et al 2005) and shown that most diseases have a ‘dose-response’ relationship with alcohol. That is, the risk of disease increases with the volume of alcohol consumed. As part of the same evidence base, an examination of the causes of disease and disability attributable to alcohol, shows that a greater proportion of the overall burden of harm is associated with the acute effects of alcohol use and drinking to intoxication, rather than the chronic effects of sustained heavy drinking over a long period of time (Scottish Health Action on Alcohol Problems (SHAAP). Acute effects of alcohol use include unintentional injuries such as road traffic accidents, burns, drowning and falls, and intentional injuries including suicide.
However, the British Beer and Pub Association (2009) published a press release and letter in the Times challenging the rationale that by reducing alcohol consumption at a population level, alcohol-related hospital admissions will reduce. Using industry data, the association calculated there has been a year on year reduction in alcohol consumption in recent years (6% between 2004 and 2008) but this has not been reflected in alcohol-related hospital admissions. This point was also raised in the Committee’s call for evidence.

The Sheffield modelling assumed no time-lag between alcohol consumption and acute alcohol related harms, and a mean lag of 10 years for all chronic conditions (Meier et al, 2009). Using these assumptions, while changes in chronic harms following a reduction in consumption may take more time to become apparent, changes in acute harms should be more immediate. According to the Scottish Health Survey 2008 there was a 17% increase in discharges related to alcohol from general hospitals in Scotland between 2003/4 and 2007/8 evident for all age groups in the adult population.

The Scottish Government has commissioned Sheffield University to re-run the model with Scottish data that was previously not available to the analysts. This is expected to be published in March 2010.

**Effect on Low Income Groups**

The Sheffield study did not attempt to model the effects of minimum pricing on different income groups but some submissions to the call for evidence raised concerns about the effect minimum pricing would have on those on a low income. These submissions felt minimum pricing is essentially a regressive policy which would have a disproportionate impact on low income groups. For example, in their submission to the committee ASDA said:

“For customers on job seekers allowance or on the basic state pension then prices are not ‘cheap’ they are affordable. Minimum pricing is essentially a regressive policy as it will add to the costs of the lowest income households yet make little difference to middle and high income households. Responsible drinkers on a budget will be hit more than irresponsible drinkers with higher incomes.” (ASDA, 2010)

UK data from the Family Spending survey (see table 4 below) shows that the lowest income households spend on average a slightly greater proportion of their weekly budget on alcohol than those in higher income households.

### Table 4: Expenditure on alcohol by gross household income group

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Lowest 10%</th>
<th>2nd Decile</th>
<th>3rd Decile</th>
<th>4th Decile</th>
<th>5th Decile</th>
<th>6th Decile</th>
<th>7th Decile</th>
<th>8th Decile</th>
<th>Highest 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weekly gross household expenditure on alcohol</td>
<td>£2.40</td>
<td>£3.10</td>
<td>£3.60</td>
<td>£4.90</td>
<td>£5.20</td>
<td>£6.00</td>
<td>£7.20</td>
<td>£9.50</td>
<td>£11.40</td>
</tr>
<tr>
<td>Total Weekly Expenditure</td>
<td>£153.70</td>
<td>£200</td>
<td>£257.10</td>
<td>£330.10</td>
<td>£393</td>
<td>£459.20</td>
<td>£536.70</td>
<td>£625.70</td>
<td>£1044.90</td>
</tr>
<tr>
<td>Alcohol as a % of the total</td>
<td>1.6%</td>
<td>1.6%</td>
<td>1.4%</td>
<td>1.5%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.3%</td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Source: Office for National Statistics, Family Spending Survey 2009

The distribution of alcohol consumption across the social groups was examined in the Scottish Health Survey 2008. This found that those in the highest income groups were more likely to exceed guideline limits:

---

4 Personal communication with the Scottish Government
One other concern expressed is that if alcohol prices increase, problem drinkers with a low income may use spending from elsewhere in their budget to maintain their consumption levels. It is feared that this could be to the detriment of both them and their families.

No research could be found that examined the effect of alcohol consumption on family spending but research in India examined household spending in relation to tobacco use and found (John, 2006):

“...tobacco consuming households had lower consumption of certain commodities such as milk, clean fuels and entertainment which has direct bearing on mostly children and female members in the household suggesting possible ‘gender effects’ and biases in intra-household resource allocation. Tobacco spending was also found to have negative effects on household nutrition intake.”

It is not clear though as to what extent these findings can be generalised to alcohol and Scotland.

Those in favour of minimum pricing argue that ultimately, low income families would benefit from the policy, not only because they experience many of the harms arising from alcohol misuse, but also because a minimum price will bring an end to the price of other goods being used to subsidise cheap alcohol (Record & Day, 2009). The rationale behind this thinking is that non-alcoholic goods should become cheaper. However, it is worth noting that it is uncertain whether retailers will lower prices on these goods.

If retailers were to lower the price of other goods, then it also raises questions as to how it would impact on the effectiveness of minimum pricing. If other goods become cheaper, will this increase disposable income, make alcohol more affordable and thereby negate any effects of minimum pricing? This logic would follow on from the thinking in the RAND study that the increased affordability of alcohol has fuelled the increased consumption of alcohol (Rabinovich et al, 2009). Overall, the RAND analysis indicates that across the EU, 84% of the increase in alcohol affordability was driven by increases in income, and only 16% was driven by changes in alcohol prices (Rabinovich 2009, p. 26). The Sheffield study did not model the industry response to minimum pricing.
Punishing the many for the sins of the few?
One of the most frequently perceived disadvantages of the policy is that it would punish the majority for the sins of the few.

The following table outlines the distribution of the different types of drinkers used by Sheffield, the volume they drink, how much they spend in a year and some of the potential effects of a 40p unit price.

Table 5: Cost and consumption of alcohol in Scotland and potential changes with a 40p minimum price, by type of drinker (Source: Meier et al, 2009)

<table>
<thead>
<tr>
<th></th>
<th>Moderate (18+)</th>
<th>Hazardous (11+)</th>
<th>Harmful (11+)</th>
<th>Scotland (11+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>2,426,970</td>
<td>953,631</td>
<td>273,768</td>
<td>3,833,386</td>
</tr>
<tr>
<td>Units per drinker per year (average)</td>
<td>320.3</td>
<td>1,414.7</td>
<td>3,390</td>
<td>813.6</td>
</tr>
<tr>
<td>Cost per drinker per year (average)</td>
<td>£294.38</td>
<td>£1,055.97</td>
<td>£2,130.38</td>
<td>£634.68</td>
</tr>
<tr>
<td>Fall in units consumed per drinker per year at a 40p unit price</td>
<td>-4.09</td>
<td>-26.19</td>
<td>-194.05</td>
<td>-22.3</td>
</tr>
<tr>
<td>Cost if drinkers’ consumption stays the same at a 40p unit price</td>
<td>£5.77</td>
<td>£35.28</td>
<td>£139.20</td>
<td>£21.84</td>
</tr>
</tbody>
</table>

Therefore, although in a minority, the hazardous and harmful drinkers are responsible for consuming the majority of the alcohol sold in Scotland. A drop in consumption at a population level would be made up of a small reduction spread across the bulk of moderate drinkers, and a larger reduction across the smaller group of hazardous and harmful drinkers.

Proponents of the measure argue that while moderate drinkers will bear a cost, the cost from alcohol misuse is not borne by the individual anyway, but by society as a whole. Estimates put the societal cost to Scotland from alcohol at £3.5bn (York Health Economics Consortium, 2010) and research has suggested that the societal cost per unit sold in Scotland is 45p (Ludbrook, 2009). It has also been suggested that minimum pricing would end consumers of other products subsidising cheap alcohol therefore it would be to their benefit (Record & Day, 2009). However, at present there is no evidence to suggest one way or another if retailers would lower the price of other products should minimum pricing be enacted.

It has also been suggested that the cost to moderate drinkers may have been underestimated as, if the cheapest drinks rise in price, manufacturers/retailers may try to maintain the price differential between cheaper and expensive products by raising the price of more expensive drinks. If this happens, the assumptions used by the modelling may underestimate the cost to moderate drinkers.
At what level should a minimum price be set?

The Sheffield report details the expected changes in consumption at different prices:

Table 6: Estimated change in consumption with minimum pricing

<table>
<thead>
<tr>
<th>Change in Consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>25p</td>
</tr>
<tr>
<td>30p</td>
</tr>
<tr>
<td>35p</td>
</tr>
<tr>
<td>40p</td>
</tr>
<tr>
<td>45p</td>
</tr>
<tr>
<td>50p</td>
</tr>
<tr>
<td>55p</td>
</tr>
<tr>
<td>60p</td>
</tr>
<tr>
<td>65p</td>
</tr>
<tr>
<td>70p</td>
</tr>
</tbody>
</table>

Source: Meier et al, 2009

The Sheffield report makes use of a 40p unit price for modelling purposes and this is the price that has most frequently been discussed. In the Committee call for evidence, the most frequently recommended price per unit was 50p, closely followed by those suggesting a range of between 40-50p. A common theme to emerge when discussing the level was the need to balance the potential public health benefits with what is acceptable to consumers, as well as the need to minimise a potential increase in illicit trade (see ‘Cross Border Purchasing’).

Many of the submissions argued that minimum pricing will not affect heavy drinkers who drink more expensive drinks and that most drinks are already priced beyond 40p per unit. This is backed to a certain degree by the Scottish Health Survey 2008 which found a link between excessive drinking and income, with those in the higher income and social class categories more likely to exceed guideline limits (see figure 5). However, other research has found that extremely heavy drinkers were more likely to purchase the cheapest units.

Research conducted with patients of the Lothian Alcohol Problems Services (Black et al, 2009) compared the units consumed and the price paid by patients with wider alcohol sales in Scotland. This research found that patients consumed on average 198 UK units in a typical drinking week. The majority of purchases were from ‘off-sales’ where the average price was 34 pence per unit. Overall the mean price paid was 43 pence, the minimum was 9 pence. There was a correlation between price paid per unit and total number of units consumed. Those consuming the greatest amount of alcohol tended to pay the smallest unit price. Only 17% of units were purchased at a price of 50, or more pence.

In a bid to demonstrate that minimum pricing will only affect the cheapest drinks (more likely to be drunk by heavy and harmful drinkers), the Scottish Government published a snapshot survey of supermarket prices for different alcoholic products, together with an analysis of how they would be affected by a 40p minimum price. Table 6 shows the drinks in the survey that would experience an increase in price if a 40p per unit price was applied (Scottish Government, 2009). The full findings of the survey can be found on the Scottish Government website.

The elasticity values from the Sheffield study can also be used with these findings to calculate the estimated reduction in consumption for these products. This is shown in the last 3 columns of table 7.
The table demonstrates that at 40p, the products most likely to be affected by a 40p unit price would be cider and lager at the cheaper end of the market, as well as own brand spirits. However, at a higher price per unit, more products would experience an increase in price and a decrease in consumption.
Table 7: Alcoholic products which would experience an increase in price with a 40p price per unit, plus the potential decrease in consumption.

<table>
<thead>
<tr>
<th>Product Description</th>
<th>Original Price (Lowest)</th>
<th>New Price at 40p per unit</th>
<th>% increase in price</th>
<th>% decrease in consumption in moderate drinkers</th>
<th>% decrease in consumption in hazardous/harmful drinkers</th>
<th>% decrease in consumption for all drinkers*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value Dry Cider 2L 4.2% vol</td>
<td>£1.21</td>
<td>£3.36</td>
<td>+177.7%</td>
<td>-71.61%</td>
<td>-100%</td>
<td>-98.18%</td>
</tr>
<tr>
<td>Own Brand Strong Cider 3L 5.5% vol</td>
<td>£2.78</td>
<td>£6.60</td>
<td>+137.4%</td>
<td>-55.37%</td>
<td>-80.16%</td>
<td>-75.91%</td>
</tr>
<tr>
<td>Value Lager 4x440ml 3% vol</td>
<td>91p</td>
<td>£2.11</td>
<td>+131.9%</td>
<td>-53.16%</td>
<td>-76.95%</td>
<td>-72.87%</td>
</tr>
<tr>
<td>Orchard Mill Cider 2L 5% vol</td>
<td>£1.79</td>
<td>£2.21</td>
<td>+123.5%</td>
<td>-49.77%</td>
<td>-72.05%</td>
<td>-68.23%</td>
</tr>
<tr>
<td>Blackthorn Dry Cider (2 Litre)</td>
<td>£2.05</td>
<td>£4.40</td>
<td>+114.6%</td>
<td>-46.18%</td>
<td>-66.86%</td>
<td>-63.32%</td>
</tr>
<tr>
<td>Diamond White (2 Litre)</td>
<td>£3.07</td>
<td>£6.00</td>
<td>+95.4%</td>
<td>-38.45%</td>
<td>-55.66%</td>
<td>-52.71%</td>
</tr>
<tr>
<td>Strongbow Cider 10x440ml 5.3% vol</td>
<td>£6</td>
<td>£9.33</td>
<td>+55.5%</td>
<td>-22.37%</td>
<td>-32.38%</td>
<td>-30.66%</td>
</tr>
<tr>
<td>Value Gin 700ml</td>
<td>£6.98</td>
<td>£10.50</td>
<td>+50.4%</td>
<td>-25.91%</td>
<td>-31.05%</td>
<td>-30.90%</td>
</tr>
<tr>
<td>Own Brand Value Vodka 700ml</td>
<td>£6.98</td>
<td>£10.50</td>
<td>+50.4%</td>
<td>-25.91%</td>
<td>-31.05%</td>
<td>-30.90%</td>
</tr>
<tr>
<td>Own Brand Pilsner 12x500ml 4% vol</td>
<td>£6.95</td>
<td>£9.60</td>
<td>+38.1%</td>
<td>-15.35%</td>
<td>-22.23%</td>
<td>-21.05%</td>
</tr>
<tr>
<td>Blackthorn Cider (15x440ml cans)</td>
<td>£9.00</td>
<td>£12.40</td>
<td>+37.8%</td>
<td>-15.23%</td>
<td>-22.05%</td>
<td>-20.88%</td>
</tr>
<tr>
<td>High Commissioner Old Scotch Whisky 700ml</td>
<td>£8.98</td>
<td>£11.20</td>
<td>+24.7%</td>
<td>-12.7%</td>
<td>-15.22%</td>
<td>-15.14%</td>
</tr>
<tr>
<td>Own brand</td>
<td>£3.11</td>
<td>£4.05</td>
<td>+30.2%</td>
<td>-13.12%</td>
<td>-17.77%</td>
<td>-15.45%</td>
</tr>
</tbody>
</table>

* Please note that elasticity values for ‘all drinkers’ are not available separately for Scotland. The values used to calculate this column were taken from the original English modelling study (Meier et al, 2009, page 55). The elasticity values were subsequently revised for the Scottish report but did not include an estimate for ‘all drinkers’.
<table>
<thead>
<tr>
<th>Product</th>
<th>Original Price (Lowest)</th>
<th>New Price at 40p per unit</th>
<th>% increase in price</th>
<th>% decrease in consumption in moderate drinkers</th>
<th>% decrease in consumption in hazardous/harmful drinkers</th>
<th>% decrease in consumption for all drinkers*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cabernet Sauvignon 13.5% vol</td>
<td>£8.36</td>
<td>£10.50</td>
<td>+25.6%</td>
<td>-13.16%</td>
<td>-15.77%</td>
<td>-15.7%</td>
</tr>
<tr>
<td>Own Brand Standard Vodka 700ml</td>
<td>£15.00</td>
<td>£18.30</td>
<td>+22%</td>
<td>-8.87%</td>
<td>-12.83%</td>
<td>-12.16%</td>
</tr>
<tr>
<td>Stella Artois 20x440ml</td>
<td>£6</td>
<td>£7.22</td>
<td>+20.3%</td>
<td>-8.18%</td>
<td>-11.84%</td>
<td>-11.22%</td>
</tr>
<tr>
<td>Glen’s Vodka 700ml</td>
<td>£8.98</td>
<td>£10.50</td>
<td>+16.9%</td>
<td>-8.69%</td>
<td>-10.41%</td>
<td>-10.36%</td>
</tr>
<tr>
<td>Red Square Vodka 700ml</td>
<td>£9.07</td>
<td>£10.50</td>
<td>+15.8%</td>
<td>-8.12%</td>
<td>-9.73%</td>
<td>-9.69%</td>
</tr>
<tr>
<td>Own-Brand Blended Whisky 700ml</td>
<td>£10.18</td>
<td>£11.20</td>
<td>+10%</td>
<td>-5.14%</td>
<td>-6.16%</td>
<td>-6.13%</td>
</tr>
<tr>
<td>Own Brand Chilean Chardonnay 12% vol</td>
<td>£3.38</td>
<td>£3.60</td>
<td>+6.5%</td>
<td>-2.82%</td>
<td>-3.82%</td>
<td>-3.33%</td>
</tr>
<tr>
<td>Tetley’s Original Bitter 12x440ml 3.8%</td>
<td>£7.67</td>
<td>£8.03</td>
<td>+4.7%</td>
<td>-1.89%</td>
<td>-2.74%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Own Brand Rioja 13.5%</td>
<td>£3.98</td>
<td>£4.05</td>
<td>+1.76%</td>
<td>-0.76%</td>
<td>-1.04%</td>
<td>-0.9%</td>
</tr>
<tr>
<td>Blossom Hill Shiraz 13.5%</td>
<td>£4.00</td>
<td>£4.05</td>
<td>+1.25%</td>
<td>-0.54%</td>
<td>-0.74%</td>
<td>-0.64%</td>
</tr>
</tbody>
</table>

Source: Scottish Government, 2009; Meier et al 2009; Meier et al, 2010
Effects on the Alcohol Industry

There has been much speculation as to the effect of minimum pricing on the alcohol industry. The Sheffield report does not model the effect on the industry and opinion on the potential effects differ.

The alcohol manufacturing industry in Scotland is dominated by Whisky. Taking into account indirect and induced employment it is estimated that in total around 41,000 jobs rely on the Scotch Whisky industry and generate over £800m in income within the economy (Nicol, 2009). Scotland also manufactures white spirits and it is estimated that around 2,300 jobs and £50m income is linked to the white spirits industry. According to the Scottish Executive, in 2006 the UK was the second largest vodka producer in the EU after Poland (Nicol, 2009).

The latest figures show that the spirit drinks industry accounted for £1.7bn Gross Value Added (GVA) in 2007 – representing £195,900 GVA per employee, compared to £45,700 GVA per employee across all industries (Nicol, 2009).

Whisky exports from Scotland in 2008 were valued at £3.1bn, with the top 3 export destinations being the USA, France and Spain. The Whisky industry also brings benefits to the agricultural industry, purchasing over £90m of cereals from Scottish suppliers (Nicol, 2009).

Some commentators have suggested that the alcohol industry will benefit from the policy because a drop in consumption will be offset by an increase in price (Ludbrook, 2008). The increased revenue to the industry with a 40p minimum price and a discount ban would be £91m for the off-trade and £39m for the on-trade sector. Higher unit prices would result in higher revenue, for example:

<table>
<thead>
<tr>
<th>Minimum price and a discount ban</th>
<th>Off-trade sector per annum (£m)</th>
<th>On-trade sector per annum (£m)</th>
<th>Total per annum (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25p</td>
<td>+£55m</td>
<td>+£17m</td>
<td>+£72m</td>
</tr>
<tr>
<td>30p</td>
<td>+£63m</td>
<td>+£22m</td>
<td>+£85m</td>
</tr>
<tr>
<td>35p</td>
<td>+£75m</td>
<td>+£29m</td>
<td>+£104m</td>
</tr>
<tr>
<td>40p</td>
<td>+£91m</td>
<td>+£39m</td>
<td>+£130m</td>
</tr>
<tr>
<td>45p</td>
<td>+£108m</td>
<td>+£51m</td>
<td>+£159m</td>
</tr>
<tr>
<td>50p</td>
<td>+£124m</td>
<td>+£63m</td>
<td>+£187m</td>
</tr>
<tr>
<td>55p</td>
<td>+£139m</td>
<td>+£77m</td>
<td>+£216m</td>
</tr>
<tr>
<td>60p</td>
<td>+£152m</td>
<td>+£93m</td>
<td>+£245m</td>
</tr>
<tr>
<td>65p</td>
<td>+£159m</td>
<td>+£110m</td>
<td>+£269m</td>
</tr>
<tr>
<td>70p</td>
<td>+£160m</td>
<td>+£128m</td>
<td>+£288m</td>
</tr>
</tbody>
</table>

Source: Alcohol etc. (Scotland) Bill, Explanatory Notes, pg17

While some see this as one of the benefits of the policy, others see this as a drawback. Not only because none of the revenue will be directed to the Exchequer, but also because there is no guarantee that alcohol producers will benefit from the increased revenue to retailers. The policy is also seen as being of benefit to the on-trade sector as it could potentially ‘level the playing field’ with the off-trade given the disparity in prices between the two (see figure 4). The
Sheffield modelling found that rises in the price of off-trade drinks resulted in an increase in demand for the higher priced on-trade drinks (Meier et al, 2008, pg 50).

Whyte & McKay (2010) has estimated that minimum pricing would cost 200 jobs at their bottling plant in Grangemouth as it is a leading manufacturer of own brand whisky, sales of which are likely to be affected under minimum pricing (see table 7). The Scotch Whisky Association (2010) (SWA) has also raised concerns about the effect on its export market and barriers to trade abroad.

In its submission to the Finance Committee, SWA states that Scotch Whisky faces 600 trade barriers worldwide. It believes that minimum pricing will threaten whisky exports if a precedent of overriding trade rules is secured and this “will lead to a domino effect of ‘health-based’ restrictions on Scotch being applied in [whisky] export markets”. (Scotch Whisky Association, 2010)

Cross-border purchasing and illicit trade

One of the key concerns and points made in opposition to minimum pricing is that it could be undermined by cross border purchasing and illicit trade. There are a number of areas in the world that are renowned as hotspots for cross border trade in alcohol, for example, between Finland and Estonia. According to Karlsson & Osterberg (2009) there are several factors which determine the magnitude of cross-border trade in alcoholic beverages:

- the level of price differences
- the existence of import quotas
- the severity of border control
- number of annual border crossings
- the traffic infrastructure
- the population living near the border
- motives for crossing the border

Of this list, the authors state that price difference is the main motive for cross-border trade. The larger the difference, the higher the volume of cross border trade.

Stockwell et al (2006) highlight international experiences where price rises have resulted in the increased production and consumption of illicit alcohol, as well as the consumption of alcohol not intended for human consumption.

Compatibility of Minimum Pricing with EU Law

The legality of the minimum pricing proposal has been called into question by some commentators who claim it breaches EU law on the free movement of goods. The relevant EU provisions in this matter are articles 34-36 of the Treaty on the Functioning of the European Union.

