



Llywodraeth Cymru
Welsh Government

DRAFT PUBLIC HEALTH (MINIMUM PRICE FOR ALCOHOL) (WALES) BILL

Explanatory Memorandum
Incorporating the Regulatory Impact
Assessment and Explanatory Notes

July 2015

DRAFT PUBLIC HEALTH (MINIMUM PRICE FOR ALCOHOL) (WALES) BILL

Explanatory Memorandum to the draft Public Health (Minimum Price for Alcohol) (Wales) Bill

This Explanatory Memorandum has been prepared by the Department for Health and Social Services of the Welsh Government and is published as part of the consultation on this draft Bill.

Member's Declaration

In my view the provisions of the draft Public Health (Minimum Price for Alcohol) (Wales) Bill are within the legislative competence of the National Assembly for Wales.

Vaughan Gething AM
Deputy Minister for Health

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List of Abbreviations

The Assembly – the National Assembly for Wales

AO – Authorised Officers

The Bill – the draft Public Health (Minimum Price for Alcohol) (Wales) Bill

CRIA – Children’s Rights Impact Assessment

FPNs – Fixed Penalty Notices

GOWA – the Government of Wales Act 2006 (c.32)

MUP – minimum unit price

RIA – Regulatory Impact Assessment

SWA – the Scotch Whisky Association

WHO – the World Health Organisation

Part 1 – Explanatory Memorandum

1. Description

1. The draft Public Health (Minimum Price for Alcohol) (Wales) Bill gives effect to the Welsh Government's determination to provide a legislative basis for addressing some of the specific health concerns around the effect of excess alcohol consumption in Wales. It signifies a firm commitment to further utilising legislation as a mechanism for improving and protecting the health of the population of Wales.

2. The Bill proposes to introduce a minimum unit price (MUP) for the sale and supply of alcohol in Wales, and make it an offence for alcohol to be sold or supplied below that price.

3. The Bill proposes:

- the formula for calculating the MUP using the Alcohol by Volume (ABV) measure;
- powers for Welsh Ministers to make subordinate legislation to set the MUP for alcohol sold or supplied in Wales; and
- a duty on local authorities to enforce the MUP and powers to prosecute; and provision for powers of entry for Authorised Officer (AO)s, an offence of obstructing an AO, and the power to issue Fixed Penalty Notices (FPNs).

4. In maximising the contribution of the Welsh Government's legislative programme to public health, the Public Health (Wales) Bill was introduced into the National Assembly for Wales on 8 June 2015. The Explanatory Memorandum for the draft Public Health (Minimum Price for Alcohol) (Wales) Bill contains references to this Bill where this provides helpful contextual information.

2. Legislative Background

5. Section 107 of the Government of Wales Act 2006 ('GOWA 2006') provides legislative competence for the National Assembly for Wales ('the Assembly') to make laws for Wales known as Acts of the Assembly.

6. Section 108 of GOWA 2006 provides that a provision of an Act of the Assembly is within the Assembly's legislative competence if it relates to one or more of the subjects listed under any of the headings in Part 1 of Schedule 1 of that Act and does not fall within any of the exceptions specified in that Part of the Schedule (whether or not under that heading or under any of those headings), and it neither applies otherwise than in relation to Wales nor confers, imposes, modifies or removes (or gives power to confer, impose, modify or remove) functions exercisable otherwise than in relation to Wales.

7. The provisions of the Bill relate to the following subjects:

Subject 9 'Health and Health Services':

"Promotion of health. Prevention, treatment and alleviation of disease, illness, injury, disability and mental disorder. Control of disease. Family planning. Provision of health services, including medical, dental, ophthalmic, pharmaceutical and ancillary services and facilities. Clinical governance and standards of health care. Organisation and funding of national health service."

Subject 12 'Local Government':

"...Powers and duties of local authorities and their members and officers..."

Subject 15 'Social Welfare':

"...Protection and well-being of children (including adoption and fostering) and of young adults..."

The above subjects provide the National Assembly with the competence to make the provisions contained in the Bill.

3. Purpose and intended effect of the legislation

Context

8. The Welsh Government's ambitions are to accelerate the pace of improvement in the health and wellbeing of people in Wales, and for those improvements to be shared more equally. In realising these ambitions the Welsh Government has signalled its ongoing commitment to take action in a range of ways, including through targeted legislation, to help further improve and protect the health of the people of Wales.

9. Legislation has historically played an important role in helping to tackle public health issues and has proven to be one of the most powerful tools available to governments in responding to the big health challenges. Legislation has covered a wide range of topics, including the ban on smoking in enclosed public places, seat belt legislation and more recently, the Food Hygiene Rating (Wales) Act 2013, where Wales became the first country in the UK to adopt a mandatory food hygiene rating scheme.

10. The draft Public Health (Minimum Price for Alcohol) (Wales) Bill, like the Public Health (Wales) Bill, introduced on 8 June, seeks to build on the successes within the Welsh Government's Programme for Government in response to important public health issues in Wales. The approach taken in the Bill also sits alongside and complements the overarching approach to legislation taken forward by the Well-being of Future Generations (Wales) Act 2015. This positions principles such as sustainability, prevention and early intervention, all of which underpin the concept of public health, at the centre of public services in Wales.

11. In bringing forward this draft Bill, in addition to the Public Health (Wales) Bill and a number of continued non-legislative initiatives, the focus of the Welsh Government is on seeking to shape the social, economic and environmental conditions that are conducive to good health, promoting health protection and averting health harms that can be avoided. Another feature of this approach is encouraging individuals to take responsibility for their own health, and to act in ways which promote their own physical and mental wellbeing. Such increased emphasis on personal responsibility is at the forefront of a prudent healthcare approach to the long-term sustainability of the NHS.

12. The overall objective of the draft Bill is to tackle alcohol-related harm, including alcohol-attributable hospital admissions and alcohol-related deaths in Wales, by reducing alcohol consumption, particularly in those that drink heavily and harmfully.

13. The Bill seeks to provide for the introduction of a MUP for the sale and supply of alcohol in Wales. It would not increase the price of every alcoholic drink, only those currently sold below that MUP. The proposals will put in place a series of offences, penalties and exemptions relating to the MUP system. It is also proposed to provide additional powers and duties for local authorities to enable them to implement and enforce the proposed MUP system.

Background

14. The current law governing the licensing and sale of alcohol in England and Wales is set out in the UK Licensing Act 2003 (“the 2003 Act”). This regulates the licensing of premises in England and Wales which sell alcoholic drinks such as nightclubs, bars, restaurants and shops.

15. The 2003 Act provides that the licensing regime is enforced by licensing authorities. In Wales a licensing authority is “*the council of a county or county borough*”; Welsh local authorities are therefore responsible for the implementation of the licensing legislation in their area.

16. The 2003 Act provides that when a licensing authority is carrying out its functions it must do so with a view to promoting the following four objectives (“the licensing objectives”):

- the prevention of crime and disorder;
- public safety;
- the prevention of public nuisance; and
- the protection of children from harm.

17. In addition licence holders have to meet the compulsory licensing conditions that are set out at section 19 of the 2003 Act plus any further conditions which may be specified by the Secretary of State by Order under section 19A of the 2003 Act.

18. The Licensing Act 2003 (Mandatory Conditions) Order 2014 and the Licensing Act 2003 (Mandatory Licensing Conditions) (Amendment) Order 2014 provide numerous mandatory licensing conditions including conditions relating to irresponsible drinks promotion, the availability of free tap water and most recently the restriction on alcohol being sold at a price below alcohol duty plus VAT.

19. In May 2014, the UK Government published a mandatory Code of Practice in relation to the recently implemented restriction on alcohol being sold at a price below alcohol duty plus VAT. This prevents businesses selling alcohol at heavily discounted prices and aims to reduce excessive alcohol consumption and its associated impact on health, crime and anti-social behaviour. Non-compliance with the ban could result in up to six months’ imprisonment and/or a £20,000 fine.

20. The Welsh Government welcomes the ban on below-cost selling but believes that further measures such as the introduction of a MUP, are needed in Wales. The Sheffield Alcohol Research Group based at the University of Sheffield's School of Health and Related Research, is of the view that the below-cost selling policy would affect only the very cheapest drinks. The Sheffield Alcohol Research Group has concluded that the average price of alcohol sold by supermarkets would be expected to rise by 0.1 per cent under the ban on below-cost selling policy.¹

Current Position - How big a problem is alcohol misuse in Wales?

21. While low levels of alcohol consumption may have some benefits in protecting against ischaemic heart disease,² ischaemic stroke³ and Type II diabetes,⁴ there is compelling evidence, built up over many decades of research, that excessive⁵ intake of alcohol causes harm and the likelihood of harm is proportionate to the amount of alcohol consumed.^{6 7}

22. In Wales, a report by the Public Health Wales Observatory, *Alcohol in Wales 2014*⁸ states: "Every week in Wales, alcohol results in 29 deaths; around 1 in 20 of all deaths. The impact of alcohol on health also creates enormous pressures on our health systems. Every week our hospitals handle as many as 1,000 admissions related to alcohol, increasing strains on already stretched services. Such admissions are only the tip of an iceberg which includes many more presentations at emergency departments, ambulance requests and GP appointments, all resulting from alcohol."

23. The report has also indicated '*while we are making progress much more is still to be done if we want to reduce the avoidable harms that alcohol causes families, business and communities across Wales*'. Although the percentage of adults drinking above guidelines has fallen slightly since 2008, in the Welsh Health Survey 2014,⁸ 40% of adults still reported drinking more than the guideline amounts at least once in the past week. The Health Behaviour in School-aged Children (HBSC) data shows that drinking among young people remains a concern, with 17% of males and 14% of females aged 11-16 in Wales drinking alcohol at least once a

¹ <http://wales.gov.uk/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

² Roerecke M, Rehm J. The cardioprotective association of average alcohol consumption and ischaemic heart disease: a systematic review and meta-analysis. *Addiction* 2012; 107(7):1246-60.

³ Patra J, Taylor B, Irving H, Roerecke M, Baliunas D, Mohapatra S et al. Alcohol consumption and the risk of morbidity and mortality for different stroke types - a systematic review and meta-analysis. *Bmc Public Health* 2010; 10

⁴ Baliunas DO, Taylor BJ, Irving H, Roerecke M, Patra J, Mohapatra S et al. Alcohol as a Risk Factor for Type 2 Diabetes A systematic review and meta-analysis. *Diabetes Care* 2009; 32(11):2123-32.

⁵ Consumption over the recommended limits of 21 units per week for men or 14 units per week for women is normally considered to be excessive.

⁶ INSERM 2001. Alcohol: Health effects INSERM Collective Expert Reports [Internet]. Paris: Institut national de la santé et de la recherche médicale; 2000-.2001.PMID:21348151

⁷ Kumar P & Clark M. *Kumar and Clark's Clinical medicine*, 8th Edition, 2012. Elsevier

⁸ Public Health Wales, 'Alcohol and health in Wales 2014'

week in 2009-10⁹ (most recent data available). The Children's Rights Impact Assessment (CRIA), which is published alongside the Bill for consultation, shows that progress is being made in reducing alcohol consumption among young people but, as with adults, there is still a great deal of work to be done. A more detailed analysis of alcohol consumption in Wales can be found in Part 2, the regulatory impact assessment (RIA).

24. This level of alcohol consumption has led to a range of health and social harms, particularly for the minority of people who drink to excess. While alcohol related deaths fell in 2013 from the 2012 figures, there were still 467 alcohol-related deaths in Wales, and the death rate for males in particular is significantly higher than that in England (20.7 per 100,000 compared with 17.8 per 100,000 population).¹⁰ Overall alcohol misuse in Wales is estimated to cost the health service around £109m¹¹ each year in hospital admissions alone.

25. The Welsh Government commissioned the Sheffield Alcohol Research Group at Sheffield University to study the potential impact to Wales of a range of alcohol pricing policies. On 8 December 2014 the report *Model-based appraisal of minimum unit pricing for alcohol in Wales*¹² was published.

26. This study concluded there are a number of key benefits to introducing a MUP for alcohol in Wales including:

- MUP policies would be effective in reducing alcohol consumption, alcohol-related harm (including alcohol-related deaths, hospitalisations, crimes and workplace absences), and the costs associated with those harms. MUP policies would only have a small impact on 'moderate drinkers'¹³, larger impacts would be experienced by 'increasing risk drinkers'¹⁴, with the most substantial effects being experienced by 'high-risk drinkers'¹⁵ (particularly as these drinkers are more likely to consume the types of alcohol affected by MUP); and
- Introducing a MUP of 50p for alcohol is estimated to be worth £882m to the Welsh economy in terms of reductions in illness, crime and workplace absence over a 20-year period. This is an aggregate effect, driven by the

⁹ <http://www.ias.org.uk/Alcohol-knowledge-centre/Underage-drinking/Factsheets/Prevalence-of-underage-drinking.aspx>

¹⁰ ONS Statistical Bulletin (11 Feb 2015) 'Alcohol-related Deaths in the United Kingdom, Registered in 2013'

¹¹ Please see explanation for this figure on p37

¹² <http://wales.gov.uk/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

¹³ Moderate drinkers - those that drink less than 21 units per week for men and 14 for women

¹⁴ Increasing risk drinkers - Men who regularly drink more than 3 to 4 units a day but less than the higher risk levels. Women who regularly drink more than 2 to 3 units a day but less than the higher risk levels

¹⁵ High risk drinkers - Men who regularly drink more than 8 units a day or more than 50 units of alcohol per week. Women who regularly drink more than 6 units a day or more than 35 units of alcohol per week

greater effect on those drinking at harmful and hazardous levels, whose consumption will fall the most in absolute terms.

27. The Sheffield model estimates the overall societal cost of alcohol misuse to be £15.3bn over 20 years. This includes direct health costs, a financial valuation of the health costs measure in terms of quality adjusted life years,¹⁶ costs associated with crime and the cost of workplace absenteeism.¹⁷ A more detailed discussion of the impact of excessive alcohol consumption on health and well-being in Wales including the findings of the Sheffield University study and other evidence can be found in Part 2 the RIA.

28. The Welsh Government's expert Advisory Panel on Substance Misuse (APSoM) has considered the academic literature on MUP and looked at the key peer-reviewed papers in this field, as well as some non-peer-reviewed publications.

29. The panel's report, published in July 2014,¹⁸ concluded the evidence base is extensive and reliable. The panel also advised: "The effects of MUP would be different for different subgroups of the population: therefore MUP enables those drinking alcohol more harmfully or hazardously to be targeted, with smaller effects on moderate drinkers, particularly those with low incomes. Taking into account all the circumstances and evidence before the panel minimum unit pricing is an effective mechanism through which alcohol-related harm can be addressed".

30. On 12 May 2015 the Organisation for Economic Co-operation and Development (OECD) published an extensive report entitled *Tackling Harmful Alcohol Use*¹⁹. Chapter 4 of that report, *Tackling Alcohol-related Harms: What Policy Approaches?* states that the targeted approach of minimum unit pricing policies has been at the centre of the alcohol debate in several OECD countries and evidence suggests that MUP has greater potential to deter harmful and hazardous drinkers than taxation.

31. The Welsh Health Survey²⁰ published on 3 June 2015 also reported the following:

- 40% of all adults reported drinking above the recommended guidelines on at least one day in the past week, including 24% who reported binge drinking (drinking more than twice the daily guidelines). However, they do not necessarily drink at these levels regularly (advice on sensible drinking refers to 'regular' drinking above this level).

