

## Submission of written evidence on the Alcohol (Minimum Pricing) (Scotland) Bill

1. The Scottish Grocers' Federation (SGF) welcomes the opportunity to provide written evidence to the Health and Sport Committee on the Alcohol (Minimum Pricing) (Scotland) Bill.
2. SGF is the trade association for the Scottish Convenience Store Sector. It is the authoritative voice of the Scottish convenience trade with nearly 2,000 stores in membership including groups such as SPAR Scotland, Booker Premier, KeyStore, Nisa, Costcutter, McColl's, the Scottish co-operative and Scotmid, as well as a number of independent retailers including David Sands Ltd and Margiotta Ltd. In total, SGF members employ over 32,000 people across Scotland.
3. SGF members take a responsible approach to retailing alcohol and why we proactively work with the Scottish Government through bodies like the Scottish Government Alcohol Industry Partnership to promote sensible drinking and tackle alcohol related harm. SGF members were, for example, operating a Challenge 25 policy on a voluntary basis several years before the introduction of the 2010 Alcohol Act.
4. SGF recognises the harmful relationship which some Scots have with alcohol and the detrimental social and economic impact irresponsible levels of drinking can have. Nevertheless, we are also cognisant that over the last five years there have been some welcome signs of improvement.
5. Alcohol related deaths, for example, declined by 15 percent over the last five years<sup>1</sup>, with 2010 showing the second lowest recorded rate for the last decade, whilst alcohol related hospital discharges also declined between 2007/08 and 2009/10<sup>2</sup>. Between 2007 and 2010 there was a decline in the number of alcoholic products, across six alcohol groups except wine, being sold below a unit price of 45p.<sup>3</sup>
6. We also note the fact that since the introduction of an alcohol duty escalator in 2008 by the UK Government, duty on alcoholic products has risen by 2% in real-terms each year since then. The Institute for Fiscal Studies argue that *"assuming current plans for 2% real increases to continue up to 2014 are fully implemented, real beer duty in 2014 will be higher than at any time since at least 1982, wine duty will reach levels last seen in 1983 and spirit duty at levels last seen in 2000."*<sup>4</sup>
7. Nevertheless, despite some of these more positive trends we understand the Scottish Government's desire to do more to curb the excesses of those who abuse alcohol. We also understand that the parliamentary arithmetic is such that the Minimum Unit Pricing Bill will become law. However, SGF would like to detail some of our concerns with the legislation.

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<sup>1</sup> General Register Office for Scotland (GROS): <http://www.gro-scotland.gov.uk/statistics/theme/vital-events/deaths/alcohol-related/index.html>

<sup>2</sup> Alcohol-related discharges have declined over the past two years (2007/08 -2009/10) from 43,054 to 39,278, a reduction of 8.8, Alcohol Statistics Scotland Report 2011, Pg. 50:  
[http://www.alcoholinformation.isdscotland.org/alcohol\\_misuse/files/alcohol\\_stats\\_bulletin\\_2011.pdf](http://www.alcoholinformation.isdscotland.org/alcohol_misuse/files/alcohol_stats_bulletin_2011.pdf)

<sup>3</sup> Leicester, A., (2011), *Alcohol pricing and taxation policies*, IFS Briefing Note BN 124, Institute for Fiscal Studies, Pg.35

<sup>4</sup> Ibid, Pgs. 13-14

### **Impact on low-income and moderate consumers**

8. As retailers we, perhaps more than most, witness on a daily basis the financial pressures on households across Scotland. It is reflected in the choices consumers make and in the profitability of our businesses. That is why we found it regrettable that little attempt was made to model the impact of minimum unit pricing (MUP) on different income groups when it was proposed as part of the 2010 Alcohol Bill. The Sheffield study failed to do this adequately and little attempt, to our knowledge, has been made by the Scottish Government to establish this subsequently.
9. SGF is concerned that MUP will be a regressive measure which will disproportionately penalise those on lower incomes and the moderate consumer.
10. The Office of National Statistics, for instance, shows that those on the lowest incomes spend, on average, a greater proportion of their weekly budget on off-sales alcohol than those on higher incomes.<sup>5</sup> The Institute for Fiscal Studies, for example, argued in a recent report that *“a minimum price would have a larger effect on low-income households.”* Indeed, the report continued, *“Our figures suggest that at 45p a minimum price would directly affect the vast majority of off-licence consumers.”*<sup>6</sup>
11. The same research showed that those on higher incomes, although more likely to purchase higher quantities of alcohol, will also spend more per unit than those on lower incomes. This is problematic from an MUP perspective for two reasons.
12. Firstly, those on higher incomes are least likely to be affected by a moderate minimum price, for instance 45p, due to the fact that they consume higher quantities of more expensive alcohol.
13. Secondly, as the Scottish Government’s own research shows, those on the highest incomes - who can more easily absorb price increases through MUP - have a greater propensity for exceeding the healthy drinking guidelines than lower income consumers.<sup>7</sup>
14. We are also profoundly concerned that MUP will be anathema to the concept of a ‘free market’ of which competitive pricing is the keystone. It is our view that when Government starts to intervene in the market a range of unintended and undesirable outcomes can result. For instance, MUP will remove the price advantage of the own-brand product vis-à-vis the brand leader. This could result in own-brand products being de-listed, or at least ceasing to offer the price advantage on which the lower income consumer is reliant. Either way, this will reduce choice for customers and create a considerable loss of business for the producers involved.