Article 34 prohibits member states from engaging in strategies that have the effect of restricting the free flow of goods between member states. It may be construed that article 34 has been breached when a state treats its own goods in a more favourable way than those coming from outside. However, even when rules apply to both domestic and imported goods, if the rule impedes the free flow of goods across borders it may still be construed that the article has been

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6 Previously articles 28-30 of the Treaty establishing the European Community but amended by the Treaty of Lisbon which came into force on 1 December 2009.
breached. Article 36 allows a public health defence to breaches of article 34 but the burden is on the member state to show the measure is proportionate and not ‘arbitrary discrimination’.

The Scottish Government has asserted that the Bill does not breach either domestic or EU law and in response to a written PQ stated that it had received legal advice on the proposal but it would not be divulging that advice (S3W-15628). Despite further calls from opposition MSPs, the Scottish Government has not (at the time of writing) divulged the advice it has received. During a debate in the chamber, the Cabinet Secretary for Health and Wellbeing stated:

We have always said that challenges will have to be overcome in introducing minimum pricing. To be compatible with EU law, minimum pricing needs to be proportionate, non-discriminatory and to achieve a clear health benefit. It is emphatically not the case that the EU prohibits a policy of minimum pricing, and members should not assert that it does. (OR 5 November 2009, Col 20890)

**European Commission**

During the debate members also referred to a PQ from Catherine Stihler MEP which asked the European Commission whether minimum pricing violated EC law. The Commission responded that Directive 92/83/EEC does not prohibit Member States from setting minimum prices for alcohol but that any measure and its effects still need to be compatible with Treaty rules on the free movement of goods. The Commission did not state a definitive view on the legality of minimum pricing but instead outlined that the legality would be dependant on the specifics of the scheme, its resulting effects and how proportionate a measure it is:

…The Court of Justice…has ruled that national rules fixing retail prices for alcoholic beverages could constitute measures having an equivalent effect to quantitative restrictions on imports contrary to Article 28 EC. This would be the case if, for example, prices were set at such a level that imported products were placed at a disadvantage in relation to identical domestic products, either because they could not profitably be marketed in the conditions laid down or because the competitive advantage conferred by lower cost prices was cancelled out. In other words, a minimum price fixed at a specific amount may, according to the circumstances, have an adverse effect specific to the marketing of imported products and thus constitute an obstacle to the free movement of goods within the internal market. On the other hand, this would not be the case if pricing rules applied to all relevant traders operating within the national territory and if they affected in the same manner, in law and in fact, the marketing of domestic and imported products.

Concerning health objectives, which Member States have the right to protect, it would be important to consider the range of alternative measures that might have the same public health impact, but which might be less restrictive to intra-Community trade. For example, a minimum price level could equally be ensured by increasing the excise duties on alcohol. This would allow the tax to act as an objective cost factor. On the other hand, necessity and proportionality of a discriminatory minimum price regime for alcoholic beverages could be questioned since a national rule cannot be justified in terms of Article 30 EC if the underlying interests may be protected just as effectively by measures which are less restrictive to intra-Community trade.

**Case C197/08 – Commission of the European Communities versus the French Republic, Republic of Austria and Ireland**

Much interest has been paid to a case in the European Court of Justice which has challenged minimum pricing for tobacco products in France, Austria and Ireland (case C197/08).
On 22 October 2009, Advocate General Kokott issued an opinion on this case, which alleges that minimum pricing for tobacco products in Ireland, France and Austria infringe article 9(1) of directive 95/59. This directive relates specifically to taxes which affect the consumption of manufactured tobacco and article 9(1) states that manufacturers shall be free to determine the maximum retail selling price for each of its products.

The Advocate General highlighted previous case law which had found that while the directive does not specifically prohibit a minimum price, the establishment of a minimum price inevitably has the effect of limiting the freedom of manufacturers in determining their maximum price. She also asserted that minimum pricing for tobacco could not be defended in this instance by relying on article 34 of the EC treaty as this article outlines the circumstances in which restrictions on the freedoms outlined in article 36 may be justified whereas the alleged infringement in this case is of directive 95/59, not article 34. However, the Advocate General did give some consideration to the application of article 36 but was of the opinion that “increases in excise duties are…a less intrusive measure than minimum prices, which are thus not necessary”. This was based on European case law.

Opinion differs on how this opinion can be generalised to minimum pricing for alcohol. The European Court of Justice is yet to issue its decision on the case. This is expected to be issued in the near future.

Experiences of Other Countries

The experiences of other countries are often referenced in the debate on minimum pricing. However, it is a new policy initiative that has not been used in the proposed form internationally. Canada is the only place in the world that has used a form of minimum pricing to any great extent (see ‘Canada’ for further discussion), whereas other countries are often mentioned because they exemplify specific points in the debate. The following discusses the experiences in some of the countries most commonly referenced.

Northern Europe vs. Southern Europe

One of the most common arguments used in opposition to minimum pricing are the experiences of the Nordic and Southern European Countries. There is a general perception that the Nordic countries have more problems with alcohol despite it being highly taxed, compared to the Southern European countries where alcohol is cheaper. However, a closer inspection of the key data reveals that these perceptions are not strictly true.

For example, the Southern European countries have historically had higher levels of alcohol consumption than the Nordic countries, although consumption levels are now converging (see figure 6). Correspondingly, there are also higher levels of liver cirrhosis and other chronic harms in Southern Europe compared to the Nordic countries (WHO, 2004). It is unclear why there is a perception that alcohol is more problematic in the Nordic countries than in the South of Europe. One of the reasons may be that patterns of consumption are different. For example, in the Nordic countries, people are more likely to binge drink and drink to drunkenness over fewer occasions, while in Southern Europe, daily drinking with meals is more common (Anderson & Baumberg, 2006). Binge drinking is associated with acute effects of alcohol (e.g. injuries, cardiac arrhythmias) while prolonged exposure leads to chronic effects (e.g. liver cirrhosis, cancer).

7 Since 2003, advocates general are required to give an opinion on a case only if the Court considers that this particular case raises a new point of law. The opinion is not legally binding and the Court does not necessarily follow the advocate-general’s opinion.
Figure 6: Trends in alcohol Consumption in Selected European Countries

![Trends in alcohol Consumption in Selected European Countries](image)

Source: European Health For All Database

**Canada**

The most directly comparable example of a minimum pricing scheme comes from Canada. However, none of the Canadian Provinces or Territories operate a system like the one being proposed for Scotland i.e. where the minimum price is determined by the volume of alcohol and applies in both off-trade and on-trade sales.

The alcohol market in Canada is heavily controlled by the state, with federal and local government having considerable ability to regulate alcohol prices. Each of Canada’s 13 provinces and territories has a liquor board or commission which oversees the control, distribution and sale of alcohol in its jurisdiction. Off-sales are also dominated by government controlled liquor stores. Most jurisdictions have maintained a total, or near-total, control of the sale of spirits whilst allowing limited privatisation of beer and wine sales. Licences issued to private businesses (bars, restaurants, nightclubs) are subject to a comprehensive body of laws and regulations that vary between jurisdictions.

Provincial and territorial governments can also directly influence alcohol prices through minimum “social reference pricing” (SRP). “Social reference” or “floor” prices exist in 8 of the 13 jurisdictions. Minimum prices apply to alcohol sold in government and private liquor stores (where these are permitted) and also to alcohol brought into Canada from other countries.

There is very little detailed information available on what happens in the provinces with minimum pricing and it would appear that it differs markedly across the country. For example, some provinces link the price to the volume of the drink, others link it to the alcohol content for certain types of drink.

**Canadian Example: Ontario**

- Sets a floor price for different categories of drink
- Price reviewed annually
- Linked to the Consumer Price Index to ensure it keeps pace with inflation and income
- Beer is the only drink where the price is explicitly linked to alcohol content
In April 2007, the Canadian National Alcohol Strategy Working Group recommended that all jurisdictions should move towards pricing based on the volume of alcohol. This has not yet been adopted by the Federal government or any of the provinces/territories.

The CEBR report (2009) contained an analysis of key data in minimum pricing and non-minimum pricing provinces in Canada. This found that alcohol consumption in provinces with SRP has fallen relative to those provinces without SRP, although in relation to alcohol related harms, SRP provinces have higher levels of alcoholic liver disease deaths and selected crimes. It should be noted though that this analysis is observational and as such it is difficult to draw any conclusions about the effectiveness of SRP.

SPICe contacted each of the Canadian provinces to ask about peer reviewed research that had studied the effect of SRP on things like consumption, health, crime and the drinks industry. Those that responded referred to the research examining price and consumption and a literature search did not uncover any published analysis of the effect the SRP model has had in Canada.

SECTIONS 3 & 4: DRINKS PROMOTIONS

BILL PROVISIONS

Sections 3-4 of the Bill seek to amend the 2005 Act so that the prohibition on supplying alcohol free or at a reduced price on the purchase of other drinks applies to off-sales (in addition to on-sales which is already provided for in the 2005 Act). It also seeks to further control promotional activities in off-sales premises by restricting the location of promotional materials to the alcohol display area(s) required by the 2005 Act.

BACKGROUND

The Licensing (Scotland) Act 2005 implemented a number of restrictions on promotions, including:

- **Pricing of alcohol** – any change to the price that alcohol is to be sold at must be brought in at the beginning of a period of licensed hours and cannot be changed again for 72 hours. This has the effect of preventing “happy hour” type promotions

- **Irresponsible drinks promotions** – certain sorts of promotions are prohibited, such as:
  - supplying alcohol free or at a reduced price on the purchase of other drinks (for example “three for the price of two” type promotions)
  - providing an extra measure of alcohol free or at a reduced price on the purchase of other measures
  - supplying unlimited amounts of alcohol for a flat fee (for example “all you can drink” type promotions)
  - encouraging a person to buy or consume a larger measure of alcohol than they had originally intended (for example “a double for the price of a single” type promotions)

A number of the requirements in relation to irresponsible drinks promotions only apply to the sale of alcohol for consumption on the premises (such as supplying alcohol free or at a reduced price on the purchase of other drinks). However, some apply to both on- and off-sales, including the prohibition on promotions which encourage a person to buy or consumer a larger measure of alcohol than they originally intended.
Table 9: Breakdown of Opinion on Promotions

<table>
<thead>
<tr>
<th>Respondent Group</th>
<th>For</th>
<th>Against</th>
<th>Unclear/no comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Alcohol Organisation</td>
<td>13</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Business Representative Group</td>
<td>2</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Children and Young People’s Organisation</td>
<td>5</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Community Council</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Consumer Organisation</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Faith/Religious Groups</td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>23</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Individual</td>
<td>1</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Industry – Manufacturer</td>
<td>2</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Industry - Off Trade</td>
<td>1</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Industry - On Trade</td>
<td>3</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Licensing Body</td>
<td>8</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Local Authority</td>
<td>8</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td>2</td>
<td>9</td>
</tr>
<tr>
<td>Police</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>73</strong></td>
<td><strong>15</strong></td>
<td><strong>80</strong></td>
</tr>
<tr>
<td><strong>Percentage</strong></td>
<td><strong>43%</strong></td>
<td><strong>9%</strong></td>
<td><strong>48%</strong></td>
</tr>
</tbody>
</table>

These provisions were broadly supported by those who commented on this aspect of the Bill. Many were pleased that the ban on discount promotions was being extended to off-sales, seeing this as a correction of a weakness in the 2005 Act.

**KEY ISSUES**

Most of those in support were of the opinion that these promotions encouraged people to consume more alcohol than they intended and that, combined with minimum pricing, would have a greater effect on reducing consumption.

The main points used in opposition to these provisions were:

- There is no evidence that promotions in off-sales encourage people to drink more. Some believed that promotions offer good value to responsible drinkers who take the product home for later consumption. Therefore banning promotions will not reduce consumption.

- Most promotions are about brand preference. It could lead to market stagnation as small and start-up producers will have little opportunity to get their product known. Also, it will force producers to compete on things like price, and it could therefore inadvertently lead to driving prices down and making alcohol cheaper.
The Sheffield modelling found that bans on off-trade ‘buy one get one free’ offers only have a small impact on consumption as they affect a small proportion of total sales. However, tighter restrictions on off-trade discounting have increasing effects. For example, bans of discounts greater than 30% (e.g. “3 for the price of 2” offers) and greater than 20% (e.g. “5 for the price of 4” offers) lead to overall consumption reductions similar to the 25p and 35p minimum pricing scenarios. Bans on discounts for lower-priced alcohol (<30p per unit) were not found to be effective in reducing consumption (Meier et al, 2008).

The Sheffield study found that an off-trade discount ban would have the following effect on consumption, over and above minimum pricing:

<table>
<thead>
<tr>
<th>Minimum Price</th>
<th>Change in Consumption (beyond effect of minimum price)</th>
</tr>
</thead>
<tbody>
<tr>
<td>25p</td>
<td>-3%</td>
</tr>
<tr>
<td>30p</td>
<td>-3%</td>
</tr>
<tr>
<td>35p</td>
<td>-2.9%</td>
</tr>
<tr>
<td>40p</td>
<td>-2.6%</td>
</tr>
<tr>
<td>45p</td>
<td>-2.3%</td>
</tr>
<tr>
<td>50p</td>
<td>-2.0%</td>
</tr>
<tr>
<td>55p</td>
<td>-1.6%</td>
</tr>
<tr>
<td>60p</td>
<td>-1.4%</td>
</tr>
<tr>
<td>65p</td>
<td>-1.2%</td>
</tr>
<tr>
<td>70p</td>
<td>-1.1%</td>
</tr>
</tbody>
</table>

Source: Meier et al, 2009

Many respondents raised potential loopholes with these provisions as currently drafted, for example, the use of vouchers and loyalty cards to reward customers. Clarity on what constitutes an ‘irresponsible promotion’ was also called for by some licensing boards and local authorities (e.g. Clackmannanshire Licensing Board, 2010).

SECTION 5: AGE VERIFICATION POLICY

BILL PROVISIONS

Section 5 seeks to make it mandatory for all licensed premises to operate an age verification policy.

BACKGROUND

Age verification policies include schemes such as ‘Challenge 21’ whereby all those who look to be under 21 are asked to provide proof of age when buying alcohol. The purpose of this is to ensure that fewer under 18s are sold alcohol. Challenge 21 was introduced by the British Beer and Pub Association in 2005 and a number of variations have developed, including Challenge 25 and Challenge 30. Many of the UK’s retailers have voluntarily chosen to adopt one of these schemes.
COMMITTEE CALL FOR EVIDENCE

Only 24 of the responses mentioned the age verification scheme proposed in the Bill. Of these responses, 22 expressed support for the proposal and 2 were opposed.

KEY ISSUES

The reasons for opposing the scheme were that it does not make sense in a place where the age of purchase has not been raised to 21 and it would be unfair to penalise a premise that did not have a policy but where there was no evidence of sales to those who are underage.

Even though the general opinion was favourable, a number of issues were raised in relation to this proposal, specifically around the need for a nationally recognised proof of age card and that the Bill should specify that the policy should be written in order to aid inspection by Licensing Standards Officers.

SECTIONS 6 & 7: MODIFICATION OF MANDATORY CONDITIONS

BILL PROVISIONS

Sections 6 and 7 of the Bill propose to amend the 2005 Act to allow Ministers to add, delete or amend the mandatory conditions which apply to premises licences and occasional licences.

In addition, the provisions in the Bill which relate to minimum pricing and age verification will be taken forward as additional mandatory licence conditions.

BACKGROUND

One of the innovations of the 2005 Act was to create a system whereby nation-wide mandatory conditions can be attached to licences. This enables Scottish Ministers to control, for example, drinks promotions deemed to be irresponsible, at a national level. Section 27 of the 2005 Act sets out how the system of mandatory conditions operates and the mandatory conditions which apply to all premises licences are set out in Schedule 3 to the 2005 Act (Schedule 4 lists those which apply to occasional licences). Scottish Ministers are at present empowered to add or extend this list of mandatory conditions.

Among other things, the mandatory requirements cover; the role and qualifications of the premises manager, the requirement for a personal licence holder to supervise all sales of alcohol, training requirements for staff, pricing of alcohol and irresponsible drinks promotions.

COMMITTEE CALL FOR EVIDENCE

Just 3 responses to the call for evidence mentioned this provision in the Bill. All welcomed its inclusion.

SECTION 8: SALE OF ALCOHOL TO UNDER 21S

BILL PROVISIONS

Section 8 of the Bill would require licensing boards to include a “detrimental impact statement” in their licensing policy statements. This will consider the extent to which off-sales purchasing by people under the age of 21 is having a detrimental impact in any locality or the whole of the licensing board’s area. The issuing of such a statement could form the justification for a
licensing board to implement an age restriction of 21 on the sale of off-trade alcohol. The power to do this is not contained within section 8 of the Bill; instead it would be done by applying a condition to licensed premises. The explanatory notes to the Bill explain that this could be done on either a geographical area, by type of premise or for a specific time period.

BACKGROUND

Almost all countries apply age restrictions on the purchase and consumption of alcohol. Although there is variation in what the age is set at, it most often falls between 16 and 21.

The Scottish Schools and Adolescent Lifestyle and Substance Use Survey (SALSUS) (2008) asked respondents who had ever had an alcoholic drink whether they had ever purchased alcohol. 62% of 15 year olds who had had a drink had purchased alcohol, compared with 43% of 13 year olds. The following table shows the sources from which this alcohol was purchased.

Table 11: Sources of purchased alcohol, by age group and gender

<table>
<thead>
<tr>
<th></th>
<th>13 Years (%)</th>
<th>15 Years (%)</th>
<th>Gender (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Boys</td>
<td>Girls</td>
<td>All</td>
</tr>
<tr>
<td><strong>Never Buy Alcohol</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pub</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Club or Disco</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Off licence</td>
<td>7</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Shop</td>
<td>10</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td>Supermarket</td>
<td>3</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Friend or relative</td>
<td>19</td>
<td>27</td>
<td>23</td>
</tr>
<tr>
<td>Someone else</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Base</strong></td>
<td>1240</td>
<td>1286</td>
<td>2532</td>
</tr>
</tbody>
</table>

Source: SALSUS 2008

The consultation by the Scottish Government found a lack of support for a national increase in the age of purchase. Taking this into account, the Government decided not to apply a blanket approach to raising the minimum age of purchase, and instead opted for an enabling power for local authorities in order to allow local flexibility.

This approach is based on pilot projects carried out in small towns in Scotland. For example, for a six week period in Armadale, West Lothian in 2008, there was a trial period of withdrawing the sale of alcohol from licensed off-sales premises to persons under the age of 21 on Fridays and Saturdays between the hours of 1700 and 2200. The evaluation found there was a reduction in calls about anti-social behaviour, youth drinking and vandalism (Lothian and Borders Police, 2008).

COMMITTEE CALL FOR EVIDENCE

Table 12: Breakdown of Opinion on Raising the Purchase Age

<table>
<thead>
<tr>
<th>Respondent Group</th>
<th>For</th>
<th>Against</th>
<th>Unclear/no comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alcohol Organisation</td>
<td>5</td>
<td>2</td>
<td>11</td>
</tr>
<tr>
<td>Business Representative Group</td>
<td></td>
<td></td>
<td>3</td>
</tr>
</tbody>
</table>
If we exclude the responses where no opinion was made or was unclear, then 67% of responses were against, and 33% were in favour of giving local authorities the power to raise the purchase age to 21.

KEY ISSUES

Effectiveness of Minimum Purchase Ages

Those in favour saw it as beneficial in tackling underage drinking and a useful tool to penalise irresponsible retailers. It was also thought it would reduce pre-loading and get young drinkers to drink in the controlled environment of pubs.

There is some evidence on the effect of the purchase age, with higher purchase ages associated with a decrease in motor vehicle accidents, alcohol related injury admissions to hospital, a reduction in alcohol consumption, drink driving and adverse traffic related outcomes (Shults et al, 2001; Wagenaar and Toomey, 2002; Babor et al, 2003)

However, many of the submissions argued that it is incongruous with other ages of responsibility and creates an unfair competitive advantage for the on-trade. There was also disagreement with the idea that pubs are a more controlled and responsible drinking environment.

The above research was also conducted in areas with a national purchase age and many submissions questioned the rationale of raising the purchase age locally. It was felt that this would not only be difficult to enforce but could cause tension and confusion and may displace anti-social behaviour to neighbouring areas.

Enforcement

Many of the submissions focused on the point of needing greater enforcement of the existing laws. A Parliamentary question in May 2009 found the following levels of prosecutions for selling to under 18s:

<table>
<thead>
<tr>
<th>Respondent Group</th>
<th>For</th>
<th>Against</th>
<th>Unclear/no comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children and Young People's Organisation</td>
<td>7</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Community Council</td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Consumer Organisation</td>
<td></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Faith/Religious Groups</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>10</td>
<td>6</td>
<td>20</td>
</tr>
<tr>
<td>Individual</td>
<td>1</td>
<td>2</td>
<td>16</td>
</tr>
<tr>
<td>Industry - Manufacturer</td>
<td>8</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Industry - Off Trade</td>
<td></td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Industry - On Trade</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Licensing Body</td>
<td>2</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Local Authority</td>
<td>4</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Police</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>54</td>
<td>89</td>
</tr>
<tr>
<td>Percentage</td>
<td>15%</td>
<td>32%</td>
<td>52%</td>
</tr>
</tbody>
</table>
Table 13: Persons Proceeded Against for Selling Alcohol to Underage Persons\(^1\), by Police Force Area, 2005-06 to 2007-08 (Source: S3W-22817)

<table>
<thead>
<tr>
<th>Police Force Area</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>7</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>6</td>
<td>-</td>
<td>2</td>
</tr>
<tr>
<td>Fife</td>
<td>-</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Grampian</td>
<td>3</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Lothian &amp; Borders</td>
<td>12</td>
<td>16</td>
<td>22</td>
</tr>
<tr>
<td>Northern</td>
<td>2</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Strathclyde</td>
<td>41</td>
<td>45</td>
<td>54</td>
</tr>
<tr>
<td>Tayside</td>
<td>1</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>Scotland</td>
<td>72</td>
<td>88</td>
<td>111</td>
</tr>
</tbody>
</table>

Note: 1. Where the main offence is under the Licensing (Scotland) Act 1976 Sections 67, 68(1) and 68(7).

Babor et al (2003) stresses the importance of enforcement and in a review of the research found that even moderate increases in enforcement can reduce underage sales by as much as 35% to 40%.

SECTION 9: VARIATION OF LICENSING CONDITIONS

BILL PROVISIONS

Section 9 of the Bill seeks to give Licensing Boards the power to vary the conditions of existing premise licenses in its area. The types of matters that can be varied will be specified in regulations which will be subject to affirmative resolution procedure. A licensing board would only be able to use this power in pursuit of the licensing objectives in the 2005 Act.

BACKGROUND

At present, a licensing board can only impose conditions on a premise licence when it grants the licence or when it is reviewing it; therefore any variations would be applied on a case by case basis. This provision would therefore enable a board to apply a condition to more than one premise at a time.