¹⁶ Valued at £60,000 in line with Home Office guidelines

¹⁷ Sheffield Model, p 71, table 5.14

¹⁸ Advisory Panel on Substance Misuse, "Minimum Unit Pricing: A Review of its Potential in a Welsh Context" 2014; p10

¹⁹ http://www.keepeek.com/Digital-Asset-Management/oecd/social-issues-migration-health/tackling-harmful-alcohol-use_9789264181069-en#page1

²⁰ <http://gov.wales/statistics-and-research/welsh-health-survey/?lang=en>

- Overall, men were more likely than women to report drinking above the recommended guidelines on at least one day in the past week (46% of men compared with 35% of women), and to report binge drinking (29% of men, 19% of women). Drinking above guidelines and binge drinking was less common in the oldest age group.
- Alcohol consumption decreased as deprivation increased with 47% of people in the least deprived fifth drinking above guidelines on one day in the previous week, compared with 34% for the most deprived. There was less variation for binge drinking, although this was slightly more likely among those in the least deprived fifth (age-standardised).

Existing Policy Actions

32. The Welsh Government is already undertaking a broad range of non-legislative actions to deal with the problems and harms associated with alcohol misuse. These actions form part of a comprehensive approach. The Welsh Government's 10-year substance misuse strategy for tackling the harms associated with the misuse of alcohol, drugs and other substances – *Working Together to Reduce Harm* – sets out four action areas. These four areas are as follows:

- preventing harm;
- support for substance misusers to improve their health and maintain recovery;
- supporting and protecting families
- tackling availability and protecting individuals and communities via enforcement activity.

33. The Programme for Government re-emphasised our commitment to reducing the prevalence of problematic alcohol misuse and the number of alcohol-related deaths and further actions to take forward our strategy were set out in the *Working Together to Reduce Harms (Substance Misuse) Delivery Plan 2013-15*. Examples of some of these actions within this strategic approach are given below.

Preventing harm

34. Preventing the harm associated with alcohol misuse continues to be a major focus of action. This is in line with prudent healthcare principles in which intervening early leads to the minimum appropriate intervention whilst improving the life chances of individuals. Examples of work taken to address these actions include:

Sponsoring Alcohol Concern Cymru

35. The Welsh Government sponsors Alcohol Concern Cymru to raise awareness of alcohol misuse across Wales and to campaign for effective preventative measures and improved services for people whose lives are affected by alcohol-related problems. Its role also includes monitoring and reporting on questionable alcohol labelling, promotions and information campaigns, issuing good practice guidance, undertaking research and raising awareness in the media. Alcohol Concern Cymru's advice on sensible drinking, including discussing alcohol with children, is communicated through its Drink Wise Wales website²¹.

DAN 24/7

36. DAN 24/7²² is a free bilingual telephone helpline providing a single point of contact for anyone in Wales who needs further information or help about drugs or alcohol. It helps individuals, their families, carers, and support workers within the drug and alcohol field to access appropriate local and regional services. The service is developing into a multi-channel contact centre where people can access information, advice and support via telephone, text, the internet and social media.

Working with schools

37. Alcohol consumption by young people continues to be a significant problem in Wales²³ and the Welsh Government is tackling this through a commitment to jointly fund the All-Wales School Liaison Core Programme with the four Welsh police and crime commissioners. The programme was established in 2004 and operates in 99% of schools across Wales. It recognises the role schools and education can play in dealing with substance misuse including alcohol and problems associated with personal safety; it also provides education at various key stages of the school curriculum.

38. In July 2013, the Welsh Government published *Guidance for Substance Misuse Education*, which is aimed at all organisations in the statutory, voluntary and independent sectors which offer educational opportunities to children and young people under 19. The guidance provides detailed information relating to the delivery of appropriate substance misuse education according to curriculum requirements and specific need and substance misuse incident management including support, legislation and good practice.

²¹ www.drinkwisewales.org.uk

²² <http://dan247.org.uk/>

²³ See paragraph 107 for further details.

Working with employers

39. Alcohol-related harm includes workplace absence. The Welsh Government is supporting employers to manage alcohol issues in the workplace through its Healthy Working Wales²⁴ programme, which is delivered by Public Health Wales. Employers can also access advice from the Fit for Work²⁵ service.

Review of alcohol-related deaths

40. Work is ongoing with Public Health Wales to develop a process to review alcohol-related deaths to reduce future morbidity and mortality. This will include the establishment of a comprehensive database of alcohol mortality in Wales and the routine review of alcohol deaths in young people (aged 0-24 years) to collate this evidence for national thematic reviews of alcohol deaths in young people.

Review of alcohol guidelines

41. Wales is participating in the UK-wide review of alcohol guidelines. This review has been commissioned by the four UK chief medical officers. Consideration is being given to whether the evidence has changed since the last review of safe limit guidelines for alcohol consumption in 1995 and whether evidence exists to support any changes, as well as assessing the effectiveness of the current UK guidelines.

Support for people who misuse alcohol

42. Supporting people who misuse alcohol to reduce the harm they are causing themselves, their families and communities, and ultimately enabling them to return to a life free from dependent or harmful use of alcohol, is a key aim of the Welsh Government. Examples of work to address this include:

²⁴ www.healthyworkingwales.com

²⁵ www.fitforwork.org

Funding

43. The Welsh Government provides £50m every year to tackle the devastating effect substance misuse has on individuals, their families and the communities. This includes £17.1m allocated to health boards for substance misuse services and the Substance Misuse Action Fund (SMAF) revenue and capital allocations of more than £27m to the seven area planning boards to commissioning and deliver substance misuse services and other policy interventions. This includes specific ring-fenced amounts of £2.75m for children and young people services, £1m for tier 4 treatment services and £300,000 for counselling services.

Alcohol brief interventions programme

44. The Have a Word alcohol brief interventions programme was developed as part of a knowledge transfer partnership between the Welsh Government, Cardiff University and Public Health Wales, and is delivered by Public Health Wales. Health professionals have structured conversations with individuals who drink to excess to motivate them to think differently about their alcohol consumption and provide them with information, which allows them to consume alcohol in a safer way. The programme was initially targeted at people attending hospital trauma and maxillofacial departments and has proved to be effective in helping to reduce levels of alcohol misuse. More than 8,000 people have been trained in the programme, including a wide range of primary and secondary care health professionals and community, social justice and youth professionals.

Supporting and protecting families

45. Alcohol misuse is a complex issue, which not only affects the user but also their families. Examples of the work taken to address this include:

Change4Life Wales

46. *Change4Life Wales* aims to encourage people to eat healthier, be more active and adopt other lifestyle choices, which will improve their health and wellbeing. This includes the “*Don’t let drink sneak up on you*” campaign, which targets people who may be unaware they are risking their health and potentially reducing their life expectancy by drinking more than the recommended safe limits. The aim is also to change people’s perceptions that even if their drinking is not anti-social, or affecting their immediate day to day lives, it may affect their health in the long term.

47. The campaign encourages people to have at least two alcohol-free days a week. The *Change4Life Wales*²⁶ website includes information about the campaign, including an interactive drinks checker, which enables visitors to work out how many units they drink; count how many calories are consumed and provide tips about how to cut down easily.

Tackling availability and protecting individuals and communities via enforcement activity

48. Tackling availability and protecting individuals and communities via enforcement activity is a way to reduce the harms caused by alcohol related crime and anti social behaviour. Examples of work taken to address this action include:

Local alcohol action areas (LAAAs)

49. Across the UK, 20 LAAAs, including Pembrokeshire and Swansea, have been set up to combat the effects of irresponsible drinking by tackling alcohol-related crime and disorder, reducing the harmful impacts of alcohol on health and promoting diverse night-time economies. Actions include working with industry to resolve issues associated with problem licensed premises and individuals and implementing street drinking controls. Swansea has set up a permanent alcohol treatment centre in the city centre providing first aid, drug and alcohol information and intervention and support for vulnerable or distressed individuals. This builds upon the work already undertaken in Cardiff and demonstrates Wales' commitment, through partnership working, to provide prevention, education and treatment for the worse abuses of alcohol.

50. In addition to the LAAAs, strong partnerships between the police, local authority and Public Health Wales are helping to improve the quality and frequency of health and crime data reporting and investigate possibilities for using this in licensing decisions and police zoning. These pilots will be able to share best practice with other locations in Wales and contribute to the better use of evidence to promote public health through licensing, for example in cumulative impact policies.

Responsibility deal

51. The Welsh Government has supported UK government initiatives to work with the industry to achieve a number of outcomes, including reducing the strength of alcoholic drinks; improving labelling information and fund public awareness campaigns and information through Drink-Aware. The Welsh Government also supports community alcohol partnerships, which are funded by the industry in which local retailers and partners tackle underage drinking and associated anti-social behaviour.

²⁶ <http://change4lifewales.org.uk/?lang=en>

Evidence relating to alcohol and price

52. There is clear evidence that the price and affordability of alcohol is a key factor driving consumption and related harm to individuals and wider communities.²⁷ This evidence comes from several countries (including Switzerland, Sweden and Alaska in the USA) and demonstrates that in response to an alcohol price increase there is a decrease in alcohol consumption and – crucially – a decrease in alcohol-related harm and mortality.

Alaska, USA

53. Alcohol harm was shown to be related to alcohol price in Alaska in a time-series analysis of alcohol-related mortality between 1976 and 2004. Increases in alcohol tax rates were associated with immediate and sustained reductions in alcohol-related mortality in Alaska. Reductions in mortality occurred after two tax increases almost 20 years apart.²⁸

Switzerland

54. There is evidence to show that this effect also works in the opposite direction – a fall in price leads to an increase in consumption. In Switzerland, a 30% to 50% reduction in taxation on foreign spirits in 1999 led to a 28.6% increase in consumption of spirits. There was no significant change in the consumption of wine or beer, indicating that the price change had a direct effect on consumption levels.²⁹

Sweden

55. Research using data from Sweden suggests that, in response to alcohol price increases, consumers reduced their total consumption but also altered their brand choices. This meant that although there were significant reductions in sales in response to price increases, these effects were attenuated by substitution of different products. Consumers of cheap alcohol were found to be more price sensitive than others as they were unable to substitute downwards to even-cheaper drinks when prices went up and therefore their level of alcohol consumption reduced the most.³⁰

²⁷ Wagenaar A Salois M & Komro K 2009 'Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies' *Addiction*, 104, 179–190

²⁸ Wagenaar, A., Maldonado-Molina M. & Wagenaar, B. (2009). *Effects of alcohol tax increases on alcohol-related disease mortality in Alaska: Time-series analyses from 1976 to 2004*. *American journal of Public Health*, 99:1464-1470.

²⁹ Heeb, J-L et al (2003) *Changes in alcohol consumption following a reduction in the price of spirits: a natural experiment in Switzerland*. *Addiction*, Volume 98 (10) Pgs: 1433-1446

³⁰ Gruenewald, Paul J., et al. *Alcohol prices, beverage quality, and the demand for alcohol: Quality substitutions and price elasticities*. *Alcoholism: Clinical and Experimental Research*, January, 2006.

Europe wide

56. An independent study for the European Commission³¹ found that evidence in Europe supports the link between alcohol price, income, affordability and consumption and the direct link between alcohol price/income and harms. Furthermore, it demonstrated that alcohol became 50% more affordable in the UK between 1996-2004, largely as a result of growth in disposable incomes.³² The report concludes that the use of alcohol pricing policies is a potentially effective measure to curb hazardous and harmful drinking in Europe.

World Health Organisation

57. Tax increases in alcohol are a recommended action by the World Health Organisation (WHO) and the World Economic Forum in their joint report *From Burden to Best Buys* in the context of reducing premature mortality from non-communicable diseases.³³ Similarly, another WHO report found that population-based policy options are highly cost-effective in reducing the alcohol-attributable deaths and disabilities, and that “a large body of literature has found raising the price of alcohol to be effective in reducing harmful use of alcohol among drinkers in general as well as among youth; the same literature has documented that as the price of alcohol increases, alcohol-attributable morbidity and mortality decline.”³⁴

Minimum unit price

58. Given the link between consumption and harm, and the evidence that affordability is one of the drivers of increased consumption,³⁵ the Welsh Government’s view is that MUP for alcohol is a key policy proposal for tackling the health harms associated with alcohol misuse.

Canada

59. This view is supported by experience from Canada. In April 2010, Saskatchewan province, in Canada, introduced a model of minimum unit pricing with higher alcohol content beverages receiving a higher unit price. The effect of this increase was assessed using sales data (both off and on sales). Research into its effects reported that a 10% increase in the minimum price reduced consumption of alcoholic beverages by 8.43%, with larger effects on off sales (the sale of alcoholic drink for consumption elsewhere) than on sales (the sale of alcoholic drink for

³¹ Rabinovich, L et al., *The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms* (conducted by RAND Europe)

³² Ibid, p27

³³ WHO and WEF, 2011, ‘From Burden to “Best Buys”: Reducing the Economic Impact of Non-Communicable Diseases’

³⁴ WHO, 2014, ‘Global Status Report on Alcohol and Health’, para 19 and 80

³⁵ ‘Independent Review of the Effects of Alcohol Pricing and Promotion, part A’, http://www.dh.gov.uk/en/PublicHealth/Healthimprovement/Alcoholmisuse/DH_4001740.

consumption on site); sales of high-strength beer and wine declined the most.³⁶ Furthermore, studies of the effect of minimum pricing on alcohol-related harm in British Columbia found that a 10% increase in average minimum alcohol prices was significantly associated with a 32% reduction in wholly alcohol-caused deaths and a 9% reduction in alcohol-related hospital admissions (both acute and chronic).³⁷

Scotland

60. In May 2012, the Scottish Government passed the Alcohol (Minimum Pricing) (Scotland) Act 2012 which provided that a MUP for alcohol sold or supplied in Scotland would be introduced. The Act amends the Licensing Act (Scotland) 2005 to provide for a mandatory licensing condition that alcohol must not be sold on or supplied from licensed premises at a price below a minimum price, with that minimum price to be set by the Scottish Ministers by order.

61. In July 2012, the Scotch Whisky Association (SWA) lodged a complaint with the European Commission and filed a petition for judicial review with the Scottish Court of Session. The SWA challenged the Scottish legislation on the basis that MUP is contrary to EU law; will not be effective in tackling alcohol misuse and penalises responsible drinkers.

62. In a ruling on 3 May 2013, the Scottish Court of Session refused the SWA's petition. The Court ruled the 2012 Act was not outside the legislative competence of the Scottish Parliament and that the proposed Order setting a minimum price per unit was within devolved competence and therefore within the powers of the Scottish Ministers. The Court concluded that the Act was compatible with EU law.

63. The SWA appealed the decision and in April 2014 the Scottish Court of Session referred the cases to the Court of Justice of the European Union (CJEU) for a decision on the EU law elements. The CJEU's consideration of the case commenced on 6 May 2015. A decision is awaited on this matter.

Ireland

64. In October 2013, the Irish Government approved an extensive package of measures to deal with alcohol misuse, including drafting a Public Health (Alcohol) Bill. These measures were agreed on the basis of the recommendations in the *Steering Group Report on a National Substance Misuse Strategy*. The recommendations in the strategy are grouped under the five pillars of supply reduction (availability), prevention, treatment, rehabilitation and research. The package of measures to be implemented will include provision for:

³⁶ Stockwell T, Auld MC, Zhao JH, Martin G. (2012) *Does minimum pricing reduce alcohol consumption? The experience of a Canadian province*. *Addiction*, 107(5): 912-20.

³⁷ Stockwell, T and Thomas, G, (2013), *Is alcohol too cheap in the UK? The case for setting a Minimum Unit Price for alcohol*, Institute of Alcohol Studies report

- minimum unit pricing for alcohol products;
- the regulation of advertising and marketing of alcohol;
- structural separation of alcohol from other products in mixed trading outlets;
- health labelling of alcohol products;
- regulation of sports sponsorship.