### **The impact on SGF members**

15. We have a number of concerns with regards to the impact MUP will have on our members.
16. Firstly, we would expect that some producers would take the opportunity under MUP to increase their prices to trade in order to benefit from the increased revenue determined by retail price

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<sup>5</sup> Office for National Statistics, Family Spending Survey 2009

<sup>6</sup> Leicester, A., (2011), *Alcohol pricing and taxation policies*, IFS Briefing Note BN 124, Institute for Fiscal Studies, Pg.35

<sup>7</sup> Scottish Health Survey 2010, <http://www.scotland.gov.uk/Resource/Doc/358842/0121284.pdf>

increases. This will erode any expected financial gain for smaller and independent retailers which have less bargaining power with producers than, for example, supermarkets.

17. Secondly, whilst we accept that MUP may introduce more of a 'level playing field' on price between convenience stores and larger supermarkets, we do note the findings of research which shows that larger multiples will make more of a financial gain under MUP due to their greater propensity to sell more alcohol below 45p per minimum unit price than many of our members.
18. We also believe that the supermarkets could employ a range of compensatory measures with which our members cannot compete. For instance, some of the larger multiples have already proven, for example, how easy it is for them to circumvent the will of the 2010 Alcohol Act by advertising that they can still offer multi-buy deals, illegal in Scotland, by delivering them straight from a warehouse in England to the consumer's door.
19. We believe that this pattern of behaviour will only be exacerbated by minimum unit prices with more consumers buying in bulk online. Indeed, there was a 55 percent increase in UK online alcohol sales between April 2010 and April 2011.<sup>8</sup> With more consumers becoming well-versed in online shopping we believe that this consequence of MUP should not be underestimated.
20. Thirdly, we are also concerned about the impact MUP will have on retailers situated close to the border with England. Some retailers have already started to report a loss in business from cross-border trade resulting from the 2010 Alcohol Act. Minimum pricing will only serve to further undermine these businesses.
21. Fourthly, we are concerned about the prospect of increased incidences of retail crime and violent behaviour towards our members as a result of minimum unit pricing. We noted the comments of Dr Laura Williamson, a Wellcome Trust Research Fellow at Glasgow Caledonian University's Institute for Applied Health Research, who stated in *The Sunday Times* that: *"If minimum pricing helps 'denormalise' alcohol and changes our drinking culture, those who struggle with alcohol may find it easier to avoid drinking, but no one is really sure of that...The alcohol-dependent often choose cheaper, high-alcohol drinks that will be hit by minimum unit pricing and it is not clear whether they will reduce or stop their drinking because prices go up or if they will find other ways to access alcohol, such as theft or turn to other substances."*
22. For SGF members, retail crime is a very real and serious issue and as the gatekeepers to alcoholic products, and often delivery agents of government policy, we believe that this is an issue which should be considered when proceeding with the Bill.
23. Finally, we believe that any discussion of a 'windfall' for retailers through minimum pricing should be tempered vis-à-vis convenience stores by the points we have raised above and through an acknowledgement that the Cabinet Secretary, Nicola Sturgeon, has put on public record<sup>9</sup> her desire to use the Social Responsibility Levy to claw back any extra profits arising from the legislation.

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<sup>8</sup> IMRG/Capgemini e-retail Sales Index, May 2011

<sup>9</sup> On 10<sup>th</sup> Nov 2010, during the Stage 3 Debate of the Alcohol etc. (Scotland) Bill the Cabinet Secretary stated: "...we suggested that we work together to use the social responsibility levy to claw back increased revenue for reinvestment in our services."

### **The legality of the policy**

24. We note with concern the large and growing body of opinion which raises questions over the legality of MUP under EU law.
25. Most recently, the Parliamentary Under Secretary of State for Public Health, Anne Milton MP, questioned the legality of MUP in evidence to the House of Commons Science and Technology Committee stating: *“Our advice is that in itself it is probably illegal as it contravenes European free trade legislation. I know that Scotland is thinking about introducing it. They will be challenged and that will clarify the law. Our advice is that that is illegal.”*<sup>10</sup>
26. Anne Milton has not been alone in her observations about the legality of the policy. Organisations like the Scotch Whisky Association have pointed to legal precedence within the case history of the European Court of Justice which would suggest that minimum unit pricing could be open to legal challenge and there are a number of academic sources which all question the legality of implementing a minimum unit price for alcohol.<sup>11</sup>
27. It is our view and the view of our members that whilst there are such a number of concerns being raised about implementing a minimum unit price for alcohol it would be advisable for the Scottish Government to make their legal advice public in order to provide more reassurance of the compliance of the legislation with EU law and other international trade agreements.

### **Concluding remarks**

28. SGF is uncomfortable with any policy which seeks to modify behaviour through price changes alone, not least because this policy seems to abdicate individuals from any sense of responsibility about how much they consume.
29. We are sceptical about the extent to which this policy will have a positive impact on those who are addicted to alcohol and to those who over consume on higher incomes. We believe that it is problematic that such a narrow approach has been taken, an approach we would suggest which singularly fails to account for a range of other variables, such as wealth, addiction, education and culture. It is these intervening variables which can undermine claims that there is a direct causal link between price, consumption and harm.

SGF would welcome the opportunity to provide oral evidence to the Health and Sports Committee. If you require any further information please do not hesitate to contact either John Drummond [j.drummond@scotgrocersfed.co.uk](mailto:j.drummond@scotgrocersfed.co.uk) or David Martin [d.martin@scotgrocersfed.co.uk](mailto:d.martin@scotgrocersfed.co.uk)

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<sup>10</sup> The Science and Technology Committee, Inquiry into ‘The evidence base for alcohol guidelines’, 25 October 2011

<sup>11</sup> For examples please consult: Baumberg, B., Anderson, P., (2008), ‘Health, alcohol and EU law: understanding the impact of European single market law on alcohol policies’, *European Journal of Public Health*, Vol. 18, No. 4, 392-398, Pg. 393, and Rabinovich, L., et al., (2009), ‘The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms’, Technical Report, RAND Europe