COMMITTEE CALL FOR EVIDENCE

Only 9 of the responses specifically addressed this part of the Bill. It is difficult to gauge opinion as most of these responses focused on the point that this power would not be accompanied by a right to a hearing or appeal. There is also no mechanism for informing a licensee of the change or the reason for the change.

SECTIONS 10 & 11: SOCIAL RESPONSIBILITY LEVY

BILL PROVISIONS

Section 10 of the Bill proposes an enabling power for Ministers to establish arrangements for a social responsibility levy to be applied to licensed premises. There is no detail in the Bill as to
who the levy would be applied to, when, or at what level. The specifics of the levy would be taken forward in regulations subject to the affirmative resolution procedure.

BACKGROUND

The principle behind the levy is that those who profit from alcohol should contribute to the cost of dealing with the consequences of alcohol misuse. The burden of dealing with alcohol misuse in Scotland is estimated at between £2.5bn and £4.6bn per annum (York Health Economics Consortium, 2010).

COMMITTEE CALL FOR EVIDENCE

Table 14: Breakdown of opinion on the Social Responsibility Levy

<table>
<thead>
<tr>
<th>Respondent Group</th>
<th>For</th>
<th>Against</th>
<th>Unclear/No Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Academic</td>
<td>2</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Alcohol Organisation</td>
<td>5</td>
<td>4</td>
<td>9</td>
</tr>
<tr>
<td>Business Representative Group</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Children and Young People's Organisation</td>
<td>4</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Community Council</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Consumer Organisation</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faith/Religious Groups</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Health</td>
<td>12</td>
<td>3</td>
<td>21</td>
</tr>
<tr>
<td>Individual</td>
<td>1</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Industry - Manufacturer</td>
<td>1</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Industry - Off Trade</td>
<td>6</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Industry - On Trade</td>
<td>5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Licensing Body</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Local Authority</td>
<td>4</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>2</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Police</td>
<td>2</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>40</td>
<td>38</td>
<td>92</td>
</tr>
</tbody>
</table>

| Percentage                                | 23.5% | 22% | 54% |

Less than half of the responses clearly expressed a position on this provision. Of those who did, opinion was fairly evenly split with 51% in favour of a social responsibility levy and 49% against. Support for the levy tended to come from health, alcohol, and children and young people’s organisations. Opposition was mainly from the industry, licensing boards and local authorities.
KEY ISSUES

The main themes expressed in favour of the levy included support for the principle that the ‘polluter pays’ and that revenue from the levy could be used to support services that bear the burden of alcohol misuse.

The main arguments expressed against the levy included:

- That it would just be another tax on business and could potentially have a harmful effect on licensed retailers who had only just borne the cost of implementing the Licensing (Scotland) Act 2005
- Penalties should be directed at those who cause the trouble and a levy would erode the responsibility of individuals who act in an anti-social way. Some highlighted the inconsistency of how the logic behind the levy is applied, suggesting it could equally be applied to producers of high fat foods or car manufacturers
- Powers already exist under the Licensing (Scotland) Act 2005 to punish irresponsible retailers.
- The on trade will pay the price for harm stemming from the off-trade, given the proportion of alcohol which is sold in the off-trade and consumed at home

Across opinion, many respondents highlighted the lack of detail on how the levy would be applied. Some thought it should be targeted at irresponsible retailers while others suggested it should be applied across the board and based on volume of alcohol sales.

Many also raised concerns about the practical application of the levy, for example, if it is to be targeted, the difficulties in acquiring evidence and attributing blame. Research has documented the difficulties in apportioning blame to individual sectors due to the movement of consumers when drinking (Forsyth et al, 2005; Forsyth, 2006).

FINANCIAL MEMORANDUM

The Bill has three sections which are considered to have a significant financial impact. A significant financial impact is defined as being greater than £400,000 per annum. The three topics are:

- Introduction of a minimum price for a unit of alcohol
- Introduction of a restriction for off-sales on supply of alcoholic drinks free of charge or at a reduced price
- Provision in respect of sale of alcohol to under 21s

The following sections outline the potential costs based on a minimum price level set at 40p, a ban on promotional discounts and the effects of raising the minimum age of off-licence sales to 21.

Cost to Government

In terms of VAT and duty, there is an estimated net effect reduction of £12m per annum in receipts to the Exchequer in relation to a minimum price of 40p and a discount ban. This is due to the estimated reduction in duty, which is applied to the volume of sales, which are expected to reduce overall. Limiting off-license sales to over 21s will have an estimated net effect reduction of £33m. Under the terms of the Statement of Funding between Scottish Ministers and the UK Government, any reduction in VAT and duty will be a cost to the Scottish Administration.
Research undertaken by the School of Health and Related Research (ScHARR) at the University of Sheffield to inform the potential impact of setting a minimum price was done at a cost of £64,000 to the Scottish Administration.

Healthcare service costs are expected to reduce by around £7m in the first year with around 1,600 fewer hospital admissions. Direct costs of crime are expected to reduce by around £3m in the first year as estimated crime volumes fall by around 3,200 offences per annum.

Cost to Local Authorities
Any cost to Local Authorities would be through the work of Licensing Standards Officers (LSOs) who work on behalf of local authorities to monitor and enforce the licensing arrangements attached to licensed premises. It is expected that the additional number of checks carried out in relation to the Alcohol Bill would be small in relation to the number already done; therefore any additional costs are expected to be minimal.

Cost to Consumers
The research carried out by Sheffield looked at 3 different consumer groups to analyse behavioural change on the introduction of a minimum pricing policy. ‘Moderate’ drinkers will spend £11 more per year, ‘Hazardous’ drinkers will spend £58 more per annum and ‘Harmful’ drinkers will spend £137 more per year under a 40p minimum price and discount ban.

Overall the estimated cost to consumers will be around £118m per annum, split £26m/£55m/£37m across ‘Moderate’, ‘Hazardous’ and ‘Harmful’ drinkers.

Cost to Industry
Introducing a minimum price scenario and discount ban will result in estimated increased revenue to the alcohol industry (excluding VAT and duty) in both the on-trade and off-trade sectors. The estimates are based on revenues to the alcohol industry sector as a whole.

Excluding VAT and duty, the estimated increase in revenue for the alcohol industry is £130m (Off-trade sector £91m, On-trade sector £39m). There will be costs to retailers in relation to re-pricing, re-setting bar codes etc. Costs will vary depending on whether retailers will adopt separate pricing structures for Scotland and the rest of the UK.

Limiting off-license sales to ages 21 and over will result in a loss of £18m (excluding VAT and duty) in revenue to businesses. The Scottish Grocers’ Federation predicted that sales would probably fall by between 15 and 25 per cent with sales of beer and wine probably worst affected.
Aberdeenshire Licensing Board (2010) Submission to the Health and Sport Committee’s Call for Evidence on the Alcohol etc. (Scotland) Bill.


ASDA. (2010) Submission to the Health and Sport Committee’s Call for Evidence on the Alcohol etc. (Scotland) Bill.


Black H et al. (2009) Alcohol units consumed and price paid per alcohol unit by patients of the Lothian Alcohol Problems Services, with a comparison to wider alcohol sales in Scotland. Edinburgh, Queen Margaret University. Available at: http://www.work-interactive-test.co.uk/UserFiles/File/Lothian%20drinkers%20research%20-%20summary.doc


Clackmannanshire Licensing Board (2010) Submission to the Health and Sport Committee’s Call for Evidence on the Alcohol etc. (Scotland) Bill.


Scotch Whisky Association. (2010) Submission to the Finance Committee’s Call for Evidence on the Alcohol etc. (Scotland) Bill.


Whyte & MacKay. (2010) *Submission to the Health and Sport Committee’s Call for Evidence on the Alcohol etc. (Scotland) Bill*.


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Step 1: Define the aims of your policy [Edit]

<table>
<thead>
<tr>
<th>Policy Title</th>
<th>Alcohol etc. (Scotland) Bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Outcome</td>
<td>Healthier</td>
</tr>
<tr>
<td>Directorate or Agency</td>
<td>DIRECTOR-GENERAL JUSTICE and COMMUNITIES</td>
</tr>
<tr>
<td>Group</td>
<td>Criminal Justice</td>
</tr>
<tr>
<td>Division</td>
<td>Criminal Law and Licensing Division</td>
</tr>
<tr>
<td>Branch</td>
<td>Licensing and Knives</td>
</tr>
</tbody>
</table>

**What is the purpose of the proposed policy (or changes to be made to the policy)?**

The Alcohol etc. (Scotland) Bill, referred to as "the Bill" hereafter, contains proposals from Changing Scotland's Relationship with Alcohol: A Framework for Action which require legislative changes. The Framework sets out a strategic approach to tackle alcohol misuse in Scotland and explains the need for action to be taken to help rebalance Scotland's relationship with alcohol. There is a need to reduce alcohol-related harms in Scotland and to deliver a long-term cultural change in attitudes towards alcohol misuse. Based on our knowledge and understanding of alcohol misuse, its drivers and evidence-based interventions, Ministers took the view that sustained action is required to achieve the following broad outcomes: reduced consumption; supporting families and communities; positive attitudes, positive choices; and improved support and treatment services. The proposals set out in the Bill support the first two of these: reduced consumption - minimum price of alcohol, restrictions on supply of alcoholic drinks free of charge or at a reduced price in off-sales premises (quantity discount ban), restriction on the location of drinks promotions for off-sales; supporting families and communities - assessment of any detrimental effect of off-sales of alcohol to under 21s, requirement for an age verification policy, introduction of a social responsibility levy.

The Bill sets out an enabling power for the social responsibility levy. The detail of the levy is currently being developed in conjunction with stakeholders. If appropriate, a specific EQIA will accompany any regulations that set out the detail of the levy.

**Who is affected by the policy or who is intended to benefit from the proposed policy and how?**

Those directly affected by minimum pricing will be those consumers who currently purchase alcohol which is priced at below the level of any minimum price set. A minimum price is not contained within the Bill, but the level it is likely to be set at would primarily affect products sold cheaply relative to their alcohol content which are mostly drunk by harmful and hazardous drinkers.

Similarly, those directly affected by a ban on quantity discounts will be consumers who currently purchase alcohol on this type of promotion.

The restriction on promotional material is likely to reduce the likelihood of consumers purchasing alcohol on impulse as they will have to visit the alcohol display area in order to purchase alcohol or find out information about alcohol.

An age verification policy will only affect those consumers who are likely to fall within any age category set by retailers of alcohol. This proposal does not alter the legal position in selling alcohol, and as such is not considered further in this document.

The effect of any decisions by local Licensing Boards to raise the off-sales purchase age to 21 will be on those consumers aged 18-20 who currently legally purchase...
off-sales alcohol for consumption but who would no longer be able to do so. In addition, those under the legal minimum age of 18 who currently circumvent the law and purchase off-sales alcohol (whether or not by proxy) may also find it more difficult to do so.

How have you, or will you, put the policy into practice, and who is or will be delivering it?
The proposals in the Bill will form part of conditions of a premises licence or an occasional licence issued under the Licensing (Scotland) Act 2005 and will be monitored by Licensing Standards Officers (required by the 2005 Act) who are able to report infringements to the local Licensing Board. The Licensing Board are then able to apply a number of sanctions to the licence holder which are available through the 2005 Act which range from a warning to the revocation of the licence.

How does the policy fit into our wider or related policy initiatives?
We are clear that alcohol misuse has a negative impact on our ability to deliver the Scottish Government's Purpose through its impact on four out of five of our Strategic Objectives - namely Healthier, Wealthier and Fairer, Safer and Stronger, and Smarter. By tackling alcohol misuse and by supporting and encouraging people to make more positive choices about alcohol we can help them maximise their potential both individually and collectively, and in this way we can help to achieve the Scottish Government's purpose of sustainable economic growth shared by all.

Have the resources for your policy been allocated?
Yes

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Step 2: What do you already know about the diverse needs and/or experiences of your target audience? [Edit]

<table>
<thead>
<tr>
<th>Age</th>
<th>Evidence</th>
</tr>
</thead>
</table>
| Evidence | According to the Scottish Health Survey 2008 (SHeS 2008), around 90% of Scotland’s four million adults currently drink alcohol. There is a relationship between age and likelihood of drinking with those aged 75 and over much less likely to drink than their younger counterparts (21% of men and 27% of women in this age group report not drinking).

There is also a relationship between age and the amount of alcohol drunk. Men aged 16-24 consume the most alcohol, on average around 23.5 units per week. Similarly young women (aged 16 to 24) drink more than their older counterparts (16.2 units per week compared to a mean of 8.6 for all female age groups). [SHeS 2008].

The number of people exceeding twice the recommended daily unit guidelines (men drinking over 8 units in a single session, women more than 6 units) is also highest amongst 16 to 24 year olds (37% of men, 41% of women). There is a clear relationship between age and likelihood of 'binge' drinking for both men and women. [SHeS 2008].

Alcohol sales data suggests that population surveys significantly underestimate consumption levels. Sales data from the Nielsen Company estimates that average consumption for those aged over 16 in Scotland is almost 23 units per week. Taking this in combination with SHeS data, Health Scotland estimate that up to 50% of men and 30% of women may be exceeding weekly sensible drinking guidelines.

According to the Scottish Schools Adolescent Lifestyle and Substance Use Survey (SALSUS) 2008, 82% of 15 year olds and 52% of 13 year olds report having had an alcoholic drink. Almost a third (31%) of 15 year olds and 11% of 13 year olds report consuming alcohol in the past week. Of those who have consumed alcohol in the last week, mean weekly consumption is 18 units for 15 year olds and 16 units for 13 year olds. There has been a decline in the number of 13 and 15 year olds drinking alcohol on a weekly basis since 2002 (SALSUS 2008).

Alcohol-related general hospital discharges are most common in older age groups (although they decline again in the oldest of all age groups). In 2007/08, the age groups with highest discharge rates were those aged 50-54 (1,420 per 100,000 of population), 45-49 (1,332 per 100,000) and 55-59 (1,272 per 100,000). [Alcohol Statistics Scotland 2009]. Differences were seen in alcohol-related diagnoses across age groups. A larger proportion of young people receive a diagnosis of 'acute intoxication' than older people, whilst people over 35 are more commonly diagnosed with 'alcoholic liver disease'. [Alcohol Statistics Scotland 2007]
A recent ISD report on alcohol attributable mortality and morbidity suggests that alcohol attributable deaths are proportionally higher in younger age groups with 1 in 4 of male deaths and 1 in 5 of female deaths in the 35-44 age group being attributable to alcohol (Alcohol attributable mortality and morbidity: alcohol population attributable fractions for Scotland).

There are over 200,000 consumers in the age group 18-20 in Scotland who could potentially be affected by any Licensing Board decision to ban off-sales of alcohol to under 21s. This makes up about 5% of the population currently legally allowed to purchase alcohol.

In 2007/08 there were over 2,338 acute inpatient discharges from hospital in young people under 20 with an alcohol-related diagnosis. Over 600 of these had a diagnosis of ‘toxic effect of alcohol’. Alcohol-related deaths are relatively rare in young people but do occur. In 2007 there was one recorded alcohol-related death in the 15-19 year age group and six among 20-24 year olds (where an alcohol-related condition is either the underlying or contributory cause of death). [Alcohol Statistics Scotland 2009]

Research evidence also suggests that young people who drink are more likely to be both the perpetrators and victims of violence.

Consultation

A public consultation on the proposals contained in the Scottish Government’s discussion paper on its long-term strategic approach to tackling alcohol misuse ran from June to September 2008. In addition, the Scottish Government organised a Summit on Underage Drinking and commissioned Young Scot to undertake a survey of young people and focus groups to ascertain their views on the proposals included in the discussion paper. Scottish Government officials met with representatives from CARDAS (Coalition Against Raising the Drinking Age in Scotland) during the consultation period.

Whilst consultation responses could not be broken down by specific age groups, there was strong support for many of the proposals included in the discussion paper (including minimum pricing and a ban on discounting). Age Concern’s view on minimum pricing is that it would be unfair to older people on fixed incomes.

Consultation responses evidenced limited support for the proposal to raise the national minimum age for off-sales purchases to 21 and a new way forward (requiring local Licensing Boards to carry out an assessment of any detrimental effect of off-sales of alcohol to under 21s and subsequently raise the off-sales age to 21 in local areas where necessary) is included in the Bill.

Disability

Yes

Evidence

The Scottish Household Survey 2007 shows that about one-third (34%) of households in Scotland contain at least one person with a long-standing illness, health problem or disability. This figure covers all members of the household, including children. As would be expected, households comprised of older people are more likely to contain someone with a long-standing health problem or disability, with over half of ‘older smaller’ (54%) and ‘single pensioner’ households (52%) doing so. In contrast, only 16% of small family households and 22% of single parent households contain someone with a long-standing illness, health problem or disability. The UK Psychiatric Morbidity Study on adults living in private households showed that 12% of males and 6% of females had some form of substance dependence combined with a current psychiatric illness.

Consultation

A public consultation on the proposals included in the Scottish Government’s discussion paper on its long-term strategic approach to tackling alcohol misuse ran from June to September 2008. Responses were received from a large number of individuals and organisations, including a number with a remit covering mental health and learning disabilities (such as SAMH and Turning Point Scotland). All responses to the consultation were independently analysed and informed the drafting of the Framework for Action. Consultation responses from organisations working in the health and voluntary sectors showed strong support for the vast majority of the proposals included in the discussion paper, with some of these being carried forward to the Bill. Minimum pricing, a ban on irresponsible promotions and restrictions on promotional material were strongly supported by health organisations. No specific points relating to the impact of raising the age of off-sales on disability issues were raised.
The Scottish Health Survey 2008 showed that almost two thirds (63%) of men and women who drank alcohol in the past seven days exceeded daily recommended limits. Over a quarter (27%) of men and almost a fifth of women (18%) drank more than twice the daily limit on at least one occasion in the previous week (the typical measure of ‘binge’ drinking). Heavy daily consumption is much more common in younger age groups, with young women in particular having much higher rates than their older counterparts. The lowest daily and weekly consumption amongst both men and women occurs in the oldest age group (75+).

SALSUS 2008 found that among 13 and 15 year olds, there was little gender difference in the proportion of girls and boys who have had an alcoholic drink. Of those who drank in the last week, a third of 15 year old boys exceeded the recommended weekly limit for men and 43% of 15 year old girls exceeded the weekly limit for women. Of those who have ever drunk alcohol, around 30% of 15 year old girls and boys report being ‘really drunk’ on at least 4 occasions (around 1 in 6 have been really drunk at least 10 times).

In 2007/08, more than twice as many men (30,202) as women (12,228) were discharged from a general hospital with an alcohol-related diagnosis. The majority of discharges for both sexes fell under the ‘mental and behavioural disorders due to the use of alcohol’ category. However, more women than men were discharged with a ‘toxic effect of alcohol’ diagnosis. In 2006, there were an estimated 111,200 GP and Practice Nurse contacts for alcohol-related diagnoses, with the majority (75,950) being with men. Of the 1,411 alcohol-related deaths (underlying cause) in Scotland in 2008, 971 were among men and 440 among women. [GROS].

Alcohol-related death rates have doubled since the early 1990s. A public consultation on the proposals set out in the Scottish's Government's alcohol misuse discussion paper ran from June to September 2008. A total of 259 individuals responded to the discussion paper. Although respondents were not asked to provide information about their gender, it was possible to use respondents’ names to ascertain that 166 respondents (64%) were male and 79 (30%) were female. Fourteen respondents (5%) did not provide their first name or have non-gender specific names.

The majority of the specific proposals included in the discussion paper were generally welcomed (particularly by organisations), although there was less support for raising the minimum age for off-sales purchases to 21 (which is now included in the Bill as Licensing Boards being required to assess any detrimental effect of off-sales to under 21s and subsequently raise the off-sales age to 21 in local areas where necessary). In general, women were most supportive of the proposals set out in the discussion paper (including on minimum price, ending discounting and raising the minimum age for off-sales purchases to 21). A large number of responses were also received from organisations, including Scottish Women’s Aid and YWCA Scotland.

Between 5% and 7% of the population are estimated to be homosexual [Stonewall], however as Censuses do not ask people to define their sexuality it is difficult to produce accurate estimates. This population is at risk from a disproportionate and significant amount of daily stress due to discrimination and homophobia [Noret and Rivers, 2003]. Lesbian and Bisexual women are less likely to abstain from the use of alcohol than heterosexual women [Hughes and Eliason, 2002]. Bars, clubs and pubs have been identified as having a significant role in social lives of LGBTs [Ryan, et al, 2001]. While heterosexuals may curb their drinking when they become parents, if LGBTs don't have children this is less likely to happen [Noret and Rivers, 2003].

A Survey of almost 10,000 adolescents measured alcohol use and misuse, depressive symptoms, self-esteem and sexual orientation. Lesbian/bisexual girls and girls who described themselves as ‘mostly heterosexual’ were more likely than exclusively heterosexual girls to abuse alcohol. Sexual minority youth also reported greater depressive symptoms, lower self-esteem and less frequent church attendance. Compared to heterosexual girls, mostly heterosexual and lesbian/bisexual girls were about twice as likely to use and abuse alcohol – especially in terms of recent binge drinking, age of first drink, and being a passenger with a drunk driver. [Quarterly Review of Alcohol Research, 2007 Volume 15, Number 2].

A public consultation on the proposal set out in the Scottish Government's alcohol...
misuse discussion paper ran from June to September 2008. A total of 259 individuals and 207 organisations responded to the consultation. The consultation did not ask individuals to detail their sexuality. No specific comments were raised in relation to the potential impact of proposals on this equalities group.

<table>
<thead>
<tr>
<th>Race</th>
<th>Yes</th>
</tr>
</thead>
</table>

**Evidence**

According to the 2001 Census, the minority ethnic population in Scotland stood at just over 100,000 or 2% of the total Scottish population. Over 70% of the total ethnic minority population were Asian (Indian, Pakistani, Bangladeshi, Chinese or other South Asian). Pakistanis were the largest minority ethnic group in Scotland, followed by Chinese, Indians and those of mixed ethnic backgrounds. The total population of Scotland increased by 1.3% between 1991 and 2001 while over this same period, the minority ethnic population increased by around 60%.

The 2001 census also showed some demographic and social differences between minority ethnic groups: BME groups had a younger age profile than white groups; Pakistani and Indian people had the highest rate of home ownership while African and black Scottish people had the lowest rate; and white people reported poorer health than people from other ethnic groups, although this varied by age.