65. On 3 February 2015 the Irish Government approved the General Scheme of the Public Health (Alcohol) Bill and it is expected to be published in summer 2015.

Northern Ireland

66. On 3 December 2014, the then Health Minister Jim Wells announced plans to introduce MUP for alcohol in Northern Ireland. His support for MUP is based on evidence provided by the University of Sheffield, following an academic piece of research commissioned by the Northern Ireland Executive.

Rationale for further legislation

67. Despite the existing non-legislative policy actions and the small decline in alcohol consumption in recent years, the Welsh Government believes there is more to be done to reduce the avoidable harms alcohol causes individuals, their families and wider society.

68. In addressing these harms, there is clear evidence:

- the affordability of alcohol is a key driver in relation to the amount of alcohol consumed and of alcohol harms. Although there has been a slight decline in affordability in the past five years, perhaps due to the effects of the recession,³⁸ the affordability of alcohol has increased significantly in the past two decades;
- one of the most effective means of impacting on alcohol harms is by increasing price. Most European countries routinely tax alcoholic drinks or use other means to discourage unhealthy drinking behaviours;
- MUP operates at a population level to reduce the aggregate level of alcohol consumed and therefore lower the whole population's risk of alcohol-related harm,³⁹ but also targets those drinkers who are causing

³⁸ Institute of Alcohol Studies, 'Alcohol Pricing Factsheet', April 2014

³⁹ NICE public health guidance 24 (June 2010), 'Alcohol-use disorders: preventing harmful drinking'

most harm to themselves and society as they tend to drink alcohol products which are cheap relative to strength;

- MUP has been successfully introduced in Canada; is being adopted as a policy option in other countries and, would, according to both the Advisory Panel on Substance Misuse and the modelling work of Sheffield University's Alcohol Research Group, bring vital health benefits to Wales.

69. In light of the above, the Welsh Government views MUP for alcohol as an essential component of its strategy to reduce alcohol-related harm due to its ability to target the habits of those individuals who are most likely to suffer illness and death – hazardous and particularly harmful drinkers, including young people – while minimising the impact on moderate drinkers, particularly those on low incomes.

Purpose of the provisions

70. The purpose of the Bill is to make it an offence to sell or supply or authorise the supply of alcohol at a price below the set MUP in Wales. The MUP will be specified by Welsh Ministers in secondary legislation. MUP will apply to all retail sales of alcohol to a person in Wales and to the supply of alcohol by or on behalf of, a club to a member of the club who is in Wales, where such premises are designated as “qualifying premises” as defined with regard to the Licensing Act 2003 (c.17). MUP will also apply to retail sales of alcohol supplied to a person in Wales from “qualifying premises” in Wales which offer on line or telephone delivery.

Intended effect of the provisions

71. When an alcohol retailer (as defined in section 4 of the Bill) is found to be selling alcohol at less than the MUP, local authority authorised officers (AOs) will have the discretion to provide clear advice about why remedial work is required; what remedial work is required and over what timescale. Providing advice is already part of the local authority enforcement policy and it is proposed that guidance will contain the format for such advice to the retailer. In the local authority enforcement policy, AOs are encouraged to promote compliance with legal requirements by raising awareness of relevant standards and legal requirements in a variety of ways, including by means of face-to-face contact. The local authority could also provide information and guidance to businesses on how to calculate the MUP.

72. It is envisaged that a local authority will only use their power to prosecute a retailer who has been found to be selling alcohol at a price below the set MUP where the retailer continues to sell alcohol below the set level – the alcohol retailer has already been issued with a fixed penalty notice (FPN) for such an offence. A FPN served in relation to an MUP offence will set out the particulars of the alleged

offence. It will also inform the licensee of his or her right to attend court in relation to the alleged offence and explain how that right may be exercised.

73. The FPN amount is set at £200 if payment is made within 29 days or £150 if payment is made within 15 days. An alcohol retailer who refuses to pay the FPN within 29 days is then liable to prosecution. The fine for this offence of selling alcohol in Wales below the set MUP will be set at Level 3 (currently £1,000) on the standard scale of fines for summary offences under the Criminal Justice Act 1982⁴⁰. Local authorities will be able to retain the FPN receipts.

74. Due to general compliance throughout the industry, it is envisaged that a relatively small number of FPNs will be issued and therefore the total receipts are likely to be small.

75. The offence of supplying or authorising the supply of alcohol at a price below the set MUP in Wales will be included as a relevant offence in Schedule 4 of the Licensing Act 2003, (personal licences; relevant offences). A relevant offence is an offence which can be taken in to consideration by a licensing authority when making decisions on granting/renewing personal licences. A licence holder is under a duty to notify their licensing authority of convictions for relevant offences as soon as reasonably practicable (and commits an offence if they fail to do so). The court is also under a duty to notify licensing authorities of convictions for relevant offences.:

76. It will be a defence for a person charged with an offence of selling alcohol below the MUP if that person demonstrates that reasonable steps have been taken to avoid committing the offence.

77. It will be an offence to intentionally obstruct an AO from exercising their MUP enforcement functions in Wales. An individual can be prosecuted for obstructing an AO, without reasonable cause. The fine will be set at Level 3 on standard scale of fines for summary offences under the Criminal Justice Act 1982.

Appeals

78. Local authority enforcement policies state that complaints about regulatory enforcement services provided by the authority should normally be handled by the local authority's corporate complaints procedure. While this system might suffice for any informal penalties, this is not appropriate for MUP offences due to the potential for an alcohol retailer to be criminally prosecuted. The severity of the penalties calls for tiers of appeals to be present, culminating in appearances before the courts if necessary.

79. If an alcohol retailer is issued an FPN and does not agree with its issue, it is proposed that he or she will be able to request the local authority consider its

⁴⁰ Criminal Justice Act 1982 (c.48)

withdrawal. A local authority will be able to withdraw an FPN if it is clear that it should not have been issued, for example if it was issued in error. This should be a relatively straight forward judgement based on the calculation of the minimum price for the product in question i.e. $M \times S \times V$ (Minimum price x strength of alcohol x volume – see *section 1* of the Bill)

80. If a local authority refuses to withdraw an FPN and the alcohol retailer refuses to pay the fine, then after the 29-day period has expired the local authority will be able to prosecute the alcohol retailer.

81. This prosecution will be to the magistrates' court where both the local authority and the alcohol retailer will have an opportunity to present their arguments to the court if they wish. It will then be a matter for the court to decide whether the FPN was correctly issued, and also whether any additional costs should be added (i.e. costs of the local authority in bringing the case before the court or legal fees etc.)

82. This appeal system may lead to some cases being brought before the court. It is anticipated that the possibility of criminal prosecution will serve as a strong deterrent, and there will not be a significant numbers of new cases brought before the court.

83. If the magistrates' court finds an alcohol retailer guilty of the offence of selling or supplying alcohol below the set MUP in Wales, the retailer will be able to appeal through the court system.

4. Consultation

84. A Green Paper designed to collect views about whether a Public Health Bill is needed in Wales was published on 29 November 2012 for a 12-week consultation.

85. A total of 371 responses were received and a summary of the responses was published in May 2013.⁴¹ A clear majority of respondents supported the idea that legislation could make a positive contribution to further improve and protect health.

86. The responses indicated support for two distinct approaches to public health legislation; firstly, an overarching approach requiring organisations to consider health across their functions, and secondly, a targeted approach aimed at addressing specific public health challenges.

87. There was no express reference to a MUP for alcohol in the Green Paper as at that time, the UK Government had committed to introducing an MUP for alcohol for England and Wales in the UK Government's Alcohol Strategy of March 2012. A consultation by the UK Government on MUP claimed it "could lead to an estimated reduction in consumption across all product types of 3.3%, a reduction in crime of 5,240 per year, a reduction in 24,600 alcohol-related hospital admissions and 714 fewer deaths per year after 10 years."

88. It was not until July 2013 (five months after the Green Paper consultation had closed) that the UK Government announced that it would not be proceeding with minimum unit pricing. The UK Government confirmed minimum unit pricing remained a policy under consideration pending the results of the challenge to the Scottish Government's legislation to introduce MUP in Scotland by the SWA.

89. The Green Paper responses informed the development of an approach to public health legislation, which responded to both of its key messages. It was recognised that the Well-being of Future Generations (Wales) Bill⁴² (now an Act), provided opportunities to ensure health considerations form a central part of the overall legislative framework to assist public services in Wales.

⁴¹ <http://wales.gov.uk/consultations/healthsocialcare/publichealth/?lang=en>

⁴² <http://wales.gov.uk/topics/sustainabledevelopment/future-generations-bill/?lang=en>

Public Health White Paper

90. Following the Green Paper consultation, a number of legislative proposals for addressing specific public health concerns were developed and brought together in the Public Health White Paper called *Listening to you: Your Health Matters*⁴³ which was published on 2 April 2014. This included a series of distinct but related proposals for addressing priority public health issues through preventative approaches. The proposals were presented under three themes – improving health across the life course; building community assets for health and regulation for health. The proposals included the introduction of an MUP for alcohol products. A total of 713 responses to the White Paper were received and a consultation summary report was published in November 2014.⁴⁴

91. The consultation responses included 145 relating to MUP. They were received from a range of stakeholders and members of the public and the vast majority were in favour of introducing legislation.

92. The MUP proposal attracted broad support from health organisations, local government and voluntary sector organisations, while respondents from the alcohol industry and representatives of retailers were generally opposed to the proposal.

93. This draft Bill and the Public Health (Wales) Bill will contribute to the national wellbeing goals outlined in the Well-being of Future Generations (Wales) Act 2015, which public bodies in Wales will need to align themselves to including, the specific goal of “*a healthier Wales*”.

Those in favour of introducing legislation

94. Among the responses in favour of introducing MUP many respondents directly referenced evidence in support of MUP and outlined the health benefits which could be achieved. The most common arguments provided in favour of MUP included:

- It is a targeted measure, which will have most impact on those who drink at higher levels, whilst having a significantly smaller effect on those drinking within recommended guidelines;
- It would help reduce the incidence of anti-social behaviour as well as benefitting public health;
- The adverse impacts of excessive alcohol consumption are detrimental to society and place an unacceptable burden on public services in Wales;

⁴³ <http://wales.gov.uk/consultations/healthsocialcare/white-paper/?lang=en>

⁴⁴ <http://wales.gov.uk/consultations/healthsocialcare/white-paper/?lang=en>

- Pricing mechanisms should be developed to reduce the availability of alcohol which is sold at an unacceptably low price relative to its alcohol content, and to halt a shift in alcohol sales away from pubs.

Those against introducing legislation

95. Among those who generally opposed the introduction of MUP, respondents suggested it would hit responsible drinkers and those on lower incomes. Some also suggested that introducing MUP would make little difference to binge drinkers or those with an alcohol addiction, who would buy alcohol at any cost.

5. Power to make subordinate legislation

96. The draft Bill contains proposed provisions to make subordinate legislation.

97. The table on the following pages sets out, in relation to each provision in the Bill:

(i) the person upon whom, or the body upon which, the power is conferred;

(ii) the form in which the power is to be exercised;

(iii) the appropriateness of the delegated power; and

(iv) the applied procedure, that is, whether the subordinate legislation is subject to affirmative, negative, or no procedure, together with reasons why that procedure is considered appropriate.

98. The Welsh Government will consult on the content of the subordinate legislation when and where it is considered appropriate to do so.

99. Where the Bill confers powers for subordinate legislation to prescribe technical matters of detail which may change from time to time, it is considered that the negative procedure is the most appropriate. Where a power contained in the Bill confers significant powers of decision making on Welsh Ministers, a power to amend or repeal an enactment contained in primary legislation or to impose a financial burden on the public, it is considered that the affirmative procedure is the most appropriate procedure.

Table 1: Subordinate legislation provisions with the Bill

Section or Schedule of Bill	Power conferred on	Form	Appropriateness	Procedure	Reason for procedure
Section 1(1)(a)	Welsh Ministers	Regulations	Suitable for delegated powers as this provides for the Welsh Ministers to set or amend the MUP for alcohol in Wales.	Affirmative	Given its impact on the public, the MUP for alcohol in Wales will not be set or amended without full consideration and the opportunity for debate.
Section 22(2)	Welsh Ministers	Order	Suitable for delegated powers as this provides for the Welsh Ministers may appoint by order that other provisions (not listed in 22(1)) shall come into force on such date (or dates) as stated in the order.	No procedure	These orders will be confined to commencement and are technical in nature.
Paragraph 4 to the Schedule	Welsh Ministers	Regulations	Suitable for delegated powers as this allows the Welsh Ministers to make additional provision as to the content and form of a Fixed Penalty Notice. .	Affirmative	Given the impact of Fixed Penalty Notices on retailers, any additional provisions as to content and form of an FPN will not be created without full consideration and the opportunity for debate.
Paragraph 5(2) to the Schedule	Welsh Ministers	Regulations	Suitable for delegated powers as this provides for the Welsh Ministers to amend the amount of the fixed penalty.	Affirmative	Given the impact of Fixed Penalty Notices on retailers the amount set for FPNs will not be amended without full

					consideration and the opportunity for debate.
Paragraph 9 to the Schedule	Welsh Ministers	Regulations	Suitable for delegated powers as this provides for the Welsh Ministers to amend the amount of the discounted fixed penalty.	Affirmative	Given the impact of Fixed Penalty Notices on retailers the discounted amount set for FPNs will not be amended without full consideration and the opportunity for debate.

6. Regulatory Impact Assessment

100. A regulatory impact assessment has been completed for the Bill in accordance with Standing Order 26.6(vi) and follows at Part 2, section 7. A competition assessment and specific impact assessments are also included at section 8.

Part 2 – Regulatory Impact Assessment

7. Options, costs and benefits

101. This regulatory impact assessment (RIA) sets out the evidence, costs and benefits associated with introducing a MUP for alcohol policy. The RIA has been compiled from a number of different sources of data, including information from the Sheffield Alcohol Research Group at Sheffield University which was commissioned by the Welsh Government to study the potential impact to Wales of a range of alcohol pricing policies. On 8 December 2014 the report *Model-based appraisal of minimum unit pricing for alcohol in Wales*⁴⁵ was published.

102. By imposing a mandatory MUP for alcohol sold or supplied in Wales, the intention is to support the Welsh Government's stated policy aim of using the simply prudent healthcare principles⁴⁶ to improve health outcomes. The policy is preventative and will make a strong contribution to the aims of promoting health, preventing alcohol misuse and reducing alcohol-related harm and disease. These outcomes will ultimately help to reduce the costs to the health service of treating the avoidable morbidity associated with alcohol misuse. The policy will be achieved by setting a floor price for a unit of alcohol. This would not increase the price of all alcohol – it would only impact on alcohol sold at a price below the minimum price set.

Evidence

103. There is clear evidence that the price and affordability of alcohol is a key factor in driving consumption and related harm to individuals and wider communities.⁴⁷ As those in poverty⁴⁸ are more likely to be abstinent or low-consumption drinkers, they are disproportionately unlikely to be affected. Nor is the policy estimated to be overly-burdensome on moderate drinkers in poverty, as according to the Sheffield model, the impact on this group is an increase in spend of £2 per year, plus a reduction in consumption of 10 units per year. For those in poverty who are harmful drinkers, although the costs are higher, the impact on consumption is also higher, so the benefit is significant.⁴⁹ Young people, especially those who drink heavily or frequently, have been shown to be especially sensitive to

⁴⁵ <http://wales.gov.uk/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

⁴⁶ <http://www.bevancommission.org/document/226538>

⁴⁷ Wagenaar A Salois M & Komro K 2009 'Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies' *Addiction*, 104, 179–190

⁴⁸ Poverty is defined as an individual having an equivalised household income below 60% of the population median equivalised household income.