The Scottish Health Survey currently provides information on alcohol consumption although detailed data on ethnicity is not reported. NHS Greater Glasgow & Clyde carried out two relatively recent surveys: A report published by Greater Glasgow NHS board in 2006 entitled “Black and Minority Ethnic Health in Glasgow” (NHS Greater Glasgow, 2006) compared results from General Population Survey and the two local surveys. It was found that self-reported consumption of alcohol was much lower in participants from black and minority ethnic groups in comparison to the general population in Greater Glasgow. Only a small number of BME respondents reported drinking in the last week, which meant that further analysis of number of units of alcohol consumed could not be carried out. A lower level of alcohol usage among ethnic groups has been found in other UK local and national surveys and has been reported in a recent ISD paper: Alcohol consumption in black and minority ethnic groups and recent immigrants in Scotland: current situation on available information.

**Consultation**

A public consultation on the proposals contained in the Scottish Government’s discussion paper on its proposed strategic approach ran from June to September 2008. No specific comments were raised in relation to the potential impact of the proposals on this equalities group.

<table>
<thead>
<tr>
<th>Religion &amp; Belief</th>
<th>Yes</th>
</tr>
</thead>
</table>

**Evidence**

Analysis of Religion in the 2001 Census Summary Report (Office of the Chief Statistician, February 2005) findings; 42.40% Church of Scotland, 15.88% Roman Catholic, 6.81% Other Christian, 0.13% Buddhist, 0.11% Hindu, 0.13% Jewish, 0.84% Muslim, 0.13% Sikh, 0.53% Another Religion, 27.55% No Religion, 5.49% Not Answered. In religious communities where alcohol is a religious/social taboo discovering the extent of alcohol misuse is difficult. Information has been difficult to come by.

There is limited national data on alcohol use among religious belief groups. A study carried out among young people from Chinese, Pakistani and Indian backgrounds in Greater Glasgow found that self reported importance of religion was negatively associated with alcohol consumption, whereas having friends outside their own ethnic community and having friends within their own ethnic community who drank alcohol were both positively associated with alcohol consumption (Alcohol consumption, perceptions of community responses and attitudes to service provision, Heim et al, 2004). However, in minority ethnic communities where alcohol is a religious/social taboo discovering the extent of alcohol misuse is difficult.

A lower level of alcohol usage among non-Christian religious groups has been found in other UK local and national surveys and has been reported in a recent ISD paper: Alcohol consumption in black and minority ethnic groups and recent immigrants in Scotland: current situation on available information.

**Consultation**

A public consultation on the Scottish Government’s strategic approach to tackling alcohol misuse ran from June to September 2008. No specific comments were raised in relation to the potential impact of the proposals on this equalities group.

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**Step 3: What else do you need to know to help you understand the diverse needs and/or experiences of**

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http://vq73eda/systems/EqualityUnit/Assessment/view.asp?ID=455

11/02/2010
Step 4: What does the information you have tell you about how this policy might impact positively or negatively on the different groups within the target audience? [Edit]

Age

The proposals in the Bill are likely to affect all age groups in similar ways, apart from the off-sales of alcohol to under 21s. The proposals are designed to rebalance Scotland's relationship with alcohol by reducing overall consumption, supporting families and communities, encouraging positive attitudes and positive choices and improving treatment and support. We know that alcohol-related general hospital discharges are most common in older age groups so a reduction in consumption and therefore harm would be beneficial to this group.

Older people on fixed incomes may be affected by the proposals in the Bill (minimum pricing, quantity discount ban, restriction of promotional material). The extent to which they are affected will depend on how much they drink and what they drink. The Scottish Health Survey 2008 shows that older people tend to drink within sensible guidelines: those within the 65 to 74 year old age group drink 13.8 units per week on average for men and 5.4 units per week on average for women; the age group over 75 show even lower consumption figures with 8.3 units per week on average for men and 2.7 units per week on average for women. Minimum pricing is a targeted approach and would primarily affect products sold cheaply relative to their alcohol content which are mostly drunk by harmful and hazardous drinkers. For those older people drinking moderately and drinking premium products, there is likely to be no direct effect from minimum pricing. The quantity discount ban may have a marginal effect.

Groups representing the welfare of children, including from low-income families, were generally supportive of the proposals, welcoming any measures that would reduce consumption. The greatest harm from alcohol misuse is experienced by those who live in the most deprived areas. The reasons why alcohol has a more harmful effect on people living in deprived communities are complex and not fully understood. Risky and harmful alcohol use is likely to be both a cause and effect of social deprivation. What is clear is that the level of alcohol-related damage in deprived communities is substantial: 5 times as many people living in the most deprived areas die an alcohol-related death as those living in the least deprived; those in the most deprived areas are around 6 times more likely to be discharged from hospital with an alcohol-related condition; those in the most deprived areas are 8 times more likely to be admitted to a psychiatric unit with an alcohol-related disorder than people living in the least deprived area.

Another group that is likely to be on a low fixed income is students. The National Union of Students is in favour of minimum pricing so long as it is not set so high that it will discriminate against those on low incomes. It is also in favour of tackling irresponsible promotions and restricting promotional material.

If a local Licensing Board took action to increase the minimum purchase age in off-sales to 21 in all or part of its area, this would potentially lead to additional financial costs for 18-20 year olds (other age groups will not be affected). The cost of a unit of alcohol in on-sales is approximately three times that of off-sales (£1.28
compared with 40p). It is reasonable to assume, therefore, that those affected may reduce their total consumption or that they may incur additional costs in terms of time and/or travel in order to make off-sales purchases in another area where restrictions do not apply, or they may spend more on alcohol from on-sales.

For young people in a specific area affected by a decision to raise the minimum purchase age it is anticipated that the reduced availability and affordability of alcohol would lead to a reduction in consumption. We know that young people are more likely than older people to exceed both the weekly and daily recommended alcohol limits. A reduction in consumption is likely to result in a reduced probability of: involvement in an alcohol related accident; alcohol related attendance at A&E; admission to hospital as a result of acute intoxication.

In an identified area where a local Licensing Board decided to restrict the sale of alcohol to those under 21 at all or at certain times, there could be: reductions in reports of drink-related disorder and in arrests for related offences in adolescents and young people under the age of 21; reduced underage drinking and associated disturbance; and a decrease in levels of underage drinking for 11–15 year olds.

| Disability | No specific positive or negative impacts on this group have been identified. |
| Gender | Men and women, albeit to a different extent, regularly exceed the sensible drinking guidelines placing them at increased risk of harm. Men's weekly alcohol intake tends to be higher than women so any additional financial cost as a result of implementing the policies set out in the Bill are likely to affect men disproportionately. However, given men are more likely to suffer the negative consequences of excessive drinking a reduction in consumption will be particularly beneficial to this group. Overall, however, policies such as minimum pricing and a ban on discounting, will have the greatest impact on those individuals who are drinking the most, irrespective of their gender or age. |
| Lesbian, Gay, Bisexual & Transgender | No specific positive or negative impacts on this group have been identified. |
| Race | No specific positive or negative impacts on this group have been identified. |
| Religion & Belief | No specific positive or negative impacts on different religions/beliefs have been identified. However, in religious or belief groups where alcohol is considered 'taboo' the impact of policies designed to support individuals affected by alcohol misuse is likely to be limited. This issue needs to be fully considered by those providing services. This group, like others, will of course benefit from a decline in population consumption in terms of a reduction in the societal harms caused by alcohol misuse (including the financial cost imposed on emergency services and businesses). |

**Step 5: Will you be making any changes to your policy? [Edit]**

| Age | No |
| Disability | No |
| Gender | No |
| Lesbian, Gay, Bisexual & Transgender | No |
| Race | No |
| Religion & Belief | No |
| Comments | |

**Step 6: Does your policy provide the opportunity to promote equality of opportunity or good relations? [Edit]**

| Age | No |
| Evidence | |
| Disability | No |
| Evidence | |
| Gender | No |
| Evidence | |
Step 7: Based on the work you have done – rate the level of relevance of your policy [Edit]

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Step 8: Do you need to carry out a further impact assessment? [Edit]

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<td>Religion &amp; Belief</td>
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</table>

Comments

The proposals in the Bill are aimed at reducing alcohol consumption in Scotland and reducing the impact that alcohol misuse has on public health, public services and the communities they serve, productivity and the economy as a whole. The only proposal that will directly affect a specific group is the proposal to place a duty on Licensing Boards to consider an assessment of any detrimental effect of off-sales of alcohol to under 21s in their areas and subsequently raise the off-sales age to 21 where necessary.

Age restrictions currently apply to the purchase of a number of products including alcohol, tobacco and DVDs. The underlying rationale for such restrictions is the need to balance the need to protect young people and the wider community with the right of young people to purchase a legal product.

Alcohol is a dangerous drug when consumed irresponsibly. The impacts of misusing alcohol can be significant for both an individual’s health, well-being and life chances as well as for society more widely in terms of the costs of dealing with any health or criminal justice consequences. For this reason there are existing restrictions on the sale of alcohol to those aged under 18.

It is considered that local Licensing Boards should have the opportunity to thoroughly consider whether there is benefit in increasing the age for off-sales purchases to 21 in all or part of their Board area, taking into account the interests both of young people themselves and the wider community.

Step 9: Please explain how you will monitor and evaluate this policy to measure progress [Edit]

Comments

The Scottish Government established a Monitoring and Evaluation Reference Group for Alcohol (MERGA) in June 2008 to oversee the development of a portfolio of monitoring and evaluation studies to measure the extent to which the actions set out in the Framework for Action are effective in delivering the intended outcomes. A portfolio of studies was agreed by the Cabinet Secretary for Health and...
Wellbeing in July 2009.

The aim of the monitoring and evaluation work is to provide more than just a final verdict on the effectiveness of our actions. By including an assessment of implementation and short-term outcomes it enhances our ability to consider necessary amendments or adjustments to our strategy, identify any unintended outcomes or displacement effects (including on health inequalities) and assess whether changes in outcomes can be attributable to specific interventions.

NHS Health Scotland will be responsible for the management of the individual studies and the overall project management of the portfolio. The Alcohol Evidence Group, which is chaired by the Scottish Government and includes a range of key stakeholders, will provide strategic oversight and advise on data availability, project commissioning and reporting. Health Scotland will be responsible for communication with stakeholders about the design of, or participation in, the portfolio or component studies. The Scottish Government will be responsible for communication of the findings to Ministers, the alcohol industry and the general public.

### Step 10: Sign off and publish impact assessment [Edit]

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<thead>
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<th>Policy Title</th>
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</tr>
<tr>
<td>Name</td>
<td>Ferguson A (Alison)</td>
</tr>
<tr>
<td>Position</td>
<td>Policy Manager</td>
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### Authorisation

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Subordinate Legislation Committee

12th Report, 2010 (Session 3)

Alcohol etc. (Scotland) Bill at Stage 1
Subordinate Legislation Committee

12th Report, 2010 (Session 3)

Alcohol etc. (Scotland) Bill at Stage 1

Published by the Scottish Parliament on 11 February 2010
Subordinate Legislation Committee

Remit and membership

Remit:

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

(a) any-

   (i) subordinate legislation laid before the Parliament;

   (ii) Scottish Statutory Instrument not laid before the Parliament but classified as general according to its subject matter;

   (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; and

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

(Standing Orders of the Scottish Parliament, Rule 6.11)

Membership:

Jackson Carlaw
Margaret Curran
Bob Doris
Helen Eadie
Rhoda Grant
Ian McKee (Deputy Convener)
Jamie Stone (Convener)

Committee Clerking Team:

Clerk to the Committee
Douglas Wands

Assistant Clerk
Jake Thomas

Support Manager
Stephen Fricker
The Committee reports to the Parliament as follows—

INTRODUCTION

1. At its meetings on 12 January, 26 January and 9 February 2010 the Subordinate Legislation Committee considered the delegated powers provisions in the Alcohol etc. (Scotland) Bill (“the Bill”) at Stage 1. The Committee submits this report to the Health and Sport Committee as the 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”).

3. Scottish Government officials also provided oral evidence to the Committee at its meeting on 26 January 2010.

OVERVIEW OF THE BILL

4. The Alcohol etc. (Scotland) Bill was introduced in the Scottish Parliament on 25 November 2009. It is a Government Bill which reintroduces the alcohol licensing provisions contained in the Criminal Justice and Licensing (Scotland) Bill (“CJL Bill”) at introduction. The Bill also contains additional measures concerning minimum pricing of alcohol products and restrictions on drinks promotions, which the Government previously intended to introduce through the exercise of existing delegated powers in the Licensing (Scotland) Act 2005.

5. In the Policy Memorandum, the Scottish Government states that the Bill will help reduce alcohol consumption in Scotland and reduce the impact that alcohol misuse and overconsumption has on public health, public services, productivity, and the economy as a whole. The measures in the Bill concern—

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1 Alcohol etc. (Scotland) Bill. Delegated Powers Memorandum. Available at: http://www.scottish.parliament.uk/s3/bills/34-AlcoholEtc/b34s3-introd-dpm.pdf
2 Alcohol etc. (Scotland) Bill. Policy Memorandum, paragraph 2. Available at: http://www.scottish.parliament.uk/s3/bills/34-AlcoholEtc/b34s3-introd-pm.pdf
• minimum pricing to protect and improve public health by reducing alcohol consumption
• further restrictions on off-sales promotions and promotional activity
• a requirement for an age verification policy
• provisions concerning the modification of licence conditions
• provisions in respect of assessing the impact of off-sales to people under 21
• provisions in respect of a social responsibility levy.

6. The Bill makes various changes to the Licensing (Scotland) Act 2005 (“the 2005 Act”).

DELEGATED POWERS PROVISIONS

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

Criminal Justice and Licensing (Scotland) Bill

8. The Committee had previously considered the powers in sections 9 and 10 of the Alcohol etc. (Scotland) Bill in its consideration of the CJL Bill. These powers have not altered in substance from those set out in sections 129(4) and 140 of that Bill. The Government did not address the Committee’s questions on sections 129(4) and 140 in its response to the Committee’s Stage 1 report on the CJL Bill. It simply indicated that it would seek to remove these powers from the CJL Bill at Stage 2 and reintroduce them in the present Bill.

Section 1 – Minimum price of alcohol

Section 1(2) and (3) – power to specify the minimum price of alcohol (inserted paragraph 6A(4) and paragraph 5A(4))

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 premise 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).

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

- the Minimum Price per Unit (MPU)
- 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 Committee noted that the explanation contained in the DPM for taking the power is very brief. It states that “further consideration of modelling work and other research” is required before the minimum price is set. It is also suggested that a mechanism will be required to allow the MPU to be varied in the future to keep pace with inflation or following evaluation of the effects of the policy.³

13. The Committee acknowledges that there may be a need to change the MPU in future for the reasons given. However, the reason for not setting out the initial MPU in the Bill as introduced was not clear from the information contained in the DPM. Given the complexity of the issue and its importance in the context of the operation of the Bill, the Committee sought further information from the Scottish Government on this point during its oral evidence session with officials.

14. When asked why the Bill had been introduced before consideration of the evidence was complete, and thus before a minimum price per unit could be included, Gary Cox, Head of Licensing Team, replied—

“We took the view that it would be sensible to invite Parliament to consider the principle of minimum pricing and the formula for setting that price as set out in the bill. Once the principle is accepted and the mechanics of minimum pricing are agreed, we will invite Parliament to consider the merits of a particular price and the research and modelling that form the basis of that price.”⁴

15. With regard to the question of the specific evidence and modelling which the Scottish Government was considering, officials explained that the University of Sheffield (which had prepared modelling on a range of different minimum prices per unit of alcohol) had been asked to rerun its model, to factor in up-to-date information, in particular the revised Scottish health survey and some new crime data. The Scottish Government hoped to have those data available within the next few months.⁵

Super-affirmative procedure
16. The Committee raised a concern that the use of affirmative procedure to set the initial MPU and any subsequent variation of the price would not give the Parliament sufficient time to scrutinise the Government’s proposals. The Committee raised with officials the option of super-affirmative procedure, which would provide an extended period for consultation and scrutiny prior to the laying of a final affirmative instrument. Officials confirmed that they would raise this option with Ministers.

Legislative competence
17. Members also explored with officials whether minimum pricing is compatible with Community law when a price is not specified in the Bill as introduced. Rachel Rayner, Senior Principal Legal Officer, responded to this point—

³ Delegated Powers Memorandum, paragraph 8.
“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.”

18. Ms Rayner continued—

“Section 1 of the Bill enables minimum pricing, and we think that that complies with European law because it does not, in itself, bring minimum pricing into force. The issue hits when the minimum price order is made. At that point, we will have to ensure that the minimum price formula complies with European law.”

19. When asked who would judge whether the order that sets a minimum price is compliant with European law, Rachel Rayner explained—

“The Scottish Ministers will form a view. When the order is laid before Parliament, Parliament will, no doubt, receive advice from its lawyers. Ultimately, the matter will be decided by the European Court of Justice. If a minimum price is set, an order is laid, Parliament approves it, the order comes into force and someone challenges it, it will be for the court to decide whether the evidence base is sufficient to ensure that the order complies with European law.”

20. The Committee notes that the question of whether minimum pricing of alcohol is within the legislative competence of the Parliament can only be answered when the MPU is set. By delaying the introduction of minimum pricing until the power to specify the MPU is exercised, the Committee considers that the Scottish Government is postponing determination of the fundamental question of whether minimum pricing is within the legislative competence of the Parliament. The Committee is content that the power to set a minimum price is not incompatible with Community law as it stands, but it is not yet clear to the Committee whether it will indeed be possible, in due course, to exercise the power in a manner which would be compatible. In the Committee’s view, it would not be desirable to introduce powers which are then not able to be exercised due to lack of competence.

21. This is of importance to the Committee’s consideration of delegated powers for two reasons.

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22. Firstly, given that the important issue of legislative competence can only be answered when the minimum price is known, the Committee considered whether, as a matter of principle, this should be set out in the Bill and debated by the Parliament when determining whether to approve minimum pricing as a strategy, rather than a matter which is engaged subsequently through the exercise of delegated powers. The Committee notes that it is the forum provided by the Parliament at Stage 1 that best allows interested and affected parties to participate in the legislative process. This is therefore considered to be the appropriate forum for discussing measures of this kind where the practical implications of the measure are of central importance.

23. The Committee notes that it was political concern as to whether the use of existing delegated powers to introduce minimum pricing was appropriate which led the Scottish Government to introduce a separate Bill on alcohol measures. The Committee is not clear that the Parliament’s objective in requiring separate primary legislation to consider this issue has been fully achieved.

24. The Committee also notes that as a result of the Bill requiring the use of delegated powers to introduce minimum pricing, it is no longer possible for the Parliament to receive the benefit of the Presiding Officer’s opinion on whether the proposed initial minimum would be within the legislative competence of the Parliament before it debates the matter.

25. Secondly, the Committee considered whether varying the initial MPU through the exercise of delegated powers is appropriate. The importance of ensuring that questions of the legislative competence of any subsequent instruments are fully explored is relevant to determining the parliamentary process which should apply to the exercise of the power. As part of that process, the Committee believes that there would need to be an evaluation of evidence as to the potential health benefits anticipated by adoption of a particular minimum price, weighed against the potential impact on competitiveness of imports and trade within the Community to establish that this is a proportionate approach. There will also require to be an assessment of whether an alternative approach would produce similar benefits without interfering with trade. As Gary Cox said—

“… we will need to consider the wider impact of different prices, as well as looking at the evidence and modelling with our lawyers and economists before we come back to Parliament.”

26. The Committee believes that granting the Scottish Ministers a power to set the initial MPU by affirmative procedure could seriously constrain the ability of the Parliament to effectively scrutinise the data and modelling used by the Scottish Government to arrive at the proposed minimum price and to test whether that decision is within devolved competence. The Parliament would have only 40 days from the date of laying in which to consider whether to approve the instrument.

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27. Given the significance of the issues at stake, and in order to protect the Parliament from exposure to the risks inherent in acting in a manner incompatible with Community law, the Committee has concluded that the power in section 1 to set the initial minimum price of alcohol by affirmative order does not provide sufficient safeguards to permit adequate scrutiny of any proposed measure.

28. Should the Bill be enacted, the Committee accepts that once the initial MPU is set, it would be reasonable to allow the Scottish Ministers to vary that price using secondary rather than primary legislation in order to ensure that it continues to deliver its objectives and that the restriction on trade which it imposes continues to be compatible with Community law. However, the Committee considers that granting a power to change the MPU by order subject to the affirmative procedure would not provide adequate time for the Parliament to scrutinise fully the change proposed by the Scottish Ministers. In order to address this, the Committee considers that the power to do so should be subject to super-affirmative procedure. This would require a draft instrument to be laid before the Parliament, for consultation purposes, for sufficient period as would permit the Parliament to take evidence from relevant sources and to reach its own conclusions on whether the measure is appropriate and compatible with Community law. A final draft instrument could then be laid before the Parliament for approval. The Committee recommends that this should be a period of not less than 60 days when the Parliament is in session.

Conclusion

29. The Committee draws to the attention of the lead committee that it is apparent, from evidence given by Scottish Government officials, that a careful and complex assessment of any particular minimum price and alternative options will be required in order to determine whether any exercise of the power will be compatible with Community law and therefore within devolved competence. In the absence of a proposed minimum price and supporting evidence it is not clear to the Committee that it has been shown by the Government that the power introduced by section 1 can be exercised within competence, although the Committee accepts that it could be possible to do so.

30. In the Committee’s opinion, the use of affirmative procedure, which would allow only a 40 day period for the consideration of an instrument, would not afford the Parliament sufficient opportunity to conduct full and proper scrutiny of the minimum price of alcohol proposed by the Scottish Ministers. The Committee therefore recommends that the initial MPU should be set out in the Bill so that the supporting evidence can be subject to full parliamentary scrutiny. This could be facilitated if the Scottish Ministers were to announce the proposed initial MPU prior to the commencement of Stage 2 proceedings. Subsequent orders varying the MPU should be subject to super-affirmative procedure.
Section 6 – Premises licences: modification of mandatory conditions

Section 6(2) and (3) (in relation to regulations under section 27(2) of the Licensing (Scotland) Act 2005) – power to delete or amend licence conditions

31. Section 6 amends the power currently available under section 27 of the 2005 Act to vary the mandatory conditions which apply to all premise licences and which are set out in schedule 3 to that Act. Subsection (2) is amended to make clear that any conditions set out in the schedule may, from time to time, be deleted, amended or added to.

Comment

32. The Committee recalled that questions arose as to the scope of the existing power to vary the mandatory conditions in the context of the Committee's consideration of the draft of SSI 2009/270 – the Licensing (Mandatory Conditions) (Scotland) Regulations 2009. Since the power as currently expressed only allows regulations to “add such further conditions” considered necessary or to “extend the application of any such condition specified in the schedule” it was considered that there was a doubt as to whether the power could be used to remove conditions or to restrict the application of existing conditions.11

33. In the case of SSI 2009/270 the Scottish Ministers wished to restrict the application of existing conditions in relation to where alcohol for sale for consumption off the premises could be sold so as to relax restrictions in relation to visitor attractions. While the Scottish Ministers defended the ability to make the regulations in that particular case, the DPM explains that this amendment is intended to address the Committee’s concerns for the future.12

34. Regulations made under section 27(2) remain subject to affirmative procedure by virtue of section 146 of the 2005 Act.

35. No explanation is provided as to why it is appropriate for Ministers to delete or amend existing conditions other than that otherwise “this would mean that such mandatory licence conditions could only be amended or repealed by an Act of the Scottish Parliament”.13 The Committee understands that the intention behind the power in the 2005 Act was to permit flexibility to extend the mandatory conditions, although we remain of the view that there is a significant doubt over whether the wording employed in the 2005 Act permits “rowing back” from the original conditions set out in the 2005 Act.

36. The Committee considers that if it is the desired policy that all of the mandatory conditions may be amended then it is preferable to use this opportunity to clarify the scope of the power in section 27(2).

37. The Committee noted that this proposed amendment goes further than necessary to address the defect in 2009/270 which concerned the restriction of conditions subsequently added using delegated powers. In evidence to the Justice Committee, the Scottish Government legal advisers agreed with this

12 Delegated Powers Memorandum, paragraph 11.
13 Delegated Powers Memorandum, paragraph 12.
Committee’s view that section 27(2) could not be used in its current form to modify mandatory conditions which were set out in the 2005 Act as originally enacted. This power, as amended, permits the modification (including the repeal) of mandatory conditions regardless of whether they were originally enacted in the 2005 Act or were subsequently added to the Act using delegated powers.

38. The experience of SSI 2009/270 demonstrates that sometimes changes to mandatory conditions are required for practical reasons. The Committee sees no reason in principle why a distinction should be drawn between the weight or value of mandatory conditions by reference to whether they were original or subsequently added. Accordingly the Committee considers that the amendment is acceptable in principle.

39. Given that the exercise of the power allows amendment of primary legislation in a significant way, the Committee considers that it is appropriate that affirmative procedure is required.

40. The Committee considers that the proposed amendment to the power to modify mandatory conditions in relation to premises licences is acceptable in principle and that it is appropriate that the power remains subject to affirmative procedure.

Section 7 – Occasional licences: modification of mandatory conditions

Section 7(2) and (3) (in relation to regulations under section 60(2) of the Licensing (Scotland) Act 2005) – power to delete or amend licence conditions

41. Section 7 amends the power currently available under section 60 of the 2005 Act to vary the mandatory conditions which apply to all occasional licences and which are set out in schedule 4 to that Act. Subsection (2) is amended to make clear that conditions set out in the schedule from time to time may be deleted and amended as well as new conditions being added.

Comment

42. The Committee noted that the reason given in the DPM for amending the power in section 60 of the 2005 Act is the same as that described above in relation to section 27 and the mandatory conditions in relation to premises licences.

43. The only difference of note is that regulations modifying the mandatory conditions in relation to occasional licences are subject to negative procedure rather than affirmative procedure. This reflects the current position in relation to the power under section 60.

44. The Committee noted from Scottish Government evidence to the Justice Committee in support of SSI 2009/270 that this power is considerably broader than previously and permits, for the first time, amendment to conditions set out in schedule 4 as originally enacted. The Committee therefore sought further justification from the Scottish Government for the use of negative procedure to amend primary legislation in this way.

15 Delegated Powers Memorandum, paragraph 15.
45. In oral evidence, the Committee asked officials why the Government considered that negative procedure remained appropriate and why a similar approach to section 27(2) had not been adopted. Gary Cox explained the difference—

“The procedure that is to be used in respect of premises licences—licences for shops or pubs—is affirmative procedure; for occasional licences, negative procedure will be used. That is a feature of the 2005 Act. I am not aware of the thinking that led Parliament to take that view in the previous session, but there is a difference. The use of the negative resolution procedure is a consequence of the 2005 Act, rather than the Bill.”

46. The Committee is not clear why a distinction was made between the powers contained in sections 27 and 60 of the 2005 Act. Looking back to the scrutiny conducted by the Subordinate Legislation Committee in Session 2, it would appear that it had expected that both powers would be made subject to the affirmative procedure although this was not subsequently delivered by the then Executive. However, in considering the changes proposed in this Bill, the Committee believes that it would be appropriate for a consistent approach to be taken to regulations modifying the mandatory conditions in relation to premises and occasional licences. There is no distinction to be made in principle between the significance of the respective powers. In each case the terms of the mandatory condition in question have previously been agreed by the Parliament. Amendments to its terms should therefore be similarly subject to parliamentary approval.

47. The Committee recommends that the power currently available under section 60 of the Licensing (Scotland) Act 2005 to vary the mandatory conditions which apply to all occasional licences should be made subject to the affirmative procedure.

Section 9 – Premises licences: variation of conditions

Section 9 – new section 27A Licensing (Scotland) Act 2005 – power to prescribe those areas in respect of which licensing boards may vary all or a particular group of premises licences’ conditions of operation

48. Section 9 introduces a new section 27A(1) into the Licensing (Scotland) Act 2005 which confers on the Scottish Ministers the power to prescribe, by regulations, the matters in respect of which licensing boards may vary the conditions of operation for all or a particular group of premises’ licences.

49. The Committee noted the explanation in the DPM that under new section 27A(1), licensing boards will be able to vary the conditions of all or a group of premises licences in their area. These conditions, in effect, control how licensed premises will operate. A licensing board can impose licence conditions when granting the premises licence or following a hearing concerning the conduct of individual premises. New section 27A(1) enables licensing boards to impose a

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18 Delegated Powers Memorandum, paragraph 18.
condition en bloc which is a significant increase in their power. This provision does not enable the Scottish Ministers to specify what conditions are to be imposed. Instead the power enables the Scottish Ministers to set out the subject matter of the variations that a licensing board may apply. The DPM explains that this will ensure a consistency within the national framework within which licensing boards operate.

50. Most significantly from a policy perspective, the DPM explains that—

“At present Ministers intend to make regulations enabling licensing boards to impose conditions restricting the purchase of alcohol at off-sale premises for people aged under 21.”

51. Whether a power for licensing boards to vary licensing conditions is required and the role of the Scottish Ministers in setting out the framework within which those variations can be made is a matter of policy. However, the Committee considers that it is within its remit to consider whether there are adequate reasons for using subordinate legislation to deliver that policy and whether or not the power is appropriately framed and subject to the appropriate level of parliamentary control.

52. The Committee noted that the power is very broadly framed. It would give Ministers a complete discretion to specify those conditions which licensing boards can vary by describing their subject matter. There is no justification given in the DPM as to why subordinate legislation is to be used for this purpose rather than adopting the alternative approach of specifying in primary legislation (by amendment of the 2005 Act) what sort of conditions may be varied. The DPM gives only a single, very specific, example of how it is intended the power will be used. No explanation is given as to why, given this limited policy intention, a broad discretionary power is proposed which could extend greatly the discretion of licensing boards.

53. The Committee therefore sought an explanation from Scottish Government officials before reaching a view on whether the power is appropriate in principle. Gary Cox explained the purpose of the proposed power—

“... section 9 is intended to facilitate the introduction of an age 21 policy, but it has a wider application. The provision is trying to fill a gap. As a result of the 2005 Act, Ministers have the power to apply conditions on a blanket basis across the country or to certain types of premises. At the other end, licensing boards are able to apply conditions on a premises-by-premises basis, but there is nothing in the middle that would allow a licensing board to say that there is a problem in its area with X, Y or Z and that a particular condition would be appropriate. They cannot apply such a condition in their area without going through the process of having a hearing in respect of every single premises. The power attempts to fill the gap between those two extremes. The intention was certainly to facilitate the application of the age 21 policy, but the power is not limited to that. Licensing boards will be able to

19 Delegated Powers Memorandum, paragraph 18.
use it in respect of any other subject areas that are prescribed in regulations.”

54. The Committee also asked whether the Government had other intended uses for the power and, if not, why such a broad power was being sought. Gary Cox responded—

“There is no intention to use the power for anything specific. The power is more about future proofing. It is to allow licensing boards to think about how they might want to respond to particular issues in their area. … There is certainly nothing in our minds beyond the age 21 policy, but the power will allow licensing boards to come to us with any areas that they want to consider in the longer term.”

55. The Committee was concerned that the Scottish Government could offer no further justification for seeking such a broad power. From the evidence received, it is clear to the Committee that the provision is intended to address a specific issue; that is, to impose conditions restricting the purchase of alcohol at off-sale premises for people aged under 21. In this context, the Committee is not convinced that an order-making power is required to achieve this policy objective. Should the Scottish Government wish to pursue this policy, the Committee considers that a specific amendment to the 2005 Act would be a more appropriate means of implementation.

56. The Committee invites the lead committee to seek further evidence from the Scottish Government for the power in section 9, to prescribe those areas in respect of which licensing boards may vary the conditions of operation for all or a particular group of premises’ licences.

57. Should the power remain in the Bill, the Committee will consider its scope again after Stage 2.

Section 10 – Licence holders: social responsibility levy

Section 10 – power to make provision for the imposition on relevant licence-holders of a social responsibility levy

58. Section 10 provides a free-standing power for the Scottish Ministers to make regulations imposing and setting out the detail of a social responsibility levy. Under the levy, charges are to be imposed on the persons mentioned in subsection (2) for the purposes set out in subsection (3). The Explanatory Notes state that “money raised by the charge will be for the local authorities to use in contributing towards the cost of dealing with the adverse effects of the operation of these businesses, for example extra policing or street cleaning or in furthering the

---

licensing objectives [under the 2005 Act]. Subsection (4) sets out in more detail what the regulations may include.

59. The Committee acknowledges that whether there should be a social responsibility levy is a matter of policy. However, it is within the Committee’s remit to consider whether there are adequate reasons for using subordinate legislation to deliver that policy and whether or not the power is appropriately framed and subject to the appropriate level of parliamentary control.

60. The DPM explains the reason for seeking the power—

“Taking a regulation making power will allow the Scottish Government to discuss further with the licensed trade and other interests the detail of how the levy should be imposed, applied and collected. These discussions will continue in parallel with the Bill process. It will further allow flexibility for the detail of the levy to be revised in the future to keep pace with the changing nature of the licensed trade.”

61. The Committee considered that, in the context of a revenue raising measure such as this, full justification should be provided by the Government for the decision not to specify in primary legislation certain key elements of the taxation scheme. The Committee therefore decided to seek further information on this provision from Scottish Government officials.

62. Officials were asked why the Government had decided not to set out the general principles of the proposed levy in the Bill and put only the administrative detail in subordinate legislation. Gary Cox responded—

“With the social responsibility levy, we have taken the view that we do not want to dream up a particular scheme, present it to Ministers and the Parliament, and present it to the licensed trade as a fait accompli. Experience of working on licensing issues has taught us that it is far better to involve the licensed trade and retailers in the development of policy, and that is the view that we took in this case. During the past year, we have met a group that comprises the main licensed trade organisations, some of the supermarkets and representatives of the restaurant and hospitality industry to consider different models and get their contributions on how the levy might work in practice. We are continuing those discussions.”

63. Mr Cox confirmed that discussions with interest groups including COSLA were still at an early stage.

64. When presented with the proposition that the use of subordinate legislation to establish the levy would involve a lesser degree of parliamentary scrutiny, Mr Cox refuted the suggestion—

22 Alcohol etc. (Scotland) Bill. Explanatory Notes, paragraph 32. Available at http://www.scottish.parliament.uk/s3/bills/34-AlcoholEtc/b34s3-introd-en.pdf
23 Delegated Powers Memorandum, paragraph 21.
“I challenge the view that it involves the least scrutiny. When we come back with the administrative detail, regulations that have been developed with the licensed trade will be subject to the affirmative resolution procedure. If, when the regulations come forward, Parliament is unhappy with the detail of the social responsibility levy, we will have to take that into account. In splitting the principles from the administrative details, we have taken the right approach.”  

65. The Committee also asked whether the issues surrounding the proposed use of subordinate legislation had arisen because the Bill had been introduced prematurely. Mr Cox replied—

“… there are differences of opinion between different parts of the licensed trade on how the arrangement might work in practice. We need to continue those discussions to get something workable. Had we tried to accelerate the process or pushed the licensed trade in a particular direction, the end result would have been that the proposals were less satisfactory than, hopefully, those that we will bring forward in regulations.”

66. Members of the Committee were concerned that the Parliament was being asked to reach a decision on the principle of the social responsibility levy without a clear understanding of how it would operate in practice, including whether it would be proportionate, effective and fair, and how it would affect certain sectors of the trade such as small businesses.

67. It was suggested to officials that, in order to ensure adequate consultation with all interest groups, use of super-affirmative procedure might offer one way of addressing that issue. Officials agreed to take the issue back to Ministers.

68. The Committee does not consider that the question of the appropriateness of using subordinate legislation for the purpose of establishing a social responsibility levy has been adequately addressed by the Scottish Government. The Bill and accompanying documents provide only limited information about the principles of the levy; the details of the policy are still being developed by the Scottish Government. As a minimum, the Committee would expect details of the levy, such as who is to be responsible for administering it, the basis on which liability to pay it will be determined, the maximum charge permitted, the implications for non-payment and any right of appeal to be set out in the Bill itself.

69. The Committee draws to the attention of the lead committee the evidence received from the Scottish Government regarding the proposed use of subordinate legislation for the purpose of establishing a social

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responsibility levy. Should the power remain in the Bill, the Committee will consider its scope again after Stage 2.

Section 11 – Regulations under section 10(1): further provision

Section 11(1) – Power to make incidental, consequential, transitional, transitory or saving provision appropriate for the purposes of, or in connection with section 10 of the Bill

70. Section 11(1) of the Bill provides that the power given to the Scottish Ministers to make regulations under section 10 may include such incidental, supplemental, consequential, transitional, transitory or saving provision as they consider appropriate. This must be read strictly, however, in the context of the exercise of the powers in section 10 itself. This power is not considered separately for the purposes of the DPM.

71. Regulations making ancillary provision are subject to affirmative procedure.

72. In light of the recommendation made in relation to the power in section 10, the Committee makes no comment on this associated power at this stage.

Section 14 – Commencement and short title

Section 14(1)(2) – Commencement

73. Section 14 provides for all sections of the Bill, other than sections 13 and 14 which make general provision, to come into force on such day as the Scottish Ministers appoint by order. Sections 13 and 14 of the Bill come into force on the Bill receiving Royal Assent.

74. As this is a Scottish Government Bill, it is 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. In accordance with the normal practice, no provision is made for laying a commencement order in the Parliament as the power is to commence provisions which have already been subject to parliamentary scrutiny. It should be noted that commencement orders may make transitional, transitory or saving provision considered appropriate in connection with commencement. This Committee will have the opportunity to scrutinise an order or orders made under this provision.

75. The Committee considers that the proposed power is acceptable in principle and that, in accordance with the normal practice with respect to commencement orders, no procedure is appropriate.
ANNEXE A: EXTRACT FROM MINUTES

5th Meeting, 2010 (Session 3), Tuesday 9 February 2010

Alcohol etc. (Scotland) Bill (in private): The Committee considered a draft report on the delegated powers provisions in this Bill at Stage 1. After discussion, and two divisions, the report was agreed for publication.

Record of division

Bob Doris proposed that paragraphs 29 and 30 be deleted and replaced with—

The Committee draws to the attention of the lead committee that the use of the affirmative procedure, which would allow only a 40 day period for the consideration of an instrument, would not afford the Parliament sufficient opportunity to conduct full and proper scrutiny of the minimum price of alcohol proposed by the Scottish Ministers. The Committee therefore recommends that if the power is approved by the Parliament, in this or amended form, the level of scrutiny should be increased through use of super-affirmative procedure under which Ministers would require to lay a draft order before the Parliament for a period of not less than 60 days when the Parliament is in session before a final draft could be laid for approval.

The proposal was disagreed to by division: For 2 (Bob Doris and Ian McKee), Against 4 (Jamie Stone, Margaret Curran, Helen Eadie and Rhoda Grant), Abstentions 0.

The conclusions at paragraphs 29 and 30 were agreed to by division: For 4 (Jamie Stone, Margaret Curran, Helen Eadie and Rhoda Grant), Against 2 (Bob Doris and Ian McKee), Abstentions 0.
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Agenda Item 2  
24 February 2010

Alcohol etc. (Scotland) Bill

Centre for Economics and Business Research Ltd (cebr)

Summary

The centre for economics and business research (cebr) is one of the United Kingdom’s leading independent economics consultancies. cebr was commissioned by SAB Miller plc in December 2008 to undertake a wide ranging economic assessment of the impact of alcohol pricing policies, in particular minimum alcohol pricing.

We submit three documents in support of our submission:

- Minimum Alcohol Pricing: A targeted measure?, June 2009
- Minimum Alcohol Pricing: A targeted measure?, Special Report for Scotland, January 2010
- Review of Regulatory Impact Assessment for the Alcohol etc. (Scotland) Bill, January 2010

In considering the merits of the Alcohol Etc. (Scotland) Bill, cebr believes that the Health and Sport Committee should be aware of the following:

- Minimum alcohol pricing is likely to be very limited in its effectiveness in curbing excessive alcohol consumption. Whilst heavier drinkers tend to consume cheaper and stronger alcohol than the average, most academic evidence shows that heavier drinkers are least responsive to changes in the price of alcohol products.
- The University of Sheffield modelling appears to be inconsistent with this, showing that heavier drinkers are more responsive to price changes than moderate drinkers. This means that the benefits of minimum pricing in terms of reduced consumption amongst ‘hazardous’ and ‘harmful’ drinkers may be overstated by the Sheffield research.
- The claim that ‘moderate’ drinkers are unaffected by minimum pricing is misleading. It is based upon drinkers that only consume around six units per week, and also fails to take account of the fact that not only would moderate drinkers pay more, but they would also consume less – which is also a cost to these drinkers who already consume within recommended guidelines.
- Minimum pricing would disproportionately impact upon the poorest members of society, and have a significant impact on their household budgets.
- The Regulatory Impact Assessment undertaken by the Scottish Government does not take into account important costs to consumers of minimum alcohol pricing. If these costs were properly accounted for then the case for minimum pricing would have to be reported as being negative.
cebr would be delighted to provide further oral evidence to the committee if required.

**Minimum pricing unlikely to be effective as heavier drinkers are least responsive to price changes**

1. Respected research into the relationship between changes in alcohol prices and changes in alcohol consumption shows that heavier drinkers are least responsive to price changes. Wagenaar et al (2008) found a price elasticity of demand of -0.28 for harmful drinkers, and -0.51 for the average drinker (which implies an elasticity of around -0.6 for moderate drinkers. Manning et al (1995) found that the 95\textsuperscript{th} percentile of drinkers have an elasticity not significantly different from zero. The original University of Sheffield Phase B report for England\textsuperscript{1} found an elasticity of -0.21 for hazardous and harmful drinkers, and -0.47 for moderate drinkers, although this is not reflected in the University of Sheffield modelling.

2. The notion that heavier drinkers are less responsive to price changes than moderate drinkers is also explicitly supported in the Scottish Government’s regulatory impact assessment: ‘Generally, heavier drinkers can be expected to have relatively more inelastic elasticities of demand for alcohol than moderate drinkers, meaning that an overall change in the price of alcohol will cause heavier drinkers to change their consumption behaviour by less than moderate drinkers’.

3. In all model tests, including those that do not refer to minimum alcohol pricing, and including those that refer only to ‘general price increases’, the University of Sheffield modelling systematically shows a greater responsiveness to overall price changes amongst heavier drinkers, a direct contradiction of the evidence presented which shows that hazardous and harmful drinkers are least responsive to price changes overall.

4. Our best estimate is that the Sheffield modelling may over-estimate the responsiveness of hazardous and harmful drinkers to changes in price by a factor of two or more. In addition, it may significantly underestimate the responsiveness of moderate drinkers to price changes.

**Minimum pricing would have a significant impact upon the average consumer, with relatively little benefit for the individual consumer**

5. cebr believe that the way that the impacts on different types of drinkers has been presented is highly simplistic. The crude categorisation into ‘moderate’, ‘hazardous’ and ‘harmful’ drinkers presented in the University of Sheffield reports, which has been adopted by everyone involved in this debate (including ourselves), distorts the picture somewhat.

6. Moderate drinkers as classified in the University of Sheffield report only consume on average 6 units per week, therefore it is inevitable that the

\textsuperscript{1} University of Sheffield: Modelling alcohol pricing and promotion effects on consumption and harm, 2008
analysis shows that the financial impact on such drinkers would be small.

7. However, our analysis shows that if minimum pricing at 40 pence per unit along with a ban on promotions was introduced in Scotland, in total consumers would end up paying over £154 million per year more for alcohol products – the equivalent of £67 per household per year for the average household.

8. In contrast, the benefits to individual consumers seem relatively small - the value of benefits of improved health and job prospects for individuals would be only £55 million per year.

9. In addition, both our estimates and the University of Sheffield’s estimates show that the benefits to wider society from the introduction of minimum pricing at this level are likely to only be between £15-20 million per year. Of these benefits, the savings to the NHS are projected to be largest, at between £9-12 million per year.

10. Therefore, both cebr’s analysis and the University of Sheffield’s analysis show that the impact of the introduction of such policies on individuals would be substantially negative.

Minimum pricing would disproportionately impact upon the poorest members of society

11. Neither the University of Sheffield modelling, nor the Scottish Government’s Regulatory Impact Assessment, explicitly considers the impact of the introduction of minimum alcohol pricing on lower income households.

12. cebr’s analysis shows that on average, lower income households consume only marginally less alcohol than the average household, but spend significantly less on alcohol products, meaning that such households spend substantially less per unit of alcohol than average. Therefore such households would be disproportionately impacted by minimum alcohol pricing.

13. Our analysis suggests:

- The introduction of a 40 pence per unit minimum price is likely to lead to an increase in expenditure of £1.20 per week for the poorest ten per cent of households – around 1.1 per cent of their total income
- The introduction of a 50 pence per unit minimum price is likely to lead to an increase in expenditure of £1.70 per week for the poorest ten per cent of households – around 1.7 per cent of their total income

14. However, this analysis assumes that these poorer households reduce their consumption significantly in response to price changes. If these households wished to maintain their consumption levels at their current levels then the effect on household budgets would be much more severe:

- The introduction of a 40 pence per unit minimum price would lead to an increase in expenditure of around £4.70 per week for the poorest ten per cent of households - around 4.3 per cent of total income
• The introduction of a 50 pence per unit minimum price would lead to an increase in expenditure of around £7.00 per week for the poorest ten per cent of households - around 6.5 per cent of total income.

The economic case for minimum alcohol pricing is negative

15. Our analysis suggests that the introduction of the proposed alcohol pricing policies would have a negative economic impact of between -£100 million and -£700 million over ten years, depending upon which policy is chosen.

16. In addition, the Scottish Government’s Regulatory Impact Assessment shows that the impact on consumers is substantially negative, the impact on government is broadly neutral, and that the impact on firms is positive. This means that the economic case for minimum pricing rests upon additional revenue for firms, rather than the benefits to individuals and society from reduced levels of alcohol related harm.