⁴⁹ Model-based appraisal of minimum unit pricing for alcohol in Wales; An adaption of the Sheffield Alcohol Model version 3 (Sheffield Model), 2014; p80 <http://gov.wales/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

price changes.⁵⁰ The policy is therefore designed precisely for the purpose of targeting alcohol products that are cheap relative to strength and will therefore deliver the required impacts on hazardous and harmful drinkers as well as young drinkers.

104. The OECD report *Tackling Harmful Alcohol Use – Economics and Public Health Policy* published on 12 May 2015⁵¹ included under *Special Focus III*, an assessment on the experience of the Alcohol Minimum Price (Scotland) Act 2012. The report stated that concerns over the potential impact on low income moderate drinkers across the income distribution with the introduction of MUP appear to be unfounded. It also concluded that high-income heavy drinkers may not be affected but the specifically-targeted group of low-income heavy drinkers appeared to be the most likely group affected by MUP.

Alcohol consumption

105. The level of alcohol use in a country is best estimated from national sales, as survey data is known to underestimate consumption in the population, usually capturing approximately 60% of the true figures. Sales data are derived from HM Revenue and Customs duty charged on alcohol produced or processed in the UK or brought into the UK for consumption but not necessarily consumed. Sales figures are not available for Wales separately as it is not possible to identify where in the UK the product was manufactured or released for consumption. Sales data for the UK show that consumption has more than doubled since the 1950s (the graph below shows the population level of drinking in the UK since 1900).⁵² However, it has been reported that there has been a slight decline in consumption since 2004,⁵³ which may be at least partially related to declining affordability. Figure 2 demonstrates the link between affordability and consumption (sometimes with a time-lag), and shows in recent years how consumption has declined sharply, which the Institute for Alcohol Studies suggests could be related to the effects of the general economic climate.⁵⁴

⁵⁰ Hunt, P., Rabinovich, L., and Baumberg, B. (2011) *Preliminary assessment of economic impacts of alcohol pricing options in the UK*, RAND Europe

⁵¹ http://www.keepeek.com/Digital-Asset-Management/oecd/social-issues-migration-health/tackling-harmful-alcohol-use_9789264181069-en#page1

⁵² British Medical Association Boards of Science, 'Alcohol Misuse: tackling the UK epidemic' BMA Feb 2008.

⁵³ Public Health Wales, 'Alcohol and health in Wales 2014', p18

⁵⁴ Institute of Alcohol Studies, 'Alcohol Pricing Factsheet', April 2014

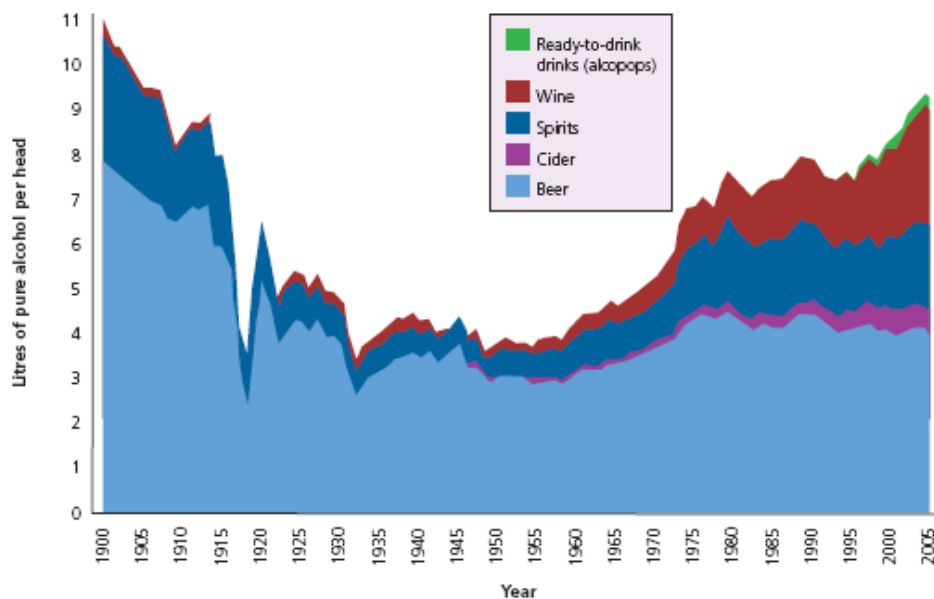


Figure 1: population level of drinking in the UK since 1900⁵⁵

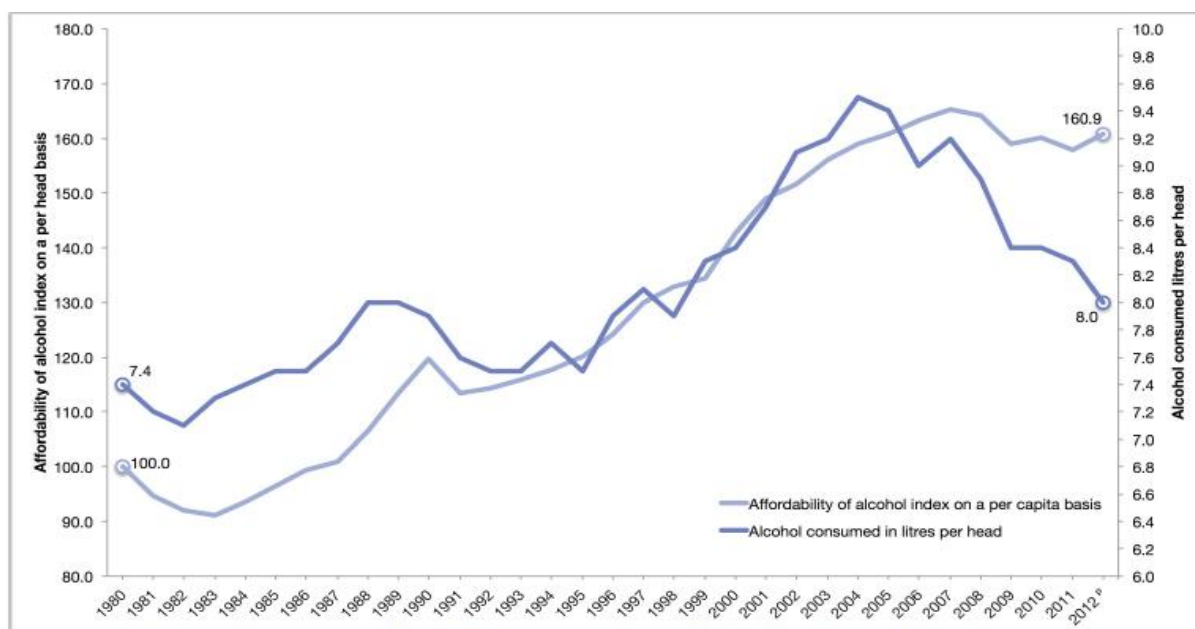


Figure 2: Affordability versus litres per head of alcohol consumed (UK)⁵⁶

106. Overall progress in reducing alcohol consumption over the past few years is likely to be driven by a number of causes, cultural and economic as well as political, including actions taken by the Welsh Government, UK Government and the alcohol industry. For example, recent data indicates that the responsibility deal between the UK Government and the alcohol industry has helped to reduce overall consumption of units of alcohol by decreasing the strength of drinks on the market, especially the

⁵⁵ Source: Alcohol Misuse: tackling the UK epidemic: British Medical Association Boards of Science. BMA: Feb 2008.

⁵⁶ Institute of Alcohol Studies, 'Alcohol Pricing Factsheet', April 2014

average strength of beer. This has resulted in a 3.7% reduction in the number of units of alcohol released for consumption between 2011 and 2013.⁵⁷

107. However, it is important to note that although Welsh Health Survey (WHS) data between 2008 and 2012 suggests that the percentage of adults reporting drinking above the daily guidelines has decreased slightly, this masks the fact that the pattern varies by age. For people over 45, drinking above the guidelines has increased, as has binge and very heavy drinking among both men and women. This highlights that there is still a need for policies to encourage behavioural change among such groups, as persistently high levels of drinking, and especially binge drinking, present an ongoing risk to health. Overall, excessive consumption of alcohol persists in Wales across the age groups and the WHS data shows that in 2014, 40% of adults reported drinking above the guidelines on at least one day in the past week, including 24% who reported binge drinking – drinking more than twice the daily guidelines.

108. Drinking levels have recently fallen among young people. This is a positive sign and may be a result of a number of factors, including improved legal enforcement as well as cultural factors. However, Health Behaviour in School-aged Children (HBSC) data show that drinking among young people remains a serious concern, with 17% of males and 14% of females aged 11 to 16 in Wales drinking alcohol at least once a week in 2009-10 – the most recent data available. These figures remain higher than in Scotland, England and Ireland.⁵⁸ Indeed, data across all participating HBSC countries in Europe and North America show that Welsh adolescents are in a cluster of countries where reported frequency of drinking and drunkenness is relatively high.⁵⁹ Drinking at a young age is associated with high risks of later alcohol misuse, as well as risky behaviour and impacts on brain and physical development.⁶⁰ These data therefore show that more needs to be done to accelerate the decline in consumption among children and young adults, as these levels of drinking still present a very significant risk to health.

Patterns of alcohol consumption

109. Those who drink at harmful and hazardous levels make up a small proportion of the population as shown in *Table 2* below:⁶¹

⁵⁷ Department of Health, 'Responsibility Deal: monitoring the number of units sold', 2013 data, Dec 2014

⁵⁸ Public Health Wales, 'Alcohol and health in Wales 2014', p9

⁵⁹ Currie et al. (2012). Social determinants of health and well-being among young people. Health Behaviour in School-aged Children (HBSC) study: International report from the 2009/10 survey. WHO Regional Office for Europe.

⁶⁰ UK Department of Health, (2009) *Guidance on the Consumption of Alcohol by Children and Young People*-chapter 5 reviews the evidence

⁶¹ Data taken from the Sheffield Model for Wales, (2014) p13 - based on General Lifestyle Survey

	Proportion of population	Average consumption (units / week)	Average spend (£ / year)
Abstainers	16 %	0	n/a
Moderate drinkers	62.5%	5.5 units	£310
Hazardous drinkers (increasing risk)	15.8%	27.8 units	£1,190
Harmful drinkers (high risk)	5.7%	78.1 units	£2,960

Table 2

110. Hazardous alcohol consumption is a level of consumption which is likely to result in harm. The WHO estimates the threshold of hazardous alcohol consumption per week is 17.5 units to 35 units for women and 35 to 52.5 units for men. This differs slightly from the definition for “increasing risk” used by the Sheffield model, which are 21-50 units per week for men and 14 35 units for women. However, the WHO term is used throughout for consistency.

111. Harmful drinking is a level of consumption which causes damage to health. WHO estimates the threshold of harmful drinking is more than 35 units a week for women and more than 52.5 units a week for men. The equivalent category used by Sheffield is high-risk drinkers, which has the same definition for women but considers men drinking more than 50 units a week high risk.

112. Among the drinking population (excluding abstainers), harmful and hazardous drinkers combined make up 26%, but are responsible for 73% of all alcohol consumption and 65% of all spending on alcohol in Wales. Harmful drinkers alone (7% of the drinking population) are responsible for 37% of consumption and 31% of all spending in Wales.⁶²

⁶² Sheffield Model, figure 4.10, p21

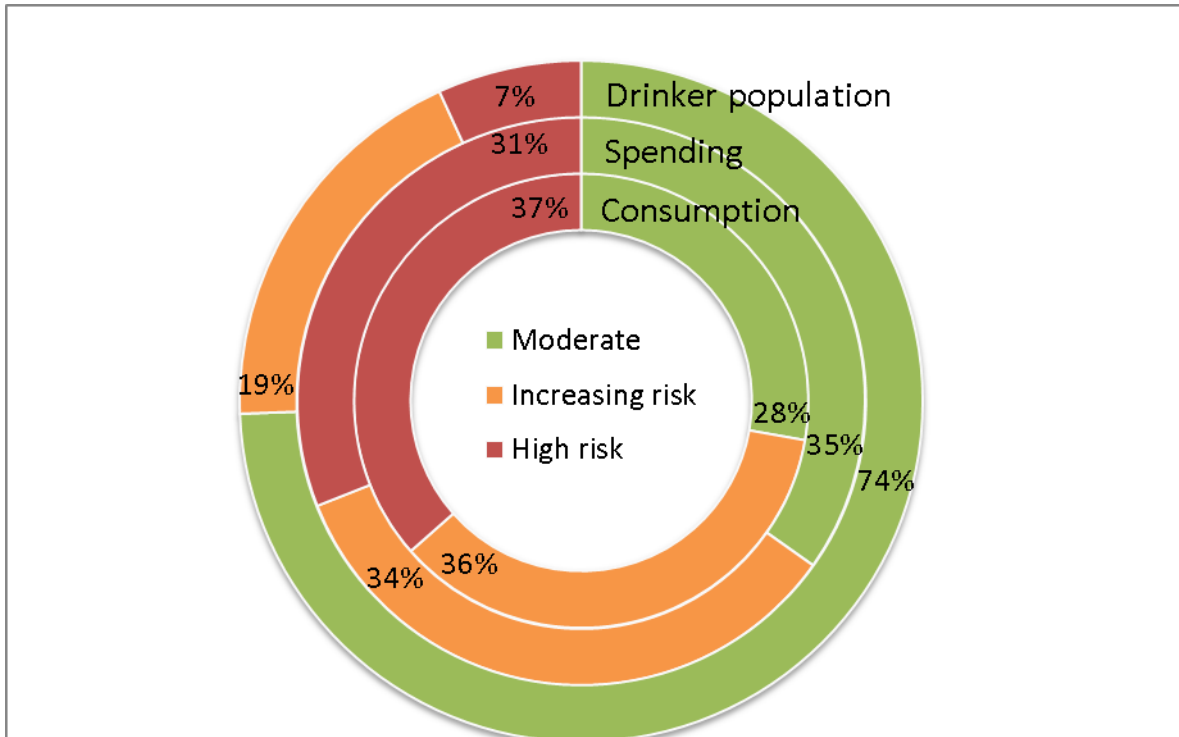


Figure 3: Proportion of total consumption and spending by drinker group⁶³

113. This demonstrates the importance of a policy which targets these groups, as drinking at these levels is strongly associated with the alcohol-related harms described below.

Alcohol-related deaths

114. As previously mentioned in Part 1, in 2013, there were 467 alcohol-related deaths in Wales, the majority among men. In Wales alcohol-related deaths are based on relatively small numbers and fluctuate from year-to-year, so trends must be interpreted with caution. However, the general picture is of a near doubling of death rates in both men and women between 1994 and 2008, with rates stabilising since then and a decline in the 2013 figure compared to 2012 (467 compared to 504, which compares with 459 in 2011, 494 in 2010 and 493 in 2009). The 2013 figures show that alcohol-related death rates for males was significantly higher in Wales than in England (20.7 per 100,000 compared with 17.8 per 100,000 population), but in females this gap was smaller (10.3 compared to 8.7 per 100,000 population).⁶⁴

115. These figures show there has been some movement in the right direction in recent years, since the peak in 2008. A number of factors could be responsible for this but it suggests the actions of the Welsh Government and its partners are having an effect. However, all deaths resulting from alcohol are avoidable deaths, and the

⁶³ Sheffield Model (2014), p21, Figure 4.10

⁶⁴ ONS Statistical Bulletin (11 Feb 2015) 'Alcohol-related Deaths in the United Kingdom, Registered in 2013'

relatively high number of deaths per 100,000 population demonstrates the urgency for further action and further progress.

Hospital admissions

116. Alcohol-specific hospital admission rates (those which are wholly related to alcohol, such as alcohol-related liver disease or alcohol overdose) generally increased from around 400 per 100,000 population in 2001-02 to around 500 per 100,000 population in 2006-2007 and have fluctuated near this level in recent years.⁶⁵ There were around 15,100 alcohol specific hospital admissions in 2012-13.⁶⁶

117. Analysis by the Public Health Wales Observatory showed that in Wales between 1999-2009 alcohol-attributed hospital admissions (which include both conditions entirely due to alcohol consumption and those conditions which are partially due to alcohol) rose from approximately 950 to approximately 1,400 per 100,000 population for males, and from approximately 560 to more than 800 per 100,000 population for females, a rise of nearly 48% and 44% respectively.⁶⁷

Alcohol-related health costs

118. The National Institute for Health and Care Excellence (NICE) classifies alcohol-related harms in three categories – healthcare costs; crime and antisocial behaviour costs and employee absenteeism.⁶⁸ It is difficult to estimate total healthcare costs (including, for example, A&E attendances and ambulance journeys) as reliable and complete data are not available. However, the number of admissions to hospital for conditions wholly or partially attributable to alcohol is calculated by Public Health Wales using alcohol-attributable fractions for a range of conditions, which describe the causative contribution by alcohol across the population (see table 3 below).⁶⁹ It is possible to estimate the cost to the health service in Wales from these hospital admissions based on NICE's indicative unit costs per admission, which are £1,690 each for healthcare admissions wholly-attributable to alcohol (for example, severe intoxication) and £2,330 for admissions partially-attributable to alcohol (for example hypertensive disease).⁷⁰

119. Data from Wales indicate there were more than 51,100 alcohol-related hospital admissions in 2012-13⁷¹ with 30% wholly-attributable to alcohol. Using the

⁶⁵ Welsh Government White Paper, Consultations on Proposals for a Public Health Bill, April 2014; 26

⁶⁶ Substance Misuse Programme. Reading between the lines: the annual profile of substance misuse in Wales 2013-14. Welsh Government; 2014.

⁶⁷ Alcohol and Health in Wales. Public Health Wales Observatory; 2014.

⁶⁸ Alcohol-use disorders, preventing harmful drinking. NICE Public Health Guidance. 2010;24.

⁶⁹ Alcohol and Health in Wales. Public Health Wales Observatory; 2014.

⁷⁰ Costing Report: Alcohol-use disorders, preventing harmful drinking. NICE Public Health Guidance. 2010;p 16;

⁷¹ Alcohol and Health in Wales. Public Health Wales Observatory; 2014.

above unit costs, this suggests that £109.4m was spent in Wales on admissions partially or wholly-attributable to alcohol in 2012-13.

120. This is a very conservative estimate, based on NICE's unit. The Sheffield University study⁷² calculated unit costs for each disease associated with alcohol (table 4.9 in the report), resulting in a considerably higher estimate.

Table 3: Alcohol attributable admissions (episode based, broad measure): total, wholly and partially attributable

	2008-09	2009-10	2010-11	2011-12	2012-13
All alcohol attributable admissions	47,987	47,603	50,845	51,101	51,146
Wholly alcohol attributable admissions	15,086	14,872	15,662	15,688	15,240
Partially alcohol attributable admissions	32,901	32,731	35,183	35,413	35,906

Sources: Table compiled with the cooperation of Public Health Wales

Social and economic harms

121. The volume of alcohol consumed is related to the likelihood of harm, so long-term excessive drinking can lead to an increase in direct physical harms, including accidents and assaults, which incur significant financial and emotional costs.

122. As well as the health-related harms to drinkers, which are illustrated above, those who consume excessive amounts of alcohol may cause harm to others. These indirect harms have costs not directly traceable to the consumer, impacting on, for example, children of parents with alcohol problems, family members, carers, passengers killed or injured by alcohol-impaired drivers and healthcare professionals. The Sheffield University model estimates the overall societal cost of alcohol consumption in Wales to be £15.3bn over 20 years,⁷³ which includes health costs,⁷⁴ costs associated with crime and the cost of workplace absenteeism. Examples of other indirect harms include:⁷⁵

⁷² <http://wales.gov.uk/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

⁷³ Sheffield Model (2014) p 71, table 5.14. The study contains a methodology for the data that is used within these categories of costs

⁷⁴ Including QALYs valued at £60,000 in line with Home Office guidelines

⁷⁵ Advisory Panel on Substance Misuse (2014), *Minimum Unit Pricing: A Review of its Potential in a Welsh Context* (see for further references)

- costs to institutions through poor health or criminality in their workforce;
- unemployment or low employability of users and the impact on their families and costs to the state;
- risky sexual activity, potentially impacting on an individual and their partners' sexual health, sometimes resulting in sexually-transmitted diseases and unplanned pregnancy;
- the consumption of relatively small amounts of alcohol by pregnant women is associated with low birth weight babies and with greater consumption there is an increased risk of foetal alcohol syndrome resulting in physical abnormalities and growth impairment.

123. These costs outweigh the revenue raised through alcohol duties, at approximately £10bn a year in the UK.⁷⁶

Economic modelling

124. The evidence set out in Part 1 demonstrates that affordability is one of the drivers for increased consumption and highlights the main reasons to use a population-based policy measure. The Welsh Government's view is that an MUP for alcohol is a key policy proposal for tackling the health harms associated with alcohol misuse. The Sheffield University model shows a strong and consistent link between the price of alcohol and the demand for alcohol. The model also demonstrates a strong and consistent link between price increase, reduced consumption and subsequent reductions in chronic and acute health harms.

125. Minimum unit pricing is a population measure, which will reduce the aggregate level of alcohol consumed and therefore lower the whole population's risk of alcohol-related harm;⁷⁷ in particular, it targets drinkers who are causing most harm to themselves and society by targeting cheap alcohol, which is bought more by harmful drinkers than moderate drinkers, as other studies have found.⁷⁸ Evidence also indicates that cheaper alcohol is attractive to young people.⁷⁹ The reduction in harm for both harmful and young drinkers (whether in contact with current services or not) is the objective of the policy, however it is worth noting that the economy is likely to benefit through a reduction in sick days for all categories of drinker and it is anticipated the effect of the price increase could be positive to the alcohol industry as a whole as it may offset the forecast decrease in sales volume, leading to an overall increases in revenue.

⁷⁶ Institute for Alcohol Studies, 'Alcohol pricing factsheet', April 2014

⁷⁷ NICE public health guidance 24 (June 2010), 'Alcohol-use disorders: preventing harmful drinking'

⁷⁸ Crawford et al., (2012), 'Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey' *Alcohol and Alcoholism* 47:6, pp 738-742

⁷⁹ Booth, A. et al. (2008) *Independent Review of the Effects of Alcohol Pricing and promotion Part A: Systematic Reviews*, Sheffield: University of Sheffield http://www.sheffield.ac.uk/polopoly_fs/1.95617!/file/PartA.pdf

126. The Sheffield University model calculates the potential effect of MUP policies set at 35p to 70p, as well as making comparisons with the impact of a ban on below-cost price selling. For a 50p MUP, the estimated per person reduction in alcohol consumption for the overall population is 4%. In absolute terms, this equates to an annual reduction of 30.2 units per drinker per year. When the MUP is set at lower levels, modelling shows that there are relatively small impacts, with effectiveness increasing sharply above 45p per unit (45p = 2.6% drop in consumption, 50p = 4% drop, 55p = 5.6% drop).

127. There are substantial estimated reductions in alcohol-related harms from all modelled policies, with an estimated reduction of 53 deaths and 1,400 fewer hospital admissions per year for a 50p MUP.

128. All modelled policies are estimated to have a greater reduction in deaths and hospital admissions per 100,000 drinkers for those in poverty than those not in poverty (for example, five fewer deaths and 120 fewer hospital admissions per 100,000 drinkers for those in poverty for a 50p MUP compared to two fewer deaths and 50 fewer hospital admissions per 100,000 drinkers for those not in poverty).

129. Although there are some inherent limitations with modelling, which is necessarily based on estimates and predicted behaviour, the Sheffield University model has been shown to be a robust process, using conservative assumptions.⁸⁰ It uses Welsh-specific data and as part of a balanced approach, includes an assessment of the impact of reduced consumption on the protective effect of alcohol for a few specific conditions.⁸¹

130. The University of Sheffield researchers have received support for their approach from leading health economists and experts in the field of alcohol, with peer reviewed articles in a number of publications, including *Addiction*.⁸² It has been supported by the *Lancet*, which considers it robust evidence for government intervention.⁸³ The Institute for Fiscal Studies has criticised some elements of MUP – primarily that increased revenues are kept by the industry, rather than tax revenues going to the government. However, it concluded that an MUP would “generate substantial reductions in alcohol purchases” and is “effective at targeting households that are most likely to suffer from (or cause) alcohol-related harms”.⁸⁴

⁸⁰ Sheffield Model, p83

⁸¹ Sheffield Model (2014), table 4.6, p32 and 5.6, p61

⁸² Meier, P.S., Brennan, A., and Purshouse, R. (2010) *Policy Options for Alcohol Price Regulation: The Importance of Modelling Population Heterogeneity*, *Addiction*, Volume 105, Issue 3, pages 383-393

⁸³ Purshouse, R. et al (2010) *Estimated effect of alcohol pricing policies on health and health economic outcomes in England: an epidemiological model*, *The Lancet*, 375 (9723), pp.1355-64

⁸⁴ R. Griffith, A. Leicester and M. O’Connell, (March 2013), *Price-based measures to reduce alcohol consumption*, IFS Briefing Note BN138, p17

131. In June 2009 the SABMiller brewing company commissioned the Centre for Economics and Business Research Ltd (CEBR) to produce the report *Minimum Alcohol Pricing: A targeted measure?* (updated in August 2010 following the second version of the Sheffield model).⁸⁵ It contained no new evidence but reviewed the University of Sheffield's work. The CEBR report does not dispute the link between the price of alcohol and consumption – and between consumption and harm – but questions the Sheffield University finding that harmful drinkers were more responsive to price change than moderate drinkers – a criticism also raised by the Adam Smith Institute.⁸⁶

132. The Sheffield team argue that CEBR's use of alternative estimates of consumers' responsiveness to price changes is overly simplistic as they do not include detailed breakdowns of product types or consumer behaviour, including heavier drinkers' tendency to trade down to lower-cost products. In contrast, the Sheffield University model relies on a complex matrix of own-price and cross-price elasticities (responsiveness to price increases of products and the impact of switching behaviour) for different categories of drinks, separated for moderate and harmful/hazardous drinkers.⁸⁷ To counter arguments around the responsiveness of heavier drinkers the Sheffield University team ran a sensitivity analysis that assumed harmful drinkers were a third less responsive than moderate drinkers (which is unlikely to be the case). While this results in slightly reduced estimates of the effectiveness of an MUP of 50p, it shows a greater reduction in harmful drinkers' consumption because they drink more of the type of alcohol affected by MUP policies. (This question is considered in more detail in the competition assessment, page 67).

133. Other studies have also found that moderate drinkers, whether in lower or higher income groups, are predicted as the least likely to purchase cheap alcohol.⁸⁸ It is heavier drinkers, rather than low income drinkers, who pay less per unit and therefore the risk that MUP would disadvantage moderate drinkers on lower incomes has been overstated.⁸⁹

⁸⁵ Centre for Economics and Business Research Ltd (2009) *Minimum Alcohol Pricing: A targeted measure?* London: Centre for Economics and Business Research Ltd

⁸⁶ J. Duffy and C. Snowdon (2012), 'The Minimal Evidence Minimum Pricing: The fatal flaws in the Sheffield Alcohol Policy Model', *Adam Smith Research Trust*

⁸⁷ Meng Y, Brennan A, Purshouse R, Hill-McManus D, Angus C, Holmes J, et al. Estimation of own and cross price elasticities of alcohol demand in the UK-A pseudo-panel approach using the Living Costs and Food Survey 2001-2009. *J Health Econ* [Internet]. 2014 Mar;34:96–103. Available from: <http://www.sciencedirect.com/science/article/pii/S0167629613001835>

⁸⁸ Ludbrook et al., (2012), 'Tackling alcohol misuse', *Applied Health Economics and Health Policy*, January 2012, Volume 10, [Issue 1](#), pp 51-63

⁸⁹ Crawford et al., (2012), 'Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey' *Alcohol and Alcoholism* 47:6, pp 738-742

134. The Welsh Government considers that there is a robust evidence base for legislative change, based on the Sheffield University model, supplemented with the analysis of the effect of pricing on consumption in other countries, as detailed above.

Cross-border issues

135. It is recognised that having different legislation in Wales and England, as a result of introducing minimum unit pricing, may have a small effect on purchasing behaviours, however these changes are expected to be minimal.

136. Minimum unit pricing is a population measure, aimed at lowering the population's risk of alcohol-related harm. Population measures are preferable because they help both those not in contact with specialist services and those who have been identified as needing to reduce their alcohol intake by creating an environment which supports lower-risk drinking.⁹⁰ For the majority of the Welsh population, purchasing in England would incur both a time and travel cost (for example petrol and vehicle value depreciation). This cost is likely to outweigh any savings on the price of alcohol which would be achieved.⁹¹ Minimum unit pricing also targets the small proportion of drinkers who consume harmful or hazardous quantities of alcohol who may often be purchasing alcohol for immediate consumption, reducing the incentive to travel further than they would normally to avoid paying more for their alcohol as a result of an MUP.

137. However, there may be consequences for retailers in border areas of Wales where the general population may choose to travel a little further for their shopping to reap the benefit of English alcohol pricing. To monitor the possible effects of minimum unit pricing in these areas, we have analysed the amount spent on groceries, including alcohol in English border areas using debit or credit cards registered in Wales. This currently stands at £44.4m for grocery spending per year, 4.91% of the total in Wales.⁹² (see the competition assessment for a further discussion). Although this suggests a small proportion of people may not be affected by MUP as they may purchase alcohol in England, as this is a population measure this is not a risk to its efficacy as a whole. By tracking this debit and credit card data in the future, we can compare the impact of introducing minimum unit pricing.

138. The cross-border issues are further mitigated by the fact the target population for minimum unit pricing mostly do not live close to the Wales-England border. Figure 4 shows few border areas have a high concentration of very heavy (binge)

⁹⁰ NICE public health guidance 24 (June 2010), 'Alcohol-use disorders: preventing harmful drinking'

⁹¹ Where cross-border purchasing has shown to be an issue in Northern Ireland, this was due to price differentials resulting from the weak Euro, and alcohol was a small factor – on average of €286 was spent with only €32 of this being spent on alcohol -

http://www.cso.ie/releasespublications/documents/labour_market/2009/qnhs_xborder0209.pdf

⁹² Experian, Measuring Cross Border Grocery Spend Between Wales and England Using Anonymized Card Data, Jan 2015

drinkers. According to 2011-12 figures, of all the local authority areas that border England, only Flintshire has a proportion of very heavy drinkers (15.9%) above the Welsh average (14.9%).⁹³ Public Health Wales bases these proportions on lifestyle surveys which focus on the number of units consumed on the heaviest drinking day in the previous week. Although this differs from the definition used by the Sheffield University model, and followed elsewhere in this RIA, binge drinking is associated with many of alcohol-related harms.