Ben Read
Managing economist
Centre for Economics and Business Research Ltd (cebr)
20 January 2010
Minimum Alcohol Pricing: A targeted measure?

Special Report for Scotland

Final Report

EMBARGOED UNTIL XXXX

December 2009
Disclaimer

Whilst every effort has been made to ensure the accuracy of the material in this document, neither centre for economics and business research ltd nor the report’s authors will be liable for any loss or damages incurred through the use of the report.

Authorship and acknowledgements

This report has been produced by cebr, an independent economics and business research consultancy established in 1992. Contributors to the project were Ben Read (project manager) and Benjamin Williamson.

The report does not necessarily reflect the views of SABMiller plc.

London, November 2009
Executive summary

This is a supplementary report to centre for economics and business research’s previous report on Minimum Alcohol Pricing in the United Kingdom: Minimum Alcohol Pricing: A targeted measure? It is an independent review of the case for the introduction of minimum alcohol pricing in Scotland. The report has been done in the light of the University of Sheffield’s recent work Model based appraisal of alcohol minimum pricing and off-licensed trade discount bans in Scotland, and the publication of the Alcohol Bill at the end of November 2009.

Sheffield report for Scotland utilises same methodology as previous work in England, and therefore has same limitations

The Sheffield report for Scotland utilises the same overall methodology as that used in the previous study which covered England only. The work has been updated to take account of Scotland-specific consumption data, updated alcohol pricing data for Scotland, and some very minor changes to the coverage of the health and crime modelling. The report also considers different policy tests – specifically the combination of minimum pricing with off-trade discount bans.

Overall, given that there is no significant change in the way the work has been done, the same issues that were identified previously are still valid, namely:

- The model results do not seem to be intuitive, as they suggest that moderate drinkers are more price sensitive than harmful drinkers;
- 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;
- The evidence base linking consumption and crime / workplace harms is pretty weak;
- The report does not actually show that the case for minimum pricing is strong, and the issue still remains that heavier drinkers are likely to be least responsive to price changes overall
The report does not consider a number of unintended consequences of minimum pricing, that mean that the case for minimum pricing may be significantly worse than that presented.

**Sheffield report shows that costs to the general public outweigh the benefits of minimum pricing**

Even if the results of the University of Sheffield report for Scotland are taken at face value, the projected financial costs to Scottish consumers, along with the reduction in duty and VAT collected by government, are predicted to outweigh the projected private and societal benefits of the proposed policy.

**Figure 1: Impact of minimum pricing and discount ban in Scotland, as presented in Sheffield report (£million, discounted value over 10 years)**

In addition, as identified in our previous report¹, there are several other factors that should be taken into account when considering the economic and social case for minimum pricing.

**University of Sheffield’s justification of inconsistencies between their modelling results and other evidence is not convincing**

In our previous report we highlighted the apparent inconsistency between the results of the Sheffield modelling in their work for the Department for Health in England – which implied greater responsiveness to price changes amongst heavier drinkers than moderate drinkers – and a range of academic evidence² that suggests that heavier drinkers are less responsive to

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¹ Minimum Alcohol Pricing: A targeted measure?, cebr, 2009
changes in price in terms of their overall alcohol consumption levels. In the report for Scotland there is a direct response to this, setting out why the results of the University of Sheffield modelling might be intuitive. However, as we outline on pages 16-18 of this report, the arguments put forward do not seem convincing.

Consumers face considerable financial and welfare losses, with relatively little benefits

Taking into account the potential impact of minimum pricing on all drinkers, we can see that from the average individual drinker’s perspective, minimum pricing does not make sense. Figure 2 shows that if minimum pricing at 40 pence per unit along with a ban on promotions was introduced in Scotland:

- Consumers would end up paying over £154 million per year more for alcohol products – the equivalent of £67 per household per year
- Consumers would also lose out by the equivalent of an additional £113 million per year in lost utility (satisfaction from drinking)
- The value of benefits of improved health and job prospects for individuals would be only £55 million per year
- This means that the net impact of minimum pricing on individual consumers sums to over £200 million per year

Figure 2: Economic impact of minimum pricing on the private consumer, all drinkers, Scotland (£million per annum)
The results presented in the University of Sheffield report for Scotland, and our own analysis of these results, suggest that the value of benefits to wider society from the introduction of alcohol pricing policies are likely to be relatively small. These benefits fall a long way short of the scale of benefits required to justify the policy from an economic perspective.

Both our estimates and the University of Sheffield’s estimates show that the benefits to wider society from the introduction of minimum pricing are likely to be between £15-20 million per year. Of these benefits, the savings to the NHS are projected to be largest, at between £9-12 million per year. This compares with the reputed cost of alcohol misuse in Scotland of £2.25 billion per year³.

**Figure 3: Financial valuation of savings to wider society from minimum pricing, Scotland (£ million per annum) – cebr estimates**

![Graph showing financial valuation of savings to wider society from minimum pricing, Scotland](image)

Crucially, the estimated total savings to wider society are not projected to outweigh the additional costs to moderate drinkers – estimated to be around £47 million per year - from the introduction of the proposed alcohol pricing policies.

**Minimum pricing hits poorest households hardest**

Our analysis shows that people at lower income levels drink only a slightly smaller amount than average, but spend significantly less on alcohol products.

Figure 4 below shows the extent of the difference in average price paid per unit of alcohol across the income range. It shows that the bottom 30 per cent of income levels pay on

³ Source: Scottish Government
average 40 pence per unit of alcohol or less, and would therefore be fundamentally affected by the introduction of minimum pricing at 40 pence per unit.

**Figure 4: Average price paid per unit of alcohol by income decile - Scotland**

![Figure 4: Average price paid per unit of alcohol by income decile - Scotland](image)

Sources: Family Expenditure Survey 2008, ONS; University of Sheffield; Living in Britain 2001, ONS; cebr analysis

We estimate that the introduction of 40 pence per unit minimum price plus a discount ban would lead to an increase in expenditure of £1.92 per week for the poorest ten per cent of households – around 1.8 per cent of their total income.

**Unintended consequences have effectively been ignored in policy assessment**

The limited remit against which the University of Sheffield were commissioned by the Scottish Government means that many important considerations with relation to the impact of alcohol pricing policy have effectively been ignored.

These unintended consequences include:

- The impact of ‘cross border’ / internet purchases on Scottish retailers, and the knock-on impacts on employment etc.

- The fact that the net effect on consumption and therefore harms will inevitably be less than forecast because of the fact that consumers will still be able to choose to purchase alcohol from England perfectly legally

- The impact on the black market, and policing/crime costs therein
• The impact on ‘consumer welfare’ from reduction in consumption of alcoholic products

• The impact on consumers’ ability to purchase other products including essentials such as food, bills and rent, and how this feeds back into health harms, crime and workplace impacts

• The costs of implementation and enforcement of the policy

BERR’s guidance on Impact Assessments suggests that ‘government intervention can have unintended consequences, imposing costs and creating economic distortions…these possible effects should be explored when the case for intervention is being considered’. In normal circumstances, we would expect such guidance to be followed before the implementation of policy, but unfortunately this has not yet been done.

It is clear that the introduction of this policy would lead to a number of unintended consequences that have yet to be properly considered or valued by the Scottish Government.
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I Introduction

This is a supplementary report to centre for economics and business research’s previous report on Minimum Alcohol Pricing in the United Kingdom: Minimum Alcohol Pricing: A targeted measure? It is an independent review of the case for the introduction of minimum alcohol pricing in Scotland. The report has been done in the light of the University of Sheffield’s recent work Model based appraisal of alcohol minimum pricing and off-licensed trade discount bans in Scotland.

Independent review of minimum alcohol pricing proposals in Scotland

It has been conducted by the centre for economics and business research ltd (cebr), an independent economics research consultancy founded in 1992. In addition to providing respected regular forecasts of global economic trends, ceb is a leading expert in calculating the potential economic impact of new policies and regulation.

The review has been commissioned by SABMiller plc. Nevertheless, the views expressed herein are those of the authors only and are based upon independent research by them.

1.1 Structure of this report

The remainder of this report is structured as follows:

- Chapter 2 considers whether the University of Sheffield modelling suggests that there is a strong case for the introduction of minimum alcohol pricing and a promotions ban in Scotland;

- Chapter 3 considers the impact of minimum pricing and promotions ban and on the individual consumer and wider society, including the unintended consequence of lost consumer surplus from the introduction of higher alcohol prices

- Chapter 4 considers the unintended consequences of minimum pricing not covered by University of Sheffield report
2 Does the University of Sheffield modelling suggest that there is a strong case for the introduction of minimum alcohol pricing in Scotland?

2.1 What does the report add to the debate?

The University of Sheffield were commissioned by the Scottish Government to update their modelling to specifically look at the impact of different pricing policies in Scotland.

The Sheffield report utilises the same overall methodology as that used in the previous report which covered England only. The key differences are:

- Updated consumption data based upon the Scottish Health Survey, the Scottish Schools Adolescent Lifestyle and Substance Use Survey, and the Family Expenditure Survey – interestingly bespoke Nielsen data is not used
- Updated price distribution data based upon Expenditure and Food Survey
- Slight adjustments to coverage of health model and crime model, although these are fundamentally the same
- The modelling looks at different policy tests – specifically the combination of minimum pricing with off-trade discount bans. This combination was not explicitly considered in the previous work for the Department of Health in England

No attempt has been made to model new price-consumption relationships for Scotland – this is not a major criticism because elasticities are unlikely to be fundamentally different, although one would imagine that differences in preferences would feed through to different price elasticities. However this is not a major issue.

Overall, given that there is no significant change in the way the work has been done, the same issues that were identified previously are still valid, namely:

- The model results do not seem to be intuitive, as they suggest that moderate drinkers are more price sensitive than harmful drinkers;
- 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;
- The evidence base linking consumption and crime / workplace harms is pretty weak;
- The report does not actually show that the case for minimum pricing is strong, and the issue still remains that heavier drinkers are likely to be least responsive to price changes overall.

In addition, as previously identified, Sheffield have only been commissioned to tell part of the overall economic story. There are a number of other wider economic impacts that would
need to be looked at in a full regulatory impact assessment – these are described more fully in Chapters 3 and 4 of this document.

2.2 What does the Sheffield report cover?

The report by the University of Sheffield makes no recommendations on alcohol pricing policy, but presents the results of modelling which identifies a number of potential impacts of different levels of minimum pricing / promotions bans. These include:

- Health impacts of reduced alcohol consumption including reduced illness and death, and an economic valuation of these health impacts
- Impacts on levels of crime, and the valuation of cost savings from reduced crime both from the personal impacts of crime and the societal costs of policing and justice
- Impacts on employment and work absence due to reductions in alcohol consumption, and economic valuation of these impacts
- Additional financial costs to consumers due to higher alcohol prices
- Impact of the policy on government duty and VAT receipts

As we discuss in this report, there are a number of other considerations that should be taken into account in assessing the case for the introduction of minimum alcohol pricing, and we also highlight some potential issues with the University of Sheffield’s modelling results.

Here we consider whether – even if the results of the report are taken at face value – the Sheffield report presents a compelling case for the introduction of minimum alcohol pricing and/or a ban on alcohol promotions in Scotland.
2.3 Assessment of Sheffield results

The following chart presents the overall results as presented in the Sheffield report. This shows the aggregated financial impact on all types of drinker (moderate, hazardous, harmful), the impact on government finances due to duty and VAT, and the aggregated benefits to all types of drinker and benefits to wider society. The results presented relate to the discounted costs and benefits over 10 years.

Figure 2.1: Impact of minimum pricing and discount ban in Scotland, as presented in Sheffield report (£million, discounted value over 10 years)

As the chart shows, the projected financial costs to Scottish consumers, along with the reduction in duty and VAT collected by government, are predicted to marginally outweigh the projected private and societal benefits of the proposed policy.

During the course of the debate about minimum pricing, much of the discourse has revolved around the extent to which ‘moderate’, ‘hazardous’ and ‘harmful’ drinkers are financially impacted by the policy. Much of the debate has focused on how little moderate drinkers are financially impacted, to such an extent that one might get the impression that the financial impact of such a policy on ‘hazardous’ and ‘harmful’ drinkers is irrelevant to the assessment of the policy. This is a fundamentally flawed view. Impact assessment of any policy or regulation should take account of all of the costs and benefits accruing to all those that are impacted by the policy.

Therefore, the results presented in the Sheffield report do not present a compelling case for the introduction of minimum pricing in Scotland. In fact they show that overall financial costs to consumers outweigh the projected benefits to consumers and society at large.
As we identified in our previous report⁴, there are several other factors that should be taken into account when considering the economic and social case for minimum pricing. These are explored in the following chapters.

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⁴ Minimum Alcohol Pricing: A targeted measure?, cebr, 2009
3 Impact of minimum pricing on the individual consumer and wider society

3.1 What do we mean by the individual consumer?

Any policy which impacts both on the individual consumer of a product, and the effects that consumption of the product has on wider society as a whole should be considered from the point of view of both the individual consumer, and from a wider social perspective.

In the case of alcohol consumption and minimum pricing, the aim of the policy is to both reduce the harm that alcohol consumption directly does to individuals in terms of their personal health and resultant quality of life, and in terms of their job prospects. The policy also seeks to address the wider consequences of individuals’ alcohol consumption in terms of their propensity to commit crimes, the costs of treating them on the NHS, and the impacts of their absence from work on business productivity.

Here, we consider the potential benefits of minimum pricing to individuals, and weigh them up against the costs to the individual consumer who would have to pay more for alcohol products.

As we identified in our previous report, the impacts of minimum pricing on individuals can be summarised as follows:

<table>
<thead>
<tr>
<th>Benefits of Minimum Pricing</th>
<th>Costs of Minimum Pricing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health improvements / reduced risk of death</td>
<td>Increased expenditure</td>
</tr>
<tr>
<td>Higher wages</td>
<td>Lower utility from consumption</td>
</tr>
<tr>
<td>Lower unemployment</td>
<td></td>
</tr>
</tbody>
</table>

We also consider the extent to which a minimum pricing policy would have unequal impacts across different income groups.

3.2 Differential responsiveness of heavy drinkers to price changes

In our previous report we highlighted the apparent inconsistency between the results of the Sheffield modelling – which implied greater responsiveness to price changes amongst heavier drinkers than moderate drinkers – and a range of academic evidence\(^5\) that suggests that heavier drinkers are less responsive to changes in price in terms of their overall alcohol consumption levels.

The recent Sheffield report for Scotland attempts to address this assessment by making three points:

1) Several of the elasticities used in the major meta-study by Wagenaar et al (2008) relate to the frequency or magnitude of heavy episodic drinking (or bingeing) – therefore are not comparable with elasticities that relate to average levels of consumption.

2) The elasticities identified in the study by Manning et al (1995) are based upon a survey of the US population in 1983 and are therefore not relevant to England or Scotland in 2009.

3) The model used in the Sheffield study, with it’s 256-element elasticity matrix, is far more sophisticated than anything else out there, and is specifically designed to facilitate analysis of substitution between alcohol products and the on/off trade.

None of these are particularly convincing arguments.

On point (1) – there is clearly a direct and strong relationship between frequency and magnitude of drinking binges, and overall mean levels of alcohol consumption – these are not mutually exclusive! This is particularly the case for heavier drinkers. As an example – those drinkers classified as ‘harmful’ in the University of Sheffield study consume 65 units per week, or nine units per day on average. This implies that most of their alcohol would be consumed in what would be defined as a binge. It must therefore be the case that the elasticity relationships identified with regard to drinking binges are to a large extent applicable to mean levels of alcohol consumption.

On point (2) – it is not clear why relative elasticities for heavy and moderate drinkers in the US in 1983 wouldn’t be relevant to England and Scotland in 2009. It is difficult to see why there would be fundamental differences in the relative relationships.

On point (3) – the point that we made was that the extremely complex model that underpins the study does not give intuitive results under simple test conditions, ie. where all alcohol prices go up at the same rate. The fact that the model considers ‘substitution between beverage types, beverage quality and the on-trade and off-trade’ is completely irrelevant in the case where all products prices go up at the same rate. In addition, cebr has seventeen years of economic modelling experience, and this has taught us that increased modelling complexity most certainly does not equal increased modelling accuracy.

We completely accept that a model which considers the complex relationships that the Sheffield team has attempted to account for is entirely necessary for the job of considering the impact of minimum alcohol pricing and promotions, but we most certainly do not accept that the fact that the model has been built to this specification means that the model is produces robust results.

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6 Section 2.51 of Model based appraisal of alcohol minimum pricing and off-licensed trade discount bans in Scotland, Meier et al, 2009
In addition, it remains the case that the Sheffield team does not appear to have found any academic evidence that strongly supports the results of their modelling. It would be more convincing if substantial evidence existed to support this view.

Finally, the results still appear to contradict the finding in the original University of Sheffield report\(^7\), which calculated ‘aggregate’ alcohol price elasticities of -0.47 for moderate drinkers and -0.21 for hazardous / harmful drinkers.

We welcome the fact that the Sheffield report for Scotland contains sensitivity analysis which uses an assumption that heavy drinkers are one-third less responsive than moderate drinkers.

However, the Sheffield report for Scotland does not provide any strong evidence to support a change in the overall approach we adopted in our previous report.

### 3.3 How will minimum pricing affect alcohol consumption?

We have updated our estimates for Scotland based upon the fact that the Sheffield report for Scotland has Scotland-specific data on alcohol consumption patterns, which has used data that was not available within the budgetary and time constraints of our previous study.

The charts below present both the Sheffield modelled forecasts of price changes and impacts on consumption levels as a result of various minimum price levels (‘Sheffield modelling’ in the charts below), and revised estimates based upon the evidence presented in chapters 2 and 4 of our previous report *Minimum Alcohol Pricing: A targeted measure?* (‘cebr estimates’ in the charts below).

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\(^7\) Meier et al, ‘Independent Review of the Effects of Alcohol Pricing and Promotion, Part B, University of Sheffield, 2008
Figure 3.1: Estimated change in price / consumption under different pricing policies (moderate drinkers)

Figure 3.2: Estimated change in price / consumption under different pricing policies (hazardous drinkers)
It can be seen that minimum pricing is likely to have the desired effect of increasing the prices faced by harmful drinkers the most, as on average harmful drinkers consume cheaper alcohol products and consume a higher proportion of their alcohol from the off-trade, compared with hazardous and moderate drinkers. Hazardous drinkers would also face higher price rises than moderate drinkers for the same reasons.

However, the charts also show the extent to which the University of Sheffield model appears to overstate the impact of price changes on consumption levels of hazardous and harmful drinkers. For example, a 50 pence per unit minimum price is forecast to increase the average price faced by harmful drinkers by 22.7 per cent. The Sheffield modelling suggests that this will result in a reduction in harmful drinkers’ consumption levels by 12.7 per cent. However, given the evidence that harmful drinkers are less responsive to price changes than moderate drinkers, we estimate that harmful drinkers’ consumption levels would only fall by 6.9 per cent. Overall, we would expect minimum pricing at 50 pence per unit to reduce harmful drinkers’ consumption by around 4.5 units per week, and 40 pence per unit would only reduce harmful drinkers’ consumption levels by around 1.9 units per week – less than one pint of weak beer.

On the other hand, moderate drinkers would face an average price increase of 9.0 per cent. The Sheffield modelling suggests that this will reduce consumption by just 3.9 per cent, whilst the evidence suggests that the reduction in consumption would be more like 5.6 per cent.

Therefore whilst minimum pricing would have the effect of targeting heavier drinkers due to their preference for cheaper, stronger alcohol products, it is likely to have a similar proportionate effect on moderate and harmful drinkers in terms of consumption levels. The
charts also show that the impact on hazardous drinkers’ consumption levels is likely to be minimal.

3.4 Economic impact of minimum pricing on individual consumers

Using the same methodology as we adopted in our previous report, we have estimated the private consumer ‘balance sheet’ with regard to minimum pricing and ban on promotions.

Given that the evidence suggests that the University of Sheffield have overstated the impact of price changes on consumption levels of hazardous and harmful drinkers, we present adjusted estimates based upon this.

Figure 3.4 shows the impact of minimum pricing on moderate drinkers. It can be seen that if a minimum price of 40 pence plus promotions ban was implemented in Scotland, moderate drinkers are likely to spend an additional £16 million per year more on alcohol products. We also estimate that lost utility (lost enjoyment) from reducing average consumption by around five per cent for moderate drinkers would constitute an economic loss of around £47 million per annum for moderate drinkers. We estimate that health benefits would be worth just over £16 million per year for moderate drinkers, meaning a net economic loss of just under £47 million per year.

Figure 3.4: Economic impact of minimum pricing on the private consumer, moderate drinkers, Scotland (£million per annum)
Figure 3.5 shows the impact of minimum pricing on hazardous drinkers. It can be seen that the forecast value of private health benefits to hazardous drinkers is likely to be massively outweighed by significant increases in expenditure on alcohol, as well as reductions in utility from reduced consumption. We estimate that if a minimum price of 40 pence plus promotions ban was implemented in Scotland, hazardous drinkers, who consume around 27 units per week on average, would spend an additional £74 million per year on alcohol products – around £78 per person.

**Figure 3.5: Economic impact of minimum pricing on the private consumer, hazardous drinkers, Scotland (£million per annum)**

![Graph showing economic impact of minimum pricing on the private consumer in Scotland](image)

Figure 3.6 shows the forecast annual impact of different pricing policies on harmful drinkers in Scotland. It can be seen that even for harmful drinkers, the increased costs in terms of additional expenditure on alcohol products is unlikely to be compensated by improved health and employment prospects. However, it could be argued that the reduced ‘utility’ from reduced alcohol consumption, along with increased expenditure should be excluded altogether from the balance sheet in the case of harmful drinkers, given that in many cases their alcohol consumption is likely to be irrational. But even if ‘utility’ is removed from the equation, it still appears that the financial costs to harmful drinkers would outweigh the benefits.
Figure 3.6: Economic impact of minimum pricing on the private consumer, harmful drinkers, Scotland (£million per annum)
Taking into account the potential impact of minimum pricing on all drinkers, we can see that from the average individual drinker’s perspective, minimum pricing does not make sense. Figure 3.7 shows that if minimum pricing at 40 pence per unit along with a ban on promotions was introduced in Scotland:

- Consumers would end up paying over £154 million per year more for alcohol products – the equivalent of £67 per household per year
- Consumers would also lose out by the equivalent of an additional £113 million per year in lost utility (satisfaction from drinking)
- The value of benefits of improved health and job prospects for individuals would be only £55 million per year
- This means that the net impact of minimum pricing on individual consumers sums to over £200 million per year

**Figure 3.7: Economic impact of minimum pricing on the private consumer, all drinkers, Scotland (£million per annum)**
3.5  Wider societal benefits of minimum pricing

The analysis above shows that the personal benefits to consumers of minimum pricing in Scotland are likely to be outweighed by the costs in terms of direct financial impacts, and lost utility (satisfaction from drinking).