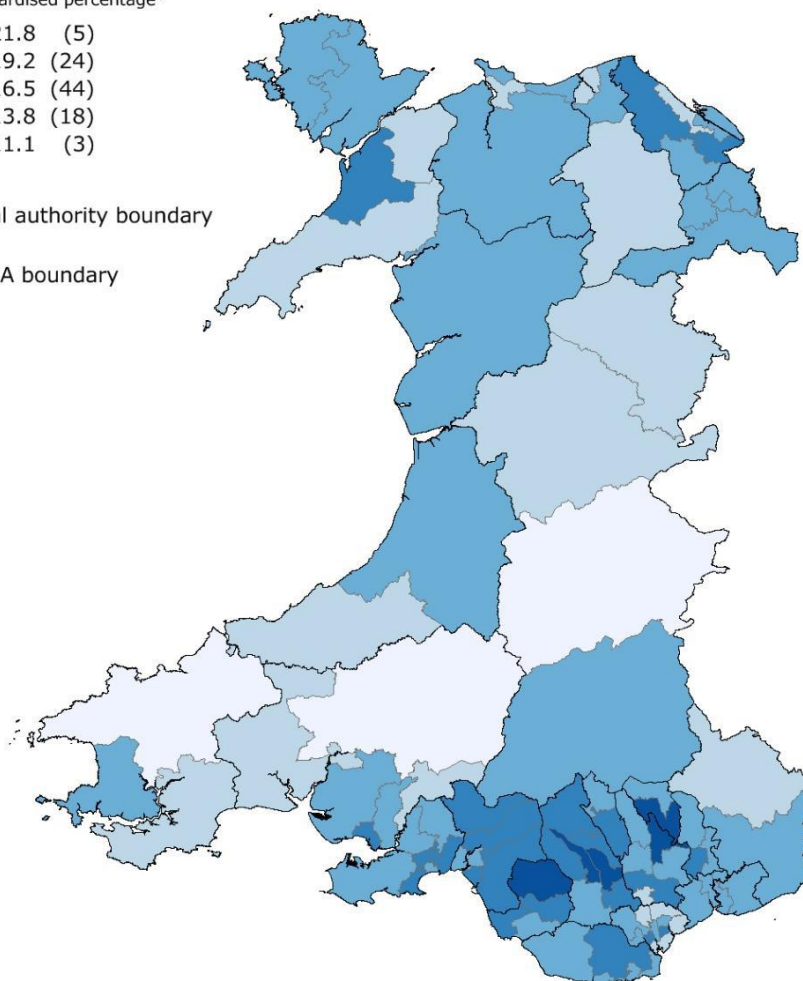
Percentage of adults reporting very heavy drinking (males over 12 units, females over 9 units) on the heaviest drinking day in the past week, Wales, 2008-12

USOA, age-standardised percentage*

- 19.2 to 21.8 (5)
- 16.5 to <19.2 (24)
- 13.8 to <16.5 (44)
- 11.1 to <13.8 (18)
- 8.4 to <11.1 (3)

Local authority boundary

USOA boundary



* Using aggregated weightings from the 2013 European Standard Population

Produced by Public Health Wales Observatory, using WHS (WG)
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Figure 4: Map of very heavy drinkers, Wales⁹⁴

139. Online and mobile businesses licensed in Wales will need to ensure they are charging in line with the MUP when supplying to customers in Wales. Online and mobile businesses licensed in England will not be covered by the legislation when supplying to customers in England or Wales.

⁹³ PHWO, Alcohol and Health in Wales 2014, Betsi Cadwaladr UHB summary, pp7-8

⁹⁴ PHWO, Alcohol and Health in Wales 2014, Wales Profile, p17

140. Evidence shows that harmful and hazardous drinkers, who are the main targets of MUP, are more likely to buy alcohol in local supermarkets/grocers than online.⁹⁵ Therefore the risk of this impacting the overall objective of the policy is considered to be low at this time.

141. Although these cross-border issues may limit the impact on a few individuals, we do not anticipate any significant effect on the projected reduction in consumption or harm (health and cost).

142. A potential unintended consequence of minimum unit pricing was raised in some responses to the Public Health White Paper consultation, concerning the risk of an increase in home-brewed or illicit – stolen, or counterfeit – alcohol. The Welsh Government does not consider the increase in price is likely to be sufficient to incentivise these kinds of activity, which are not currently a significant problem in Wales. Even among dependent drinkers, a recent study has suggested that very heavy drinkers (average 198 units per week) very rarely obtain alcohol through these means, and only a “considerable shift in self-concept among this population” would change this behaviour.⁹⁶ The risk of this is therefore considered to be low, but will remain under review.

⁹⁵ Black, H., Gill, J. and Chick, J. (2011), ‘The price of a drink: levels of consumption and price paid per unit of alcohol by Edinburgh’s ill drinkers with a comparison to wider alcohol sales in Scotland’. *Addiction*, 106: 729–736.

⁹⁶ Black, H., Gill, J. and Chick, J. (2011), ‘The price of a drink: levels of consumption and price paid per unit of alcohol by Edinburgh’s ill drinkers with a comparison to wider alcohol sales in Scotland’. *Addiction*, 106: 735

OPTION APPRAISAL

143. Three options have been considered by officials in order to achieve the Welsh Government's stated aim of reducing alcohol consumption to improve public health.

Option 1 – Do Nothing;

Option 2 – Strengthen the current policy approach; or

Option 3 – Introduce MUP for alcohol sold or supplied in Wales.

Option 1 – Do Nothing

Description

144. Under this option, the current approach to reducing the harms caused by alcohol misuse through implementing the actions set out in the substance misuse strategy *Working Together to Reduce Harm* and its supporting Delivery Plan 2013-15 would be maintained. This encompasses some existing non-legislative actions outlined in Part 1 to prevent harm, including an education programme; helpline and public information campaign; support for people who misuse alcohol, including treatment programmes, wraparound services and help finding work; actions to protect families, providing support to children, carers and parents. It also involves tackling unsuitable availability of alcohol and related crime and disorder by providing advice and support to community safety partnerships and licensing authorities.

145. Option 1 is provided as a baseline for comparison with the potential benefits of strengthening the current approach or introducing MUP.

146. Alcohol consumption in the UK has more than doubled since 1950.⁹⁷ Although consumption has recently fallen, the WHS data shows that in 2014, 40% of adults reported drinking alcohol above the daily guidelines on at least one day in the past week. As stated above, this is having a significant impact on health in Wales, resulting in a high number of avoidable deaths.

147. The UK Government introduced a ban on the sale of alcohol in England and Wales below the level of alcohol duty for a product plus VAT on 28 May 2014. The ban is a new licensing condition accompanied by the mandatory code of practice and means that a can of average strength lager will cost no less than 40p and a standard bottle of vodka no less than £8.89.

⁹⁷ Source: Alcohol Misuse: tackling the UK epidemic: British Medical Association Boards of Science . BMA : Feb 2008.

148. The ban aims to prevent businesses from selling alcohol at heavily-discounted prices and aims to reduce excessive alcohol consumption and its associated impact on alcohol-related crime and health harms. It prevents retailers from selling alcohol cheaper than the cost of the tax payable on the product. Non-compliance with the ban could result in up to six months' imprisonment and/or a £20,000 fine.

149. The Sheffield model suggests the ban on below-cost selling in England and Wales will have only a very small impact on alcohol consumption and related harms. According to the Sheffield model, when applied to Wales the policy affects only the very cheapest drink and the average price of alcohol sold by supermarkets will rise by 0.1%. The UK-wide estimate for the impact on alcohol-related harm is a reduction of approximately 15 alcohol-related deaths per year, 500 hospital admissions and 900 alcohol-related crimes. Given the low impact on price and consumption, the impact of this policy on health outcomes in Wales is predicted to be low, with 23 fewer hospital admissions in the 20th year.⁹⁸

Costs

150. The current Welsh Government budget for substance misuse programmes would be maintained, but while there would be no new costs to the Welsh Government from this option initially, there will be increased costs over time if the harms resulting from excessive alcohol misuse continue. The cost to the NHS in Wales was around £109m in 2012-13, for alcohol-related hospital admissions alone, as well as economic and social costs to individuals, communities and families. Existing resources provided to substance misuse commissioners and providers would continue to be provided and may need to be increased to respond to these increased health costs.

151. Although evidence suggests that overall alcohol consumption is falling,⁹⁹ hazardous and harmful drinking continues to pose a significant risk to health. Furthermore, the increasing affordability of alcohol could slow the trend of reducing consumption; doing nothing therefore may allow this inhibiting factor to progress to continue. The Sheffield University model estimates the overall societal cost of alcohol misuse to be £15.3bn over 20 years, of which £8.2bn falls to the government in health and crime-related costs and £7.1bn in health costs to consumers (quality adjusted life years).¹⁰⁰ The ban on below-cost selling is anticipated to reduce this total by only 0.1%. The Welsh Government therefore considers the long-term costs of not taking further action to protect individuals from the preventable harm of alcohol-related deaths and disease are too high.

⁹⁸ Sheffield Model, p 61, table 5.6

⁹⁹ *Alcohol and health in Wales 2014*, Public Health Wales

¹⁰⁰ Sheffield Model, p 71, table 5.14

152. There would be no additional costs to local authorities or trading standards departments from this option.

153. There would be no additional costs to retailers from this option.

Benefits

154. The only potential benefit of doing nothing would be an initial cost saving, as all other options contain implementation costs to the taxpayer and retailers, as well as costs to consumers. The ban on below cost selling (implemented in May 2014 as a ban on selling alcohol for below the cost of duty plus the VAT payable on that duty) is predicted to have a minimal impact on alcohol consumption and related harms, with a 0.1% reduction in deaths and a total saving of £9m a year on societal costs (out of a total of £15.3bn over 20 years).¹⁰¹

Option 2 – Strengthening the current policy approach

Description

155. This option would continue the actions set out in the substance misuse strategy *Working Together to Reduce Harm* and supporting Delivery Plan 2013-15, but strengthen the focus on programmes to address alcohol misuse. This would require reassigning resources from other aspects of the substance misuse budget with an impact on programmes to tackle the misuse of legal and illegal drugs as a result of overall budget constraints. This could lead to an increase in waiting times for people accessing substitute opioid treatment and psychosocial interventions, both of which are crucial to preventing and reducing drug-related deaths. Transferring resources would also take time as any reassignment could not take place until existing commissioned cycles have concluded.

156. The current strategy contains four parts to the approach to reducing alcohol-related harm, as detailed in Option 1. To increase work in these areas, we would focus greater effort and resources towards reducing alcohol-related harm, through the Substance Misuse Action Fund. This would include extending actions in the current delivery plan, such as programmes to influence attitudes to alcohol, particularly with regard to drinking at home and education programmes for children and young people.

157. The Welsh Government will be refreshing and re-issuing its *Night Time Economy Framework* for consultation shortly. It is aimed at community safety managers and the police, among others, and seeks to encourage partners to ensure the full range of sanctions are brought to bear against those people who drink irresponsibly and become involved in crime and anti-social behaviour and the

¹⁰¹ Sheffield mode (2014) p71, table 5.14

licensees who continue to serve them regardless of their state of intoxication. We would seek to encourage further take up of licensing restrictions such as early morning restriction orders and late night levies. These options tend to impact on the general population and all off-trade and on-trade premises, rather than targeting harmful/hazardous drinking and the off-trade associated with it. The Welsh Government would also seek to influence partners to make greater use of industry-led schemes, such as Reducing the Strength¹⁰², although these schemes are voluntary and so may have limited effectiveness in tackling the more problematic premises.

158. Treatment services are targeted to tackle areas of greatest harm and likely health improvements. A re-prioritisation to ensure treatment services are available to those suffering harm as a result of hazardous drinking would support those suffering from alcohol use disorders. Yet in the majority of referrals to treatment, alcohol is the main problematic substance already (54.2%).¹⁰³ Any re-prioritisation could have a detrimental impact on treatment services for other substance misuse problems. Further developing the brief intervention service through which health professionals can offer support to people drinking alcohol at damaging levels but not requiring specialist treatment for addiction could also protect individuals from harm. This would target a relatively small group, as those referred for treatment (13,447 in 2013-14) are a small minority of those who consume alcohol at potentially harmful levels (26% of the Welsh population are harmful or hazardous drinkers).¹⁰⁴

159. These actions could form an important part of the package of measures to reduce the harm caused by alcohol consumption but the evidence suggests there is a limit to the effectiveness of these alone.¹⁰⁵ The WHO has found it is difficult to measure the direct positive effect on drinking patterns from education in schools, public service announcements and voluntary regulation by the alcohol industry.¹⁰⁶

160. The National Assembly for Wales does not have the legislative competence to raise alcohol duties or taxes. The Welsh Government could however lobby the UK government to increase alcohol duties as a means of increasing the overall cost of alcohol in order to reduce consumption. This policy would not however target harmful drinkers – it would increase the price of all alcoholic drinks, not just the cheapest. A tax increase based on price would disproportionately affect the market without

¹⁰²

http://www.google.co.uk/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&cad=rja&uact=8&ved=0CCEQFjAA&url=http%3A%2F%2Fwww.local.gov.uk%2Fdocuments%2F10180%2F5854661%2FL14-350%2BReducing%2Bthe%2BStrength_14.pdf%2Fb642e-2bcb-47d4-8bea-2f322100b711&ei=MECVVcP4OuTl7gaNi4GAAw&usq=AFQjCNFmIcGPZ-OJKi9girGBD4G527IT0w

¹⁰³ Welsh National Database for Substance Misuse, Treatment data 2013-14

¹⁰⁴ Sheffield Alcohol Policy Model

¹⁰⁵ Babor et al, (2003), *Alcohol: No Ordinary Commodity*, Oxford: Oxford University Press

¹⁰⁶ Babor et al, (2003), *Alcohol: No Ordinary Commodity*, Oxford: Oxford University Press

targeting harmful drinkers because low-priced, relatively low-strength products would increase as much as that of low-priced, relatively high-strength products.¹⁰⁷

161. There is also a risk that retailers could choose to absorb some of the cost of tax rises rather than pass them on to the consumer. Studies have also shown that retailers in the UK tend to focus tax rises on more expensive products (raising the price beyond the level of the tax increase) in order to raise the price of cheaper products by less than the tax increase. This means that tax rises are not effective at targeting cheaper alcohol and therefore do not target harmful or hazardous drinkers.¹⁰⁸

Costs

162. There would be no new costs to the Welsh Government from this option initially, as constraints on government spending are likely to remain, restricting the overall Substance Misuse Action Fund to the current level of £32m. As a result of a re-alignment of resources to reflect a greater priority of alcohol-related education programmes and treatment services for those with alcohol use disorders, there is likely to be an impact on other services, particularly drug misuse programmes (as well as a potential for increased drug use if drug-related education programmes are cut back). Furthermore, as education programmes are considered to be of limited effectiveness at cutting overall consumption when used in isolation,¹⁰⁹ we do not believe that these actions alone will be sufficient to reduce excessive alcohol consumption and address the harm of alcohol misuse – there are likely to be increased costs over time as alcohol misuse continues despite recent evidence of some decline in consumption. Existing resources provided to substance misuse commissioners and providers would continue and eventually an increase in overall budgets may be needed, particularly for treatment services, if patterns of hazardous drinking continue and are not otherwise addressed.

163. While actions recommended by the *Night Time Economy Framework* may have some effect on consumption levels, they are not specifically targeted at harmful and hazardous drinkers and so the impact of falling consumption on harm may be smaller. As a result, the costs to the NHS in Wales are unlikely to fall significantly.

164. There would be no additional costs to local authorities from this option.

¹⁰⁷ A scheme of taxation that was levied on a unit of alcohol and so treated products of the same strength in the same way would not comply with the current system of excise duty required by EU law. EU directives 92/83/EEC and 92/84/EEC limit the ability to align duty with alcoholic content.

¹⁰⁸ Alley et al (2014), 'Alcohol tax pass-through across the product and price range: do retailers treat cheap alcohol differently?', *Addiction*, 109

¹⁰⁹ WHO, 2013, 'Status Report on Alcohol and Health in 35 European Countries', p11

165. If the Welsh Government successfully lobbied the UK government for an increase in alcohol duties, there would be an increase in cost to all consumers, whether moderate or heavy drinkers, as any price increase would affect all alcoholic drinks (both off and on-trade). The only exception would be if retailers chose to absorb the increased cost themselves rather than pass on to the consumer (as long as they could do so without violating the ban on below-cost sales). For retailers of higher-cost products, which would not be affected by the below-cost ban (for example, in the on-trade), or where alcohol is used as a 'loss-leader', for example in supermarkets, this could result in higher costs to retailers, without the desired impact on consumption levels.

Benefits

166. Further preventative measures, including increased education and public awareness campaigns may have a small, long-term impact on alcohol consumption and harm; increased measures should result in reductions in alcohol-related crime and disorder. Targeting treatment at people who misuse alcohol can produce results in reduced harm to individuals. These benefits are long-term and difficult to quantify or add a monetary value to at this stage.

Option 3 - Introducing a minimum unit price for alcohol

Description

167. This option would involve the Welsh Government introducing an MUP, meaning that alcohol could not be sold or supplied below that price to a person in Wales. This would not increase the price of every drink, only those which are sold at below any MUP set.

168. The main reason that an MUP for alcohol is preferable to UK government action on alcohol duties is that an MUP is a more targeted approach to address the problems of cheap, strong alcohol products. A rise in alcohol duty would affect all types of alcohol products, including the most expensive products.

169. The formula for calculating the MUP for alcohol is set out on the face of the draft Bill. The MUP will be set by the Welsh Ministers in secondary legislation. The MUP for alcohol takes account of the strength of alcohol, which is determined by the alcohol by volume (ABV) measure and the volume of the alcohol in litres. The formula for calculating the minimum price of a product would apply to all products equally regardless of whether the products are domestically produced or imported.

170. The minimum sale price for a product is calculated as follows:

Minimum unit price x S (percentage strength of alcohol) x V (ABV - volume of alcohol)

* An example of a £0.50 price of alcohol is calculated as follows:

$$£0.50 \times 12.5 \times 0.75 = £4.65$$

171. As more than 80% of alcohol products now feature the number of units on the label, as a result of the implementation of the UK government's public health responsibility deal pledge, the calculation can also be carried out as follows:

Price per unit of alcohol x number of units contained¹¹⁰

172. According to the Sheffield model, the effectiveness of MUP increases sharply when the minimum price is set at more than 45p per unit. The Welsh Government is therefore recommending an MUP for alcohol of 50p, as a balance between minimising the impact on moderate drinkers while reducing the consumption of harmful and hazardous drinkers. A 50p MUP would affect only a small minority of prices in the on-trade sector. For the off-trade, 72% of total sales of beer, 78% of cider sales, 42% of wine and 66% of spirits sales are currently sold at a price which is below what would be required if the MUP were set at 50p.¹¹¹

Costs

Consumers

173. Consumers who currently purchase alcohol priced at less than the set MUP will be directly affected. The Sheffield model estimates that costs will fall largely on hazardous and harmful drinkers who tend to favour cheaper alcohol which is most affected by MUP (chiefly off-trade beer, cider and spirits), with more than a third of their alcohol currently purchased at less than 50p per unit (compared with less than a quarter for moderate drinkers), as shown in figure 5. A harmful or hazardous drinker will spend approximately £32 more per year, with the larger effect being the anticipated drop in consumption. In contrast, moderate drinkers will spend on average £2.37 more per year.¹¹²

174. The costs of MUP would fall on consumers both in poverty and not in poverty, but those in poverty will feel a greater impact of the policy, as they tend to buy products at the cheaper end of the scale, and will be unable to swap their usual

¹¹⁰ To one decimal place, as it usually appears on alcohol product labels

¹¹¹ Sheffield Model (2014), table 4.2, p22

¹¹² Sheffield Model (2014), Table 5.3, p56

product for a lower-end product.¹¹³ As a result, they would be more likely to increase their spending in response to price increases. This effect is however small for moderate drinkers in poverty and the most significant impact is still on harmful drinkers, who currently purchase a higher proportion of drinks below the threshold whether in poverty (42% of drinks are below the 50p threshold, compared to 21% for moderate drinkers) or above the poverty line (28% compared to 14%) (see Figure 5). Another study has echoed this finding, agreeing that while people on low incomes generally pay less per unit than people on higher incomes, this is seen in heavier, not lighter, drinkers.¹¹⁴

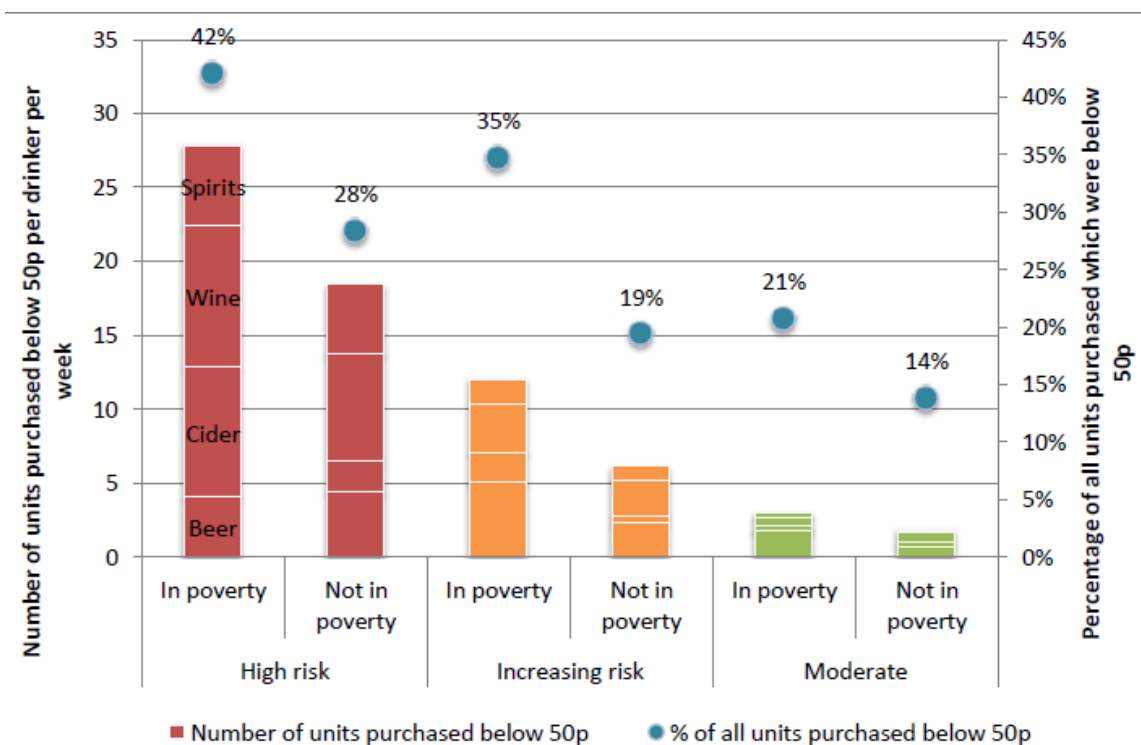


Figure 5¹¹⁵: Number and proportion of units purchased at below 50p/unit by income and drinker group

175. Furthermore, those in poverty are disproportionately less likely to be affected by minimum unit pricing, as they are more likely to be abstinent or low-consumption drinkers. 83% of those in poverty are low consumption drinkers and 26% abstain, compared to 76% and 13% for those not in poverty (see figure 5). This has been found in other studies using household survey data, with 50% of households in the poorest quintile buying no alcohol compared to 15% of households in the richest quintile.¹¹⁶ Moderate drinkers in poverty also already tend to consume less, at 4.9 units per weeks, compared to 5.6 for moderate drinkers not in poverty.

¹¹³ This has also been found in other studies, including RAND Europe (2011) *Preliminary assessment of economic impacts of alcohol pricing options in the UK*

¹¹⁴ Crawford et al., (2012), 'Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey' *Alcohol and Alcoholism* 47:6, p741

¹¹⁵ Sheffield Model (2014), figure 4.9

¹¹⁶ Ludbrook et al., (2012), 'Tackling alcohol misuse', *Applied Health Economics and Health Policy*, January 2012, Volume 10, Issue 1, pp 51-63

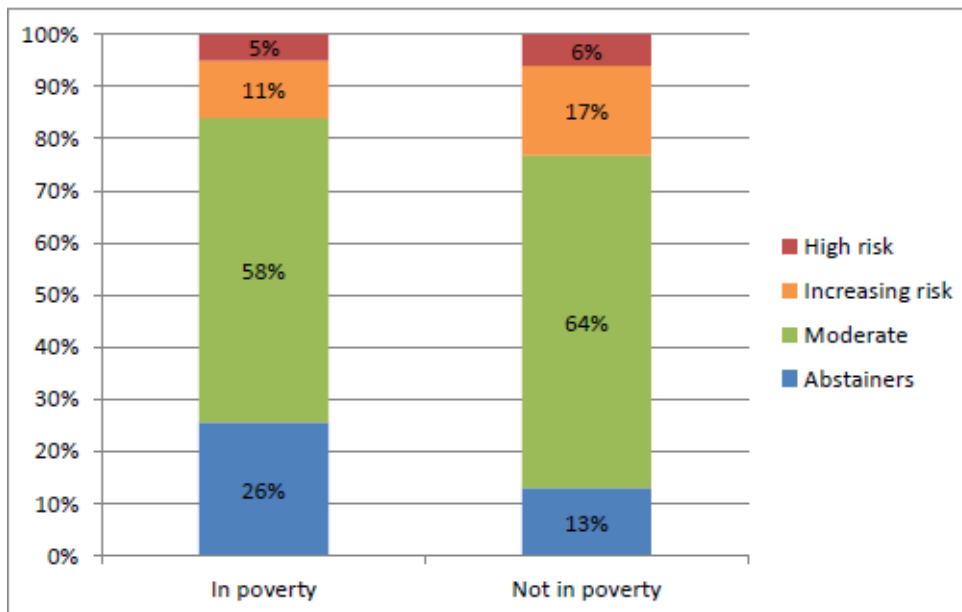


Figure 6: Population distribution by drinker and income group¹¹⁷

176. UK household expenditure data¹¹⁸ shows that, while the poorest 10% of the population (the bottom decile) spend the highest proportion of their total household expenditure on alcohol (1.84%), this then drops through the deciles, with the fourth decile spending the lowest (1.32%). Most deciles spend a roughly similar proportion (1.46% to 1.57%) with the richest 10% spending a lower proportion (1.37%). In absolute terms, this means that the poorest 10% spend £3.50 per week, rising to £15.30 for the richest. Given that these proportions of total expenditure are relatively low, for the majority of moderate drinkers, a small increase in expenditure (anticipated at £2.15 per year for moderate drinkers in poverty, or £2.44 per year for moderate drinkers not in poverty) is likely to have a limited impact on other household expenditure.

177. The increased costs of the policy are therefore focused on harmful and hazardous drinkers. For those not in poverty, the increased costs will be £35.88 per year for hazardous drinkers, and £38.52 for harmful drinkers, accompanied by a drop in consumption of 1.2% (17.7 units) and 5.8% (243 units) respectively. For those in poverty who are hazardous or harmful drinkers, the cost impact is lower (£17.74 and £8.50 respectively),¹¹⁹ so the more significant impact is the reduction in consumption (6.2%; 84.3 units and 13%; 487.3 units a year, respectively).¹²⁰ It should be acknowledged, however, that this impact could be significant for some harmful drinkers, particularly those who find they are unable to restrict their consumption significantly, which could impact on family budgets, especially within the poorest

¹¹⁷ Sheffield Model (2014), p17

¹¹⁸ ONS, Family Spending 2014 Edition Release (Dec 2014), [Table A6: Detailed household expenditure by gross income decile group, 2013](#)

¹¹⁹ Sheffield Model (2014), Table 5.4

¹²⁰ Sheffield Model (2014), 6.3, pp 80-81

10% where spend is relatively high compared to total expenditure. It is difficult to predict what impact on family spending this may have as for example, spend could be transferred from a whole range of areas of household expenditure.

178. We also know that young people will be disproportionately affected by a 50p MUP, as they also tend to favour cheaper alcohol. Detailed analysis of the cost implications for young people is not available.

179. The small decline in consumption among moderate drinkers (-2.2%) may lead to a cost to health services, resulting from a loss of the protective effect of alcohol for ischaemic heart disease, ischaemic stroke and Type II diabetes. The Sheffield University model estimates that over 20 years, 1 death and 23 hospital admissions may be attributable to this effect (balanced against the saving of 54 deaths and 1,445 hospital admissions).¹²¹ The impact is small because the protective effect is only evident for low levels of consumption, so the change would only affect those who are already moderate drinkers (who are predicted to change behaviour only slightly, reducing their consumption by 6.4 units per year).

Retailers

180. Costs to on-sale retailers are anticipated to be largely unaffected, as prices will rarely change.

181. For off-sale retailers, any reductions in sales will be compensated by higher prices, resulting in overall increases in revenue owing to the relative inelasticity of demand for alcohol. The implementation costs for retailers will however vary for smaller and larger businesses.

182. Larger businesses which operate UK-wide may incur costs associated with a different pricing and promotion regime in Wales. The cost of re-pricing and labelling at the point of implementation is not considered to be excessive, as these stores regularly re-price their products, including in response to changes in alcohol duty at short notice.

MUP will apply to businesses licensed in Wales which operate online or telephone delivery of alcohol when selling to a person in Wales. The Welsh Government acknowledge that internet sales/click and collect/telephone orders may pose an implementation challenge for certain retailers in Wales. As such we have specifically sought views on this matter in Question 3 of the consultation on this Draft Bill.

183. The Welsh Retail Consortium highlights a number of other costs, including the need to update in-store systems, which are currently used to block at till-point sales

¹²¹ Sheffield Model (2014), table 5.6 p61

of alcohol below the cost-price.¹²² One supermarket chain has estimated this could cost up to £1m and take between two and three years to implement and test.¹²³ It also suggests there may be a cost for maintaining different pricing and compliance systems across the border. However, a significant number of these retailers (predominately supermarket chains) already have differential pricing across different types/sizes of store, as well as implementing different rules on alcohol price promotions in Scotland.

184. The Wine and Spirit Trade Association mentioned the cost of reviewing promotional material.¹²⁴ There may also be costs associated with wastage since damaged products cannot be sold at less than the MUP (this was estimated at more than £2.5m for the ban on below-cost selling for one supermarket chain). Although we acknowledge there will be some costs associated with the change, larger retailers should be able to absorb facilitation and implementation costs, as they are likely to benefit from an increase in revenue as a result of MUP. Approximately 84% of alcohol off-sales are from large multiple retailers, according to Nielsen.¹²⁵

185. It should be noted that larger retailers are no longer able to use alcohol as a loss-leader to encourage footfall as a result of the ban on below cost sales. Where retailers are continuing to use heavy discounts on alcohol to encourage customers, they may lose some footfall as a result; however this is difficult to calculate and large retailers will continue to be able to compete with discounts on other products.

186. Smaller businesses, particularly those without head office support, are likely to face higher implementation costs. For example, independent retailers may need to allocate a member of staff to do this for one day, at a cost of approximately £72.50 per shop (based on a retail assistant working for eight hours on a salary of £6.95 per hour, plus costs).¹²⁶ This would mean a total implementation cost of £224,200 in 2017-18 for all off-trade premises, large and small (including supermarkets), of which there are a total of 3,092 in Wales.¹²⁷ Smaller retailers may find this cost is off-set not only by increased revenues but also by their improved ability to compete with large retailers and supermarkets.