Given this, in order for the proposed policies to represent a good deal from the general public’s perspective, the additional benefits to wider society, beyond those felt by the individual consumer, must outweigh the costs to individuals. Most notably, these benefits include:

- Crime, costs of policing and criminal justice system
- Costs of NHS provision of healthcare
- Wider productivity impacts (eg. Absence from work)

The University of Sheffield study provides detailed estimates of savings to wider society which could be yielded as a result of minimum alcohol pricing. However as with the impacts on individual consumers outlined in the previous section, these estimates are subject to adjustment based upon the evidence that the University of Sheffield modelling appears to over-estimate the relationship between price and consumption for heavier drinkers. In this chapter we present these estimates.

3.5.1  Estimates of benefits to wider society from alcohol pricing policies

The results presented in the University of Sheffield report for Scotland, and our own analysis of these results, suggest that the value of benefits to wider society from the introduction of alcohol pricing policies are likely to be relatively small. These benefits fall a long way short of the scale of benefits required to justify the policy from an economic perspective.

Figures 3.8 and 3.9 show cebr’s and the University of Sheffield’s estimates of the benefits to wider society from the introduction of such alcohol pricing policies in Scotland.

It can be seen that both our estimates and the University of Sheffield’s estimates show that the benefits to wider society from the introduction of minimum pricing are likely to be between £15-20 million per year. Of these benefits, the savings to the NHS are projected to be largest, at between £9-12 million per year. This compares with the reputed cost of alcohol misuse in Scotland of £2.25 billion per year8.

8 Source: Scottish Government
Crucially, the estimated total savings to wider society are not projected to outweigh the additional costs to moderate drinkers – estimated to be around £47 million per year - from the introduction of the proposed alcohol pricing policies.
3.6 **Minimum pricing hits poorest households hardest**

The University of Sheffield report does not consider the impact of minimum pricing on different income groups, and this is not something we are aware that the Scottish Government has explicitly considered.

We have used a combination of data to estimate at the average price paid per unit of alcohol for different income deciles. We combined the following data:

- *Family Expenditure Survey*, which gives expenditure across the full range of household goods and services, including alcohol, by region/country and by income deciles

- *University of Sheffield report for Scotland* – which provides reliable data on overall levels of alcohol consumption and expenditure in Scotland

- *Census 2001* – which provides data on alcohol consumption by income bracket, which we adjusted to align with current levels of alcohol consumption.

Our analysis shows that people at lower income levels drink only a slightly smaller amount than average, but spend significantly less on alcohol products.

Figure 3.9 below shows the extent of the difference in average price paid per unit of alcohol across the income range. It shows that the bottom 30 per cent of income levels pay on average 40 pence per unit of alcohol or less, and would therefore be fundamentally affected by the introduction of minimum pricing at 40 pence per unit.

For the lowest income decile, average price paid per unit of alcohol would increase by at least 38 per cent. For the next lowest income decile, average price paid per unit of alcohol would increase by at least 24 per cent, based upon current average expenditure rates.
Figure 3.9: Average price paid per unit of alcohol by income decile - Scotland

Sources: Family Expenditure Survey 2008, ONS; University of Sheffield; Living in Britain 2001, ONS; cebr analysis

This has significant implications for disposable income of poorest households.

Assuming a price elasticity of demand of -0.6 for low income households, the introduction of a 40 pence per unit minimum price is likely to lead to an increase in expenditure of £1.30 per week for the poorest ten per cent of households – around 1.2 per cent of their total income.

We estimate that the introduction of 40 pence per unit minimum price plus a discount ban would lead to an increase in expenditure of £1.92 per week for the poorest ten per cent of households – around 1.8 per cent of their total income.
4 Unintended consequences of minimum pricing not covered by University of Sheffield report

4.1 Limited remit of Sheffield Report

The limited remit against which the University of Sheffield were commissioned by the Scottish Government means that many important considerations with relation to the impact of alcohol pricing policy have effectively been ignored.

These unintended consequences include:

- The impact of ‘cross border’ / internet purchases on Scottish retailers, and the knock-on impacts on employment etc.
- The fact that the net effect on consumption and therefore harms will inevitably be less than forecast because of the fact that consumers will still be able to choose to purchase alcohol from England perfectly legally
- The impact on the black market, and policing/crime costs therein
- The impact on ‘consumer welfare’ from reduction in consumption of alcoholic products
- The impact on consumers’ ability to purchase other products including essentials such as food, bills and rent, and how this feeds back into health harms, crime and workplace impacts
- The costs of implementation and enforcement of the policy

Each of these issues are discussed in the remainder of this chapter.

4.2 Impact of cross border / internet purchases

The University of Sheffield report implicitly assumes that the introduction of new alcohol pricing policies in Scotland is effectively done ‘in a bubble’, with consumers having no ability to choose to purchase alcohol products from retailers in England either directly, or through internet purchases. This is not a criticism of the research itself, as the impact of such changes in behaviour is difficult to model, however the fact that this is a difficult area does not mean that there should be no reference to it in the government’s considerations.
4.2.1 Impact on retailers

Evidence on the increase in cross-border purchasing between The Republic of Ireland and Northern Ireland, as a result of the increasing strength of the euro against the pound, shows that shoppers are prepared to travel significant distances to take advantage of price differentials. This evidence suggests that 16% of residents in The Republic of Ireland now choosing to shop in Northern Ireland\(^9\). Although this example covers the full range of shopping and not just alcohol products, it demonstrates that this is certainly an issue to be considered. In addition, the ‘booze cruise’ phenomenon between England and France is a pertinent example.

A particular issue would be if an internet-based supplier decided to set up premises near the Scottish border, and encouraged bulk purchasing within the border towns and even Glasgow and Edinburgh, where it may be economically viable to undertake mass delivery of alcohol products.

The introduction of minimum pricing and/or a promotions ban in Scotland would certainly put Scottish retailers at a disadvantage against their English counterparts, and may risk job losses. The following points are apparent:

- Minimum pricing at higher price points would increase the prevalence of cross-border purchases, as this would make the price differential between England and Scotland greater
- The impact would be most keenly felt amongst Borders towns
- Internet retailers could potentially sell into large conurbations where the economies of scale of delivery would be most advantageous

4.2.2 Impact on effectiveness of policy

Clearly, if a proportion of Scottish consumers choose to purchase alcohol from English-based retailers, then this will reduce the effectiveness of the pricing policy in terms of its impact on alcohol related harms.

Given this, it is therefore likely that the Scottish Government is underestimating the negative impact on Scottish consumers, and overestimating the potential benefits of the policy to an even greater extent than we suggest in our analysis in chapter 3 of this report.

4.3 Impact on the black market, and policing/crime costs

The introduction of minimum alcohol pricing and/or a promotions ban will inevitably increase demand for alcohol supplied through illicit means.

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\(^9\) Summary of Cross-Border Alcohol Trade Data UPDATE- October 2009, ABFI
Research by Callum and Pissarides (2004) shows that there is a direct relationship between legal trade cigarette prices and demand for cigarettes from the illicit trade. Whilst the relative size of the illicit trade in alcohol products is smaller than for cigarettes, intuitively there will be a relationship between price levels in the legal trade and demand in the illicit trade.

This issue means that the following unintended consequences should be considered in evaluating the policy:

- Increased costs of policing due to the illicit trade
- Increased crime levels due to increased funding from illicit trade
- Reduced effectiveness of minimum pricing and promotions ban due to consumers switching to the illicit trade

Whilst this is unlikely to be a major issue with low levels of minimum pricing, there would certainly still be additional costs attached to each of the points above, which would need to be considered as part of a full impact assessment of the policy.

### 4.4 Impact on ‘consumer welfare’

In the previous chapter, we demonstrated the extent to which consumer welfare is impacted from the price increases imposed by minimum alcohol pricing and/or promotions bans. This is probably the most significant omission from the University of Sheffield calculations, and therefore the most significant omission from the Scottish Government’s assessment of the policy.

This omission is acknowledged in paragraph 4.4 of the University of Sheffield’s report under ‘Areas for future research’:

‘A future economic appraisal could also potentially extend to other exclusions from the current analysis…potential lost benefits such as lost consumer surplus’

As outlined in chapter 3, we estimate this omitted cost to be worth around £113 million per year to Scottish consumers under a 40 pence per unit minimum price plus promotions ban regime.

### 4.5 Impact on consumers’ ability to purchase other products including essentials

As outlined in chapter 3, the introduction of minimum pricing would have a disproportionate impact on the poorest members of society. We calculate that the introduction of a 40 pence minimum price plus a promotions ban would mean that the

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10 Model based appraisal of alcohol minimum pricing and off-licensed trade discount bans in Scotland, Meier et al, 2009
poorest households end up spending an additional 1.8 per cent of their income on alcohol products. At the margins, this could have potential consequences for consumers’ ability to purchase other essential products such as food, or household bills.

Whilst we are not suggesting that there would be a significant additional cost associated with such issues, there would certainly be an additional cost to consumers on the lowest incomes over and above the pure financial costs.

In addition, the regressive nature of the policy is in itself a relevant consideration. Under BERR’s guidance on Impact Assessments (http://www.berr.gov.uk/files/file44544.pdf) it is clear that where ‘government intervention can have unintended consequences, imposing costs and creating economic distortions...these possible effects should be explored when the case for intervention is being considered’. It is disappointing that the Scottish Government has not followed this guidance.

4.6 The cost of implementation and enforcement of the policy

The introduction of this policy could lead to additional costs in the following areas:

- Administrative costs to retailers / producers from implementing and continually checking revised price levels
- Costs of enforcement, particularly amongst smaller retailers who are likely to find it easier to avoid compliance with the policy without strict enforcement

4.7 Conclusions

It is clear that the introduction of this policy would lead to a number of unintended consequences that have yet to be properly considered or valued by the Scottish Government. BERR’s guidance on Impact Assessments suggests that ‘government intervention can have unintended consequences, imposing costs and creating economic distortions...these possible effects should be explored when the case for intervention is being considered’, and in most circumstances we would expect such guidance to be followed before the implementation of policy.
Review of Regulatory Impact Assessment for the Alcohol etc. (Scotland) Bill

Overview

This paper sets out an analysis of the Scottish Government’s regulatory impact assessment (RIA) which accompanied the Alcohol Bill in Scotland.

In this paper we raise the following key concerns in relation to the regulatory impact assessment:

• The quantification of the economic impact of the main proposals laid out in the Alcohol Bill is limited to what is contained in the University of Sheffield report for Scotland

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• cebr have highlighted a number of issues with the University of Sheffield report in the past. In particular, the results presented in the report may overstate the impact of alcohol price changes on the levels of consumption amongst heavier drinkers

• Little attempt is made to quantify other unintended consequences of the introduction of minimum alcohol pricing and a ban on off-trade promotions

• The most important of these is the welfare cost to consumers from reduced alcohol consumption – this is referred to as ‘drinkers pleasure’ in the University of Sheffield report for England under ‘areas for possible future research’

• No consideration has been given to the impact of the policy on different income groups

• Our analysis suggests that the introduction of the proposed alcohol pricing policies would have a negative economic impact of between £100 million and £700 million over ten years, depending upon which policy is chosen

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1 Model based appraisal of alcohol minimum pricing and off-licensed trade discount bans in Scotland, Meier et al, 2009

We also draw attention to the fact that the Competition Assessment contained in the regulatory impact assessment provides explicit support to the widely held view that the heaviest drinkers are overall least responsive to price changes.

In this paper we focus upon the elements of the regulatory impact assessment associated with the options of introducing a specific minimum price of alcohol, and restrictions on promotions in the off-trade. Within this, we focus upon the costs and benefits section of the regulatory impact assessment document (chapter five), as well as the competition assessment (annex A).
Limitations of the Regulatory Impact Assessment

Broadly, the costs and benefits reported in the regulatory impact assessment are limited to those that have been quantified in the University of Sheffield report for Scotland.

As the University of Sheffield report for Scotland openly acknowledges, there are a number of other potential costs and benefits associated with the introduction of minimum alcohol pricing and other pricing policies. In our view these other costs and benefits should be properly considered by policy makers.

Specifically, the regulatory impact assessment does not acknowledge or attempt to value the following important costs of the introduction of minimum alcohol pricing and/or a promotions ban:

- The ‘consumer welfare’ (satisfaction from drinking) cost to consumers from reduced alcohol consumption
- Impact on the black market, and related policing/crime costs
- The impact on consumers’ ability to purchase other products including essentials such as food, bills and rent, and how this feeds back into health harms, crime and workplace impacts
- The impact of the policy on lower income households

Arguably the most important omission from the impact assessment is the first of these.

Lost ‘consumer welfare’

cesbr’s report on the impact of minimum alcohol pricing, Minimum Alcohol Pricing: A targeted measure? highlighted the fact that increased consumer expenditure is not the only economic cost to consumers that results from the introduction of minimum alcohol pricing.

In economics, utility is defined a measure of the relative satisfaction from, or desirability of, consumption of various goods and services. In the case of alcohol consumption, utility is the enjoyment that people derive from drinking alcohol products.

The potential loss of personal utility from reduced alcohol consumption as a result of minimum pricing is one of the key potential costs of minimum pricing that is not covered within the University of Sheffield study, and is an entirely legitimate element of the cost-benefit equation. Indeed, the Sheffield report acknowledges that

1 Minimum Alcohol Pricing: A targeted measure?, centre for economics and business research, 2009
the valuation of lost ‘drinkers pleasure’ from the introduction of price regulations is an area of further research.

We suspect that the reason that this cost has not been included is that this is quite a difficult concept to understand, and is also quite difficult to quantify. However, the fact that this is difficult does not mean that it is not significant or important.

The following example might help to highlight this issue:

**Box 1: Example of why lost utility from consumption is as important as overall financial effect**

A consumer currently drinks 10 units per week, and pays 40 pence per unit. Her current expenditure on alcohol is therefore £4.00 per week.

After the introduction of minimum pricing at 50 pence per unit, she reduces her consumption to 9 units per week. Therefore her expenditure on alcohol is now £4.50 per week – 50 pence more than before the policy change.

The current regulatory impact assessment measures the cost to this consumer as 50 pence per week, or £26 per year. However, there is another cost – the consumer has also lost 1 unit per week of alcohol consumption – presumably something that she enjoys and was willing to pay for. This lost utility is something that is well understood in economics and can be quantified.

The fact that alcohol consumption is potentially harmful to this consumer is completely irrelevant to this argument – as these cost savings are already taken into account in the modelling of reduced health harms, employment etc.

The omission of these costs is not a minor issue. cebr has estimated that with a minimum price of 50 pence per unit, the cost to Scottish consumers of lost consumer welfare would be around £150 million per year.

**Impact on the black market, and related policing/crime costs**

The introduction of minimum alcohol pricing and / or a promotions ban will inevitably increase demand for alcohol supplied through illicit means.

Research by Callum and Pissarides (2004) shows that there is a direct relationship between legal trade cigarette prices and demand for cigarettes from the illicit trade. Whilst the relative size of the illicit trade in alcohol products is smaller than for cigarettes, intuitively there will be a relationship between price levels in the legal trade and demand in the illicit trade.

This issue means that the following unintended consequences should be considered in evaluating the policy:
• Increased costs of policing due to the illicit trade

• Increased crime levels due to increased funding from illicit trade

• Reduced effectiveness of minimum pricing and promotions ban due to consumers switching to the illicit trade

Whilst this is unlikely to be a major issue with low levels of minimum pricing, there would certainly still be additional costs attached to each of the points above, which would need to be considered as part of a full impact assessment of the policy.

**Impact on lower income households**

Neither the University of Sheffield report nor the Regulatory Impact Assessment considers the impact of minimum pricing on different income groups’ household budgets.

We have used a combination of data to estimate at the average price paid per unit of alcohol for different income deciles. We combined the following data:

• **Family Expenditure Survey**, which gives expenditure across the full range of household goods and services, including alcohol, by region/country and by income deciles

• **University of Sheffield report for Scotland** – which provides reliable data on overall levels of alcohol consumption and expenditure in Scotland

• **Census 2001** – which provides data on alcohol consumption by income bracket, which we adjusted to align with current levels of alcohol consumption.

Our analysis shows that people at lower income levels drink only a slightly smaller amount than average, but spend significantly less on alcohol products.

Figure 3.9 below shows the extent of the difference in average price paid per unit of alcohol across the income range. It shows that the bottom 30 per cent of income levels pay on average 40 pence per unit of alcohol or less, and would therefore be fundamentally affected by the introduction of minimum pricing at 40 pence per unit.

For the lowest income decile, average price paid per unit of alcohol would increase by at least 38 per cent. For the next lowest income decile, average price paid per unit of alcohol would increase by at least 24 per cent, based upon current average expenditure rates.
This has significant implications for disposable income of poorest households.

If we assume a price elasticity of demand of -0.6 for low income households, we estimate that:

- The introduction of a 40 pence per unit minimum price is likely to lead to an increase in expenditure of £1.20 per week for the poorest ten per cent of households – around 1.1 per cent of their total income

- The introduction of a 50 pence per unit minimum price is likely to lead to an increase in expenditure of £1.70 per week for the poorest ten per cent of households – around 1.7 per cent of their total income

However, this analysis assumes that these poorer households reduce their consumption significantly in response to price changes. If these households wished to maintain their consumption levels at their current levels then the effect on household budgets would be much more severe:

- The introduction of a 40 pence per unit minimum price would lead to an increase in expenditure of around £4.70 per week for the poorest ten per cent of households - around 4.3 per cent of total income

- The introduction of a 50 pence per unit minimum price would lead to an increase in expenditure of around £7.00 per week for the poorest ten per cent of households - around 6.5 per cent of total income
This demonstrates that the introduction of a minimum unit price for alcohol would have a particularly damaging impact upon the household budgets of the lowest income households, a point which should be seriously considered in assessing the case for minimum alcohol pricing.

**Issues relating to the University of Sheffield report**

cebr’s detailed analysis of the University of Sheffield’s report and published model results, details of which can be found in the cebr report *Minimum Alcohol Pricing: A targeted measure?*, showed that there are inconsistencies between the results of the University of Sheffield modelling, and respected academic research on the relationship between alcohol price changes and changes in consumption.

These inconsistencies mean that the Sheffield modelling is likely to overstate the impact of minimum alcohol pricing on consumption amongst hazardous and harmful drinkers, and is therefore likely to overstate the impact on alcohol related harm.

**The Sheffield price-consumption model produces results that are inconsistent with the evidence base**

Whilst the results of the Sheffield model exercise are generally internally consistent, they do not appear to be consistent with a range of academic evidence presented in the Sheffield reports. In particular, the model consistently produces results that suggest that hazardous and harmful drinkers are more responsive to changes in the price of alcohol than moderate drinkers – not only in terms of switching between alcohol products but also at an aggregate level.

This is most apparent when we consider the results of the Sheffield modelling of ‘general price increases’ that can be found in the Phase B report undertaken by the University of Sheffield for the Department of Health in England. Here, there should not be any significant impacts from switching between alcohol products as the assumption is that all types of alcoholic beverage would go up in price by roughly the same percentage.

Given this, we would expect hazardous and harmful drinkers to exhibit smaller relative changes in alcohol consumption than moderate drinkers, for a given price change, based upon most academic evidence.

Figure 2 below shows the implied relationship between price and consumption based upon the Sheffield modelling.

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It should be noted that for each category of drinker, this graph is based upon three observations – a 1 per cent, 10 per cent and 25 per cent general price increase. However, for each category of drinker the results show an exactly linear relationship between average price changes and consumption. We can therefore be confident that the relationships we have implied below are an accurate representation of the Sheffield model.

Figure 2: Implied relationship between price changes and consumption levels from Sheffield modelling, based upon modelling of ‘general price increases’

We can clearly see here that the Sheffield modelling systematically shows a greater responsiveness to overall price changes amongst heavier drinkers, a direct contradiction of the evidence presented which shows that hazardous and harmful drinkers are least responsive to price changes overall.

In addition, the modelling seems to imply a smaller than expected response to price for moderate drinkers. The implied price elasticities are shown in the table below.

---

1 Based upon results in tables 39, 40 and 41 of University of Sheffield Phase B report
Table 1: Implied elasticities from Sheffield Modelling

<table>
<thead>
<tr>
<th>Type of drinker</th>
<th>Implied elasticity</th>
<th>Expected elasticity (based upon Sheffield and Wagenaar et al)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moderate</td>
<td>-0.33</td>
<td>-0.47 to -0.62</td>
</tr>
<tr>
<td>Hazardous</td>
<td>-0.47</td>
<td>-0.21 to -0.28</td>
</tr>
<tr>
<td>Harmful</td>
<td>-0.46</td>
<td>-0.21 to -0.28</td>
</tr>
</tbody>
</table>

Based upon this, it appears that the Sheffield modelling may over-estimate the responsiveness of hazardous and harmful drinkers to changes in price by a factor of two or more. In addition, it may significantly underestimate the responsiveness of moderate drinkers to price changes.

The notion that heavier drinkers are less responsive to price changes than moderate drinkers is also explicitly supported in the Scottish Government’s regulatory impact assessment:

‘Generally, heavier drinkers can be expected to have relatively more inelastic elasticities of demand for alcohol than moderate drinkers, meaning that an overall change in the price of alcohol will cause heavier drinkers to change their consumption behaviour by less than moderate drinkers’

- *Framework for Action: Changing Scotland’s Relationship with Alcohol – Regulatory Impact Assessment for Alcohol etc. (Scotland) Bill, Scottish Government, 2009*

This statement clearly directly contradicts the results of the Sheffield Modelling on general alcohol price increases, yet the regulatory impact assessment has made no adjustment for this apparent contradiction.

cebr’s findings have been criticised by some elements of the health lobby, with the improbable claim that we have failed to understand the complexities of the University of Sheffield modelling.

In reality cebr have undertaken the most thorough review of the results of the Sheffield research of any organisation.

In addition, as one of the United Kingdom’s leading independent economics consultancies cebr are one of the best placed organisations to understand the complexities of this issue, and the relationship between price and consumption – a fundamental economics issue.
In summary – our findings are based upon a thorough review and numerous sense checks of the results of the Sheffield modelling. The Sheffield modelling itself is very complex, and certainly goes much further than any other modelling by attempting to modelling the complex choices between different types of alcohol products for different types of drinker. However, this does not mean that the results of the modelling should not be intuitive, and broadly in line with most credible evidence.
Cost benefit analysis of minimum pricing / discount ban

The regulatory impact assessment does not present a full cost benefit assessment of minimum alcohol pricing / discount ban, although section 13 of the document does provide a summary of the costs and benefits.

Here we summarise in simple, easy to read tables the cost-benefit analysis of the introduction of these alcohol pricing policies to Scotland. We show both the case as presented in the regulatory impact assessment document, which almost exclusively draws upon the results presented in the University of Sheffield report for Scotland, and also cebr’s assessment of the costs and benefits. cebr’s assessment differs in two important ways from that presented in the regulatory impact assessment:

- We have modelled a different price response for moderate, hazardous and harmful drinkers, based upon our assessment that the Sheffield report overstates the response of heavier drinkers and understates the response of moderate drinkers

- We have included a valuation of lost consumer welfare (loss of utility) due to lower consumption, which as discussed earlier is an important cost to consumers that has not been considered in the regulatory impact assessment

Tables 2 and 3 can be found on the following page. These lead to some interesting conclusions:

- In both the Scottish Government assessment and the cebr assessment the costs to individuals outweigh the benefits

- The impact on government is in both cases marginal – with lower VAT and duty receipts only marginally outweighed by lower costs to health services and criminal justice costs

- These two points explode the myth that minimum pricing proposals would save Scottish taxpayers money

- In the Scottish Government assessment, the only reason that the economic case for these proposals is positive is that businesses benefit from increased revenues

- However, once the true costs to individuals – which includes the loss of utility (drinkers pleasure) from reduced alcohol consumption – are taken into account, we can see that the case for minimum alcohol pricing appears to be substantially negative from an economic perspective

- The regulatory impact assessment should therefore conclude that the overall impact of these proposals is negative, and should not recommend them
Table 2: Cost-benefit analysis of alcohol pricing proposals as presented in Scottish Government regulatory impact assessment (£million, discounted value over 10 years)

<table>
<thead>
<tr>
<th></th>
<th>40p minimum pricing</th>
<th>50p minimum pricing</th>
<th>40p minimum pricing + discount ban</th>
<th>50p minimum pricing + discount ban</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT and duty</td>
<td>-35</td>
<td>-175</td>
<td>-103</td>
<td>-231</td>
</tr>
<tr>
<td>Healthcare costs</td>
<td>64</td>
<td>163</td>
<td>115</td>
<td>200</td>
</tr>
<tr>
<td>Crime</td>
<td>9</td>
<td>30</td>
<td>22</td>
<td>40</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>38</td>
<td>18</td>
<td>34</td>
<td>9</td>
</tr>
<tr>
<td><strong>Individuals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in spending</td>
<td>-711</td>
<td>-1,193</td>
<td>-1,014</td>
<td>-1,382</td>
</tr>
<tr>
<td>Loss of utility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health QALYs</td>
<td>288</td>
<td>731</td>
<td>524</td>
<td>898</td>
</tr>
<tr>
<td>Unemployment</td>
<td>161</td>
<td>380</td>
<td>245</td>
<td>434</td>
</tr>
<tr>
<td>Crime QALYs</td>
<td>6</td>
<td>24</td>
<td>18</td>
<td>31</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>-256</td>
<td>-58</td>
<td>-227</td>
<td>-19</td>
</tr>
<tr>
<td><strong>Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased revenue</td>
<td>711</td>
<td>1,193</td>
<td>1,014</td>
<td>1,382</td>
</tr>
<tr>
<td>Reduced workplace absence</td>
<td>9</td>
<td>26</td>
<td>23</td>
<td>37</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>720</td>
<td>1,219</td>
<td>1,037</td>
<td>1,419</td>
</tr>
<tr>
<td><strong>Total net impact</strong></td>
<td>502</td>
<td>1,179</td>
<td>844</td>
<td>1,409</td>
</tr>
</tbody>
</table>

Table 3: Cost-benefit analysis of alcohol pricing proposals based upon cebr calculations (£million, discounted value over 10 years)

<table>
<thead>
<tr>
<th></th>
<th>40p minimum pricing</th>
<th>50p minimum pricing</th>
<th>40p minimum pricing + discount ban</th>
<th>50p minimum pricing + discount ban</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT and duty</td>
<td>-30</td>
<td>-154</td>
<td>-88</td>
<td>-203</td>
</tr>
<tr>
<td>Healthcare costs</td>
<td>47</td>
<td>124</td>
<td>90</td>
<td>155</td>
</tr>
<tr>
<td>Crime</td>
<td>14</td>
<td>46</td>
<td>30</td>
<td>60</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>31</td>
<td>16</td>
<td>32</td>
<td>13</td>
</tr>
<tr>
<td><strong>Individuals</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in spending</td>
<td>-887</td>
<td>-1,661</td>
<td>-1,326</td>
<td>-1,954</td>
</tr>
<tr>
<td>Loss of utility</td>
<td>-465</td>
<td>-1,300</td>
<td>-973</td>
<td>-1,704</td>
</tr>
<tr>
<td>Health QALYs</td>
<td>220</td>
<td>570</td>
<td>410</td>
<td>710</td>
</tr>
<tr>
<td>Unemployment</td>
<td>80</td>
<td>180</td>
<td>140</td>
<td>230</td>
</tr>
<tr>
<td>Crime QALYs</td>
<td>3</td>
<td>17</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>-1,049</td>
<td>-2,194</td>
<td>-1,735</td>
<td>-2,695</td>
</tr>
<tr>
<td><strong>Businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased revenue</td>
<td>887</td>
<td>1,661</td>
<td>1,326</td>
<td>1,954</td>
</tr>
<tr>
<td>Reduced workplace absence</td>
<td>7</td>
<td>21</td>
<td>20</td>
<td>32</td>
</tr>
<tr>
<td><strong>Net</strong></td>
<td>894</td>
<td>1,683</td>
<td>1,345</td>
<td>1,986</td>
</tr>
<tr>
<td><strong>Total net impact</strong></td>
<td>-124</td>
<td>-495</td>
<td>-357</td>
<td>-697</td>
</tr>
</tbody>
</table>
Alcohol etc. (Scotland) Bill

Royal Society of Edinburgh

Summary

• The scientific evidence suggests a strong relationship between comparatively low cost and easy accessibility on the one hand and alcohol consumption on the other. There is a strong argument for the action that is proposed to control price as a way of reducing consumption. If the Parliament decides to act, and we believe that it should, it must accept that there is some uncertainty about the extent of demand elasticity, and whether minimum prices can be set at an acceptable level that will significantly influence demand.

• If such bold legislation is to be introduced, it must be associated with a price level that is likely to have an impact. The Committee should encourage Scottish Ministers to further consider the modelling work with a view to initially setting the minimum price to at least 50p per unit. Once set, the minimum price and its effect on alcohol consumption should be subject to comprehensive evaluation.

• The legislation being considered is to dissuade and its success or otherwise will depend on its capacity to change behaviour. Although minimum pricing could reduce consumption, pricing alone is not enough and price changes in isolation may fail to maximise the opportunities offered by legislation of the significance of that proposed. Minimum pricing should be one component of a broader strategy for reducing alcohol consumption and related harm, including targeted approaches as well as population-based interventions.

• Legislation which bans off-sales price promotions in conjunction with a minimum price is likely to reduce consumption to a greater extent than minimum pricing alone. It also represents an opportunity to bring the off-sales trade into line with the on-sales trade.

• Concerns have been raised as to whether the current proposals for a minimum alcohol sales price would be compatible with EU law. Whilst the RSE is not in a position to offer a legal opinion on this issue we take this opportunity to draw the Committee’s attention to the SHAAP paper\(^1\) on the current legal framework which seems to be a fair summary of the relevant considerations.

\(^1\)Scottish Health Action on Alcohol Problems

• We are concerned by the vagueness of the proposals for a social responsibility levy. Much more thought will have to be given to its scope, applicability and details before it can be implemented. The Scottish Government should consider whether some of the monies generated by a levy could help fund social and medical research on alcohol misuse and its effects and its remediation.

• Rather than empowering licensing boards to raise the legal alcohol age in their area to 21, the Scottish Government would be better placed to ensure that the existing legislation dealing with the sale of alcohol to minors is rigorously enforced.

**Background**

1. The Royal Society of Edinburgh (RSE), Scotland’s National Academy, is pleased to respond to the Scottish Parliament Health and Sport Committee’s invitation to provide written comments on the general principles of the Alcohol etc. (Scotland) Bill. The RSE is well placed to respond because of the multi-disciplinary breadth of its Fellowship which permits it readily to draw upon advice from experts in health and public policy, health inequalities, health psychology, clinical medicine, economics and law, in preparing this paper. We address, in turn, the points raised by the Committee in its call for evidence and would be pleased to discuss further any of the issues raised in this paper with the Committee. It is a longer paper than had been hoped, but the issues are so important that we felt it appropriate to analyse them in some detail.

**The rationale behind the use of minimum pricing as an effective tool to address all types of problem drinking and the advantages and disadvantages of establishing a minimum alcohol sales price on a unit of alcohol**

2. Excessive alcohol consumption is a major problem in contemporary Scotland both because of its health impacts on those who drink to excess and its secondary social effects. A recent study\(^2\) by the York Health Economics Consortium has quantified the major direct impacts on the economy and indirect impacts on individuals and families of excessive consumption. The scientific evidence (some of which is referred to in the documents accompanying the Bill) suggests a strong relationship between comparatively low cost and easy accessibility on the one hand and alcohol consumption on the other. There is also abundant epidemiological evidence of an inverse relationship between cost and rates of alcoholic cirrhosis. This includes interesting historical

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\(^2\) The Societal Cost of Alcohol Misuse in Scotland for 2007; York Health Economics Consortium, University of York; January 2010
observations during both World Wars and periods of prohibition elsewhere.

3. Efforts at dissuasion have had little success. There is widespread lack of awareness of the adverse effects of alcohol. Public health measures and preventative medicine have not been effective. The message that there should be 'safe limits' to consumption has been difficult to get across to the public; and excessive alcohol consumption has not been targeted with the hard-hitting techniques that have been used to encourage people to give up smoking. On the contrary there has been increasingly aggressive marketing by the drinks industry coupled with irresponsible, cut-price and easy-access promoting by retailers. At the same time, patterns of social behaviour, particularly in cities have lent themselves to greater alcohol consumption and to binge drinking, whilst intolerance of drunkenness appears to have decreased in some communities.

4. There should be no doubt that this is an immensely serious and important issue. Unfortunately, there is no proven route to success in dealing with the problem, and many possible approaches are likely to have side effects that are difficult to anticipate. There is no silver-bullet solution. If the Parliament decides to act, and we believe that it should, it must accept that there is some uncertainty about the extent of demand elasticity, and whether minimum prices can be set at an acceptable level that will significantly influence demand. It is also very likely many legislators elsewhere will be intensely interested in the outcome. The Parliament has shown its readiness to take bold decisions in such areas, as exemplified by the success of the smoking ban in public buildings, that demonstrates how well-considered, decisive action coupled with political leadership on a major issue of public concern can be highly effective. The legislation being considered is to dissuade, not ban, and its success or otherwise will depend on its capacity to change behaviour.

5. Given the clear correlation between the relative low cost and consumption of alcohol there is a strong argument for the action that is proposed to control price as a way of reducing consumption. Unfortunately there is no empirical evidence of which we are aware that demonstrates how and at what level minimum pricing would have a significant effect. The rationale for minimum pricing is based on the theory of the demand for a good: the higher a good’s price relative to those of other goods, the lower will be the consumption. Figure 1 illustrates this. The introduction of a controlled price above the current market price causes consumption to fall from $C_0$ to $C_1$ units.
6. However, the figure also indicates: A) the less responsive is demand to changes in price (the steeper the slope of the curve, technically its “elasticity”), the smaller will be the impact of any price change. B) the sales revenue will also change and whether the controlled price raises or lowers the total sales revenue depends on the elasticity of demand. However, the key point is that in theory a price control is a way to ration or restrict consumption. It is a traditional argument for the excise duties on alcohol and tobacco. The crucial issues are: what is the level of elasticity; at what level of minimum price would there be a significant impact; and what unintended side effects might there be.

7. The key to understanding the impact of a price floor on consumption is the set of “elasticises of demand”. These are parameters of the underlying demand system econometrically estimated from an appropriate data set. They show the proportional response of the quantity purchased of a good to changes in the price of the good itself, the price of goods that might be substitutes or complements to the good, and to changes in income. In all of this estimation, a range of other factors that theory or empiricism suggests may have a role to play in determining the quantity purchased (e.g. age, gender etc.) are controlled for.
8. In the absence of experimental data, the ScHARR work\(^3\), which has been extensively referred to in the Scottish Government’s analysis, attempts to assess by modelling how increasing the price at which alcohol is sold can reduce consumption, with minimum pricing targeting those alcohol products which are currently available at relatively low cost. In this study, the own price elasticises for every category but one are inelastic. This means that if the price were to rise by 10%, consumption would fall by less than 10% - and so total spending on that product would increase. It could be concluded that, on average, a 10% rise in the average price of alcohol sold in off-licenses will result in a 4% reduction in consumption.

9. The Committee should also be aware that the ScHARR study showed that, for any category of beverage and outlet, there was a distribution of prices from low to high. A crucial assumption in that study is that when a price floor is introduced, the only prices that will be raised are those that are currently below the price floor and that they will be raised to the statutory minimum price. Hence existing prices that are above the price floor are assumed to be unaffected by the policy change. This is not very plausible because one reason for the distribution of prices is that, within a category, product “quality” varies and “higher quality” products sell for higher prices than “lower quality” ones. However, the introduction of a minimum price could result in higher prices across the board as producers and retailers look to maintain a price distribution between “low quality” and “high quality” beverages. This could increase the expenditure by consumers on alcoholic products and have the effect of increasing the profits on those products.

10. In theory however, increasing the price of alcohol will increase motivation to drink less, particularly in those to whom the price is critical i.e. young drinkers and the more social disadvantaged who are overrepresented among excessive drinkers. However, in order for this policy intervention to meaningful, it is crucial that the minimum price is set at such a level as to have the desired effect on consumption. We look at this critical aspect in the next section.

11. It is also important to anticipate potential unexpected consequences of such a policy. For example, if heavy alcohol consumption is socially important, or addictive, by analogy with other addictions, other areas of personal or family expenditure may suffer to ensure continuing access to the addiction. Psychological models of the determinants of behaviour change also suggest that although minimum pricing could reduce consumption, pricing alone is not enough and that price changes in

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\(^3\) Independent Review of the Effects of Alcohol Pricing and Promotion; and Model-Based Appraisal of Alcohol minimum Pricing and Off-Licensed Trade Discount Bans in Scotland
isolation may fail to maximise the opportunities offered by legislation of the significance of that proposed.

12. Current models suggest that three main processes are involved in behaviour change: 1) increasing the **motivation** to act (in this case generating or increasing the desire to drink less), 2) increasing the capacity to turn such motivation into **action** (so that people actually drink less) and 3) **prompts and cues to action** that may bypass motivation and planned action. The pricing of alcohol is likely to operate through 1 and 3 but it may not help those who have planned to drink less to actually implement those plans. It appears self evident that increasing the cost will increase motivation to drink less, particularly in those in whom the price is critical, i.e., the more social disadvantaged who are overrepresented among excessive drinkers. The low pricing, special offers and the associated advertising are powerful prompts to action. Most prompts at point of sale are directed at increasing purchase and consumption of alcohol. Removal of these prompts should reduce thoughtless unplanned purchases. This is important since altering the prompts to action is one of the most difficult behavioural change mechanisms for health and other authorities to utilise. Advertising uses prompts to action very effectively and the difference in advertising budgets between the drink and health industries is profound.

13. Decades of research on the reduction of behaviours that are in some way rewarding (alcohol consumption, smoking, eating a rich fat laden diet) have shown that behaviour change cannot be accomplished by motivation alone or by the knowledge that the behaviour is unhealthy. Prompts and cues will help but in addition people need the self regulatory skills to reduce their purchase and consumption of alcohol. This is particularly the case for the heaviest “harmful” drinkers whose drinking is out of control. The services available to those who wish to reduce their alcohol consumption should be increased (and widely advertised) in associated with minimum pricing. This can be done in a variety of ways and need not be enormously expensive. Scotland has already rolled out an Alcohol Brief Intervention (ABI) which health authorities are encouraged to use. In addition it is likely that greater use could be made of other agencies such as NHS 24 health information service and self help programmes delivered by internet.

14. The drinks industry argues that imposing a minimum price on alcohol unfairly penalises the vast majority of the population who drink responsibly and moderately. However, we agree with the UK Parliament Health Committee, which recently published its report on Alcohol, which was not persuaded that this is a serious argument and refer to the [The Health Committee’s First Report of Session 2009-10 on Alcohol (HC 151–1)](http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/151/151i.pdf)
ScHARR work which estimates that those who drink in moderation would only be marginally affected.

15. Over the last couple of decades it is apparent that there has been an increase in the strength of some alcoholic drinks. The Committee should be aware that the natural profit-making response from producers of alcoholic beverages to the introduction of a minimum price for alcohol would be to maintain the alcohol content of their products in order to maximise profitability.

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

16. Although the Scottish Government has not specified the level at which the proposed minimum price for a unit of alcohol will be set, the figure of 40p per unit has been used by Ministers as an illustration. In order to maximise the achievement of the aims of reducing alcohol consumption and reducing alcohol related harm it is imperative that the minimum price is set at such a level that would ensure that consumption is reduced to a material extent. From having considered the ScHARR modelling it seems apparent to us that a figure of 40p per unit could reduce the potential effectiveness of the measure as it is likely only to impact on a narrow band of off-sales products. If such bold legislation is to be introduced, it must be associated with a price level that is likely to have an impact. Anything less would undermine its whole rationale.

17. In order that a minimum price has a genuine and sustained effect on reducing the consumption of alcohol the Committee should encourage Scottish Ministers to further consider the modelling work which has been carried out with a view to initially setting the minimum price to at least 50p per unit. Once set, the minimum price and its effect on alcohol consumption should be subject to comprehensive evaluation. On the basis of this evaluation and as other relevant data becomes available, legal provision should be made to enable review and variation of the minimum price if this is felt desirable by Ministers, subject to the control of the Scottish Parliament. This appears to be consistent with the process and order making power proposed in s.1 of the Bill.

Possible alternatives to the introduction of a minimum alcohol sales price as an effective means of addressing the public health issues surrounding levels of alcohol consumption in Scotland

18. We note that alcohol consumption could, in theory, be reduced through increasing alcohol duty and taxation. In order to be effective this would need to be accompanied by a ban on the sale of alcohol below the cost of duty and VAT. However, as alcohol duty and taxation are currently
reserved to the UK Government, the Scottish Government has no power to vary them. We also note from the policy memorandum that the UK Government does not see alcohol duty as a prime tool for addressing problems associated with alcohol consumption. We also agree with the Scottish Government’s analysis that alcohol duty is generally seen as a fiscal instrument rather than a public health one. In the short term it appears unlikely that alcohol duty and taxation will be employed as a means to reduce levels of consumption.

19. However, it is important that there is dialogue and open communication between the Scottish and UK Governments as there would be some merit in considering a joint approach on this issue in future. It would also help to ease concerns that a minimum price imposed in Scotland could lead to people importing lower priced alcohol from England. Within this context it is also important to note that there have been calls for minimum pricing to be introduced in other parts of the UK. The report on alcohol from the UK Parliament Health Committee is a recent example.

20. Given the importance of addressing the consumption of alcohol in Scotland, we are concerned that the debate surrounding possible alternatives to the introduction of a minimum alcohol sales price could prove to be a distraction and delay the implementation of a measure that has the potential for real impact. Given the precarious state of Scotland’s current relationship with alcohol we support the introduction of a minimum price at the earliest opportunity, subject to our comments on setting the appropriate level (paragraphs 16 and 17).

21. We also reiterate our earlier comment (paragraphs 11 and 13) that in order to effectively fulfil the aims of the current Bill it is essential that minimum pricing is not introduced in isolation. Rather, it should be one component of a broader strategy for reducing alcohol consumption and related harm, including targeted approaches as well as population-based interventions.

22. As part of a comprehensive evaluation process the Scottish Ministers should ensure that this includes a cross-national examination of policies and mechanisms which have been applied by other countries. Although it should be noted that every country will have its own distinctive culture and relationship with alcohol.

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

23. We agree that social responsibility is important but we are concerned by the vagueness of the current proposals for the levy. It is important that the proposal is driven by public health considerations as opposed to
cost. Much more thought will have to be given to the scope, applicability and details of the proposal before any social responsibility levy can be implemented. Although we note that the Scottish Government does not intend to set out nationally the uses to which the levy could be put, it would be worth considering whether some of the monies generated by a levy could help fund social and medical research on alcohol misuse, its effects and its remediation. The Committee should ensure that if the Scottish Government is minded to introduce a levy, that it continues to work and consult with key stakeholders including COSLA, ACPOS, NHS Scotland, the alcohol industry, retailers and other business interests, before any regulations are brought forward.

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

24. Although we understand the Scottish Government’s reasons for proposing to empower licensing boards to raise the legal purchase age in their area to 21, we believe that this would be very difficult to implement in practice. The minimum legal age for most restricted activities is either 16 or 18 and the approach suggested would be out of step with much of Europe. The current proposal advocates local approaches to raising the legal purchase age in off-sales rather than a common approach throughout Scotland. In our opinion the lack of a consistent approach is likely to result in increased confusion and difficulties. There remains a concern as to the capability of the licensing boards to adequately undertake the detrimental impact assessment.

25. In the first instance it would be most productive for the Scottish Government to ensure that the existing legislation dealing with the sale of alcohol to minors is rigorously enforced against irresponsible retailers and licensees.

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

26. The proposed restrictions on drinks promotions in s.3 and 4 of the Bill are to be commended. We accept the reasoning that alcohol is not an ordinary commodity. Quantity discount promotions are well established in off-sales and not only impact upon alcohol-related harm but they can also contribute to wider problems of obesity and poor general health. As suggested by the ScHARR modelling work, legislation which bans off-sales price promotions in conjunction with a minimum price is likely to reduce consumption to a greater extent than minimum pricing alone. It also represents an opportunity to bring the off-sales trade into line with the on-sales trade.
Other aspects of the Bill

27. We understand that a number of MSPs and other commentators have raised concerns as to whether the current proposals for a minimum alcohol sales price would be compatible with EU law. Whilst the RSE is not in a position to offer a legal opinion on this issue we take this opportunity to draw the Committee’s attention to the SHAAP paper⁵ on the current legal framework which seems to be a fair summary of the relevant considerations.

Additional Information and References

This response has been prepared by an expert RSE working group and signed-off by the General Secretary on behalf of the Society.

The Society would like to draw attention to the report of its conference and public discussion forum, Alcohol – our Favourite drug: from Chemistry to Culture (February 2009)
http://www.rse.org.uk/events/recent.htm#alcohol2

Any enquiries about this response and others should be addressed to the RSE’s Consultations Officer, Mr William Hardie (Email: evidenceadvice@royalsoced.org.uk).

Responses are published on the RSE website (www.royalsoced.org.uk).

The Royal Society of Edinburgh, Scotland’s National Academy, is Scottish Charity No. SC000470

⁵Scottish Health Action on Alcohol Problems