187. Retailers will also need to familiarise themselves with the requirements of minimum unit pricing and the guidance required, to ensure they comply. This could take managers of stores approximately four hours to fully familiarise themselves with

¹²² Welsh Retail Consortium response to the Welsh Government Consultation on the Public Health White Paper, June 2014

¹²³ In correspondence with Welsh Government

¹²⁴ WSTA response to the Welsh Government Consultation on the Public Health White Paper, June 2014

¹²⁵ Beeston, C., Robinson, M., Craig, N., and Graham, L. (2011) *Monitoring and Evaluating Scotland's Alcohol Strategy. Setting the Scene: Theory of change and baseline picture - Glossary and Appendices*, Edinburgh: NHS Health Scotland, p36

¹²⁶ 2014 ONS statistics for average hourly UK pay – retail and sales assistants -

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-337425>

¹²⁷ Home Office, Alcohol and Late Night Refreshment Licensing Statistics, supplementary tables, 2012/13

changes and brief staff as required. Based on the hourly rate of retail managers (£11.69, plus costs¹²⁸), and assuming an average of two members of staff at this level per store, costs for this would amount to approximately £376,000 in the year before implementation (2016-17). Large retailers usually have an ongoing system to ensure store managers have up-to-date knowledge of alcohol licensing standards; including a MUP for alcohol as part of this may require an additional hour of familiarisation, at a cost of £94,000 (for all 3,092 licensed retailers) in the future.

188. There is considerable uncertainty around retailers' responses to the introduction of minimum unit pricing, and the impact on the market as a whole. There is little consensus from the industry on whether MUP will affect sale prices which are above the minimum price; whether premium brands will also raise prices in order to maintain the differential between these and value brands. The Welsh Retail Consortium argues it will disproportionately affect own brand alcohol¹²⁹ but this is not possible to predict at this stage. The Sheffield University model assumes the only change will be for prices to be brought up to the MUP threshold since the effect on costs and revenues for different types of retailers and producers cannot be accurately modelled. Nevertheless, it is predicted that the cost of a decline in consumption will be outweighed by the higher revenues resulting from higher prices.

189. Wholesalers of alcohol will be indirectly affected as the volume of alcohol purchased at less than the MUP is expected to decline. The extent of the impact will depend on the quantity of alcohol sold to retailers which is then priced at less than the set MUP for alcohol. They will not however be subject to any MUP requirement due to their trade-to-trade sales.¹³⁰ Wholesalers may choose to increase prices in the knowledge that retail prices of certain goods have increased but that will be for individual companies within the supply chain to determine. Similarly, the impact on producers is difficult to ascertain as the reaction on the supply side and where additional revenue will accrue in the supply chain is not known. Producers may choose, for example, to produce lower-strength products that will retail more cheaply or to focus on premium brands. The alcohol industry has already demonstrated successful innovation in this area, by removing more than a billion units from the UK alcohol market as part of the responsibility deal.¹³¹

¹²⁸ 2014 ONS statistics for average hourly UK pay – retail and sales assistants -

<http://www.ons.gov.uk/ons/publications/re-reference-tables.html?edition=tcn%3A77-337425>

¹²⁹ Welsh Retail Consortium response to the Welsh Government Consultation on the Public Health White Paper, June 2014

¹³⁰ Where a retailer trades as a retail and wholesale business with both customer types shopping in the store, the retailer should ensure the MUP for alcohol is charged to individuals purchasing alcohol for their consumption and that wholesale prices are only offered to customers who hold a licence to resell the alcohol in their business.

¹³¹ Department of Health (Dec 2014), 'Responsibility Deal: Monitoring the number of units of alcohol sold - second interim report, 2013 data'

190. Retailers which do not comply with an MUP may incur costs as a result of fixed penalty notices (FPNs) imposed and, where these are not paid, possible prosecution and further fines. However, as described below, enforcement will often be through informal mechanisms, with retailers encouraged to become compliant through warnings so the number of FPNs is anticipated to be low.

Local authorities

191. Local authorities will be affected as a duty will be placed on them to ensure compliance with the new law and to take action against businesses not complying with the legislation. The estimated costs of implementation are outlined below.

192. It is anticipated that inspections for compliance with minimum unit pricing will be implemented by using the current inspection regime for premises selling alcohol. The cost of an inspection visit is approximately £66¹³², and although there may be a small additional cost for local authorities due to the need for longer or more frequent checks, this is likely to be very low. However, it is not possible to calculate a figure for this as we have not been able to obtain data on specific numbers of inspections across Wales. Similarly, although there may be some additional administration costs in issuing FPNs for non-compliance with minimum unit pricing, this should be off-set for local authorities who will keep the fines paid as a result.

193. Where prosecutions are necessary, for continued non-compliance, non-payment of FPNs, or obstruction of inspections, local authorities will face administrative and legal costs. Legal costs are generally reclaimable against those being prosecuted if the case is successful, but there will be initial costs. It is possible that some local authorities could jointly manage the implementation of minimum unit pricing including collection of fines which could also offset overheads to the local authority. Overall costs for enforcement are likely to be low, for example local authorities report that enforcement of the carrier bag legislation has mostly been effective through informal mechanisms (such as verbal warnings and repeat visits).

Court costs

194. We do not anticipate that breaches of minimum unit pricing would result in many court cases due to the anticipated high levels of compliance but would instead result in a warning, with enforcement officers working with alcohol retailers to avoid repeat offences. It is anticipated these warnings would form part of the normal work of enforcement officers. There will be an opportunity for the retailers to become compliant with the new legislation before an FPN is issued and after that a further opportunity to become compliant before final action is taken in court. Therefore, we do not anticipate there will be a large number of court cases.

¹³² Figure of £66 based on values provided by WLGA and local authority colleagues

Welsh Government

195. There will be a small implementation cost to the Welsh Government in developing guidance on minimum unit pricing. The development of guidance (based on an estimate of 6,000 words), including engaging stakeholders to ensure the guidance is fit for purpose, is anticipated to take approximately five weeks over a period of six months of a FTE higher executive officer (equating to £4,600), and five weeks over a six-month period of a FTE team support, which would equate to £2,900. These costs would be incurred in 2016-17. The total cost for preparing guidance would therefore be £7,500.

196. It is anticipated from previous guidance produced by the Welsh Government that design and translation would take approximately two months to complete. The design would require approximately a week of a FTE executive officer's time over the two month period, which would equate to £700. Translation would cost approximately £1,400. This is based on the costs for a week-and-a-half of a translator's time to cover translation and proof reading. In addition there would be administration and management costs, estimated at one week of a FTE executive officer – approximately £700. The guidance would be shared electronically with local authorities, avoiding the need for printing and distribution costs. The total cost for design and translation of the guidance would therefore be £2,800.

197. The Welsh Government would update the guidance after five years. It is envisaged that this update would require two weeks of a FTE higher executive officer's time (equating to £1800), and a week of a FTE team support (equating to £600) to review the operation and mechanisms with all local authorities and evidence on their implementation. The review would then be repeated every four or five years. The total cost for a review of the guidance would therefore be £2,400 incurred in every five years.

198. The implementation costs to communicate the change and deliver training to authorised enforcement officers will also fall to Welsh Government. This includes publicising the change to businesses, for example via direct mail, websites, social media and trade publications, at an estimated cost of £80,000, and to the public, for example via a PR campaign, launch event and web and social media, at an estimated cost of £20,000. This will ensure that there is no confusion for retailers about how to handle differing minimum price levels set by the UK government (through the ban on below cost sales) and by the Welsh Government. Enforcement staff from local authorities will need to be trained on the requirements of minimum unit pricing. It is anticipated that this will cost the Welsh Government £6,000 for training for 450 to 500 officers for half a day. This will not be a cost for local authorities, as this will form part of normal staff continual professional development training. Where possible, we will seek to minimise training costs by combining training for all measures introduced under the Public Health (Wales) Bill.

UK government

199. The UK government will be affected through a reduction in the level of the duty and VAT associated with any changes in the volume and pattern of purchasing of alcohol products where minimum unit pricing successfully reduces alcohol consumption. There is an anticipated 1% overall decrease in revenue (amounting to £5.8m per year), largely resulting from the decrease in off-trade duty receipts resulting from the reduction in alcohol consumption.¹³³

¹³³ Sheffield Model (2014) table 6.4, p81

Benefits

Individuals and society

200. At 50p MUP, the total societal value of the harm reductions for health, crime and workplace absence is estimated at £882m over the 20-year period modelled.¹³⁴ This figure includes reduced direct healthcare costs, savings from reduced crime and policing, savings from reduced workplace absence and a financial valuation of the health benefits measured in terms of quality adjusted life years (QALYs – valued at £60,000 in line with Home Office guidelines).¹³⁵

201. A particular benefit is the degree to which it is targeted at harmful and hazardous drinkers, with whom the costs of alcohol misuse are most strongly associated. There is a strong impact on the consumption levels of these drinkers, because they tend to favour cheaper alcohol, which is most affected by the policy. A 50p MUP would reduce alcohol consumption by 7.2% for harmful drinkers, an absolute reduction of 293.2 units per year, compared to 2.2%; 6.4 units per year for moderate drinkers. Harmful drinkers contribute to 85% of the reduction in alcohol-related deaths and 64% of the reduction in hospital admissions.

202. Furthermore, as shown above, the patterns of drinking differ when examined by income group. The benefits for moderate drinkers, whether in poverty or not, are similar, with a small decline in consumption levels in absolute terms (10.1 units per year for moderate drinkers in poverty; 5.3 for moderate drinkers not in poverty). For harmful drinkers in poverty, since they tend to favour cheaper drinks, and drinks that have larger price elasticities, particularly off-trade beer and cider, minimum unit pricing has the largest effect and this effect is mainly reduced consumption (487.3 units per year) rather than increased spending (£8.50 per year).¹³⁶

203. Minimum unit pricing is likely to have a beneficial effect even on the heaviest drinkers who have serious problems with alcohol. One study in Scotland found that since problem drinkers (drinking on average 198 units per week) were drinking as cheaply as they could already and lower unit prices were associated with increased consumption within this group, a minimum price is likely to have a “relatively large absolute effect on consumption”.¹³⁷ NICE guidance notes that an MUP can help problem drinkers, both those who are not in regular contact with the relevant services and those receiving treatment, by creating an environment that supports lower-risk drinking.¹³⁸

¹³⁴ All costs and benefits in the Sheffield Model which relate to a 20 year period have been discounted at 3.5%

¹³⁵ Sheffield model (2014) p73-74 <http://gov.wales/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

¹³⁶ Sheffield Model, tables 5.2 and 5.4

¹³⁷ Black, H., Gill, J. and Chick, J. (2011), ‘The price of a drink: levels of consumption and price paid per unit of alcohol by Edinburgh’s ill drinkers with a comparison to wider alcohol sales in Scotland’. *Addiction*, 106, p735

¹³⁸ NICE public health guidance 24 (June 2010), ‘Alcohol-use disorders: preventing harmful drinking’

204. An MUP of 50p will have a greater effect on the health of those in poverty, with five fewer deaths and 124 fewer hospital admissions per 100,000 drinkers for those in poverty compared to two fewer deaths and 53 fewer hospital admissions per 100,000 drinkers for those not in poverty. This greater effect indicates that this legislative option may also contribute to a reduction in health inequalities.¹³⁹ Ludbrook et al (2012) also consider that reduced consumption could be more beneficial for those in poverty, since disadvantaged groups tend to have worse health outcomes than others, when alcohol consumption is the same.¹⁴⁰

205. The population benefits of minimum unit pricing in reducing alcohol-related health problems, crime and workplace absence are detailed below.

Health

206. The Sheffield University model estimates substantial reductions in alcohol-related harms from all modelled policies, with an estimated reduction of 53 deaths and 1,400 fewer hospital admissions per year for a 50p MUP.

207. Direct costs to healthcare services are estimated to reduce under all modelled policies, with savings of £130m over 20 years for an MUP threshold of 50p.

208. This tallies with evidence from other countries, which have implemented similar policies. In Canada, a 10% increase in average minimum alcohol prices was significantly associated with a 32% reduction in wholly alcohol-caused deaths.¹⁴¹

¹³⁹ Sheffield Model, 6.3, p80-81

¹⁴⁰ Ludbrook et al., (2012), 'Tackling alcohol misuse', [Applied Health Economics and Health Policy](#), January 2012, Volume 10, [Issue 1](#), pp 51-63

¹⁴¹ Stockwell, T and Thomas, G, (2013), *Is alcohol too cheap in the UK? The case for setting a Minimum Unit Price for alcohol*, Institute of Alcohol Studies report

Table 4: Income-specific health outcomes – policy impacts on deaths and hospital admissions per year per 100,000 populations at full effect (in 20th year)¹⁴²

Policy	In poverty		Not in poverty	
	Deaths per 100,000 drinker	Hospital admission per 100,000 drinker	Deaths per 100,000 drinker	Hospital admission per 100,000 drinker
Alcohol-attributable harm (burden of disease)¹	48.7	1878.4	34.6	1760.4
Relative change (%)				
10% general price increase	-9.9%	-7.0%	-12.6%	-7.2%
Ban on below-cost selling	-0.2%	-0.1%	-0.1%	0.0%
35p MUP	-0.9%	-0.6%	-0.8%	-0.5%
40p MUP	-3.0%	-2.0%	-1.9%	-1.1%
45p MUP	-6.2%	-4.0%	-3.6%	-1.9%
50p MUP	-9.9%	-6.6%	-5.6%	-3.0%
55p MUP	-14.5%	-9.8%	-8.4%	-4.4%
60p MUP	-19.9%	-13.5%	-12.1%	-6.4%
65p MUP	-25.4%	-17.6%	-16.6%	-8.8%
70p MUP	-30.7%	-21.6%	-21.7%	-11.5%
Absolute change				
10% general price increase	-4.8	-131.6	-4.4	-127.2
Ban on below-cost selling	-0.1	-2.6	0.0	-0.7
35p MUP	-0.4	-12.1	-0.3	-8.6
40p MUP	-1.5	-36.9	-0.7	-19.4
45p MUP	-3.0	-74.8	-1.2	-34.0
50p MUP	-4.8	-124.2	-1.9	-53.0
55p MUP	-7.1	-183.3	-2.9	-77.9
60p MUP	-9.7	-254.4	-4.2	-112.8
65p MUP	-12.4	-330.6	-5.7	-154.5
70p MUP	-15.0	-405.4	-7.5	-201.8

¹ Estimated by modelling a “counterfactual” scenario in which the entire population becomes abstainers, i.e. zero consumption.

¹⁴² Sheffield Model Table 5.7, Page 60

Crime

209. Crime is expected to fall, with an estimated 3,684 fewer offences per year under a 50p MUP policy. Harmful drinkers, who comprise 5.7% of the total population (including abstainers), account for 49% of this reduction. Costs of crime are estimated to reduce by £248m over 20 years with a 50p MUP.

Workplace absence

210. Workplace absence is estimated to fall under all modelled policies, with a reduction of 10,000 days absent per year for a 50p MUP, valued at £14m over 20 years.

Table 5: Estimated changes in workplace absence¹⁴³

Policy	Change in days absence from work per year			
	Population	Moderate	Increasing risk	High risk
Alcohol-attributable absence ('000)¹	225	85	75	65
Relative change (%)				
10% general price increase	-6.2%	-8.7%	-3.6%	-6.1%
Ban on below-cost selling	0.0%	0.0%	0.0%	0.0%
35p MUP	-0.7%	-0.5%	-0.4%	-1.3%
40p MUP	-1.6%	-1.2%	-0.8%	-3.0%
45p MUP	-2.9%	-2.2%	-1.4%	-5.5%
50p MUP	-4.6%	-3.7%	-2.2%	-8.7%
55p MUP	-6.7%	-5.6%	-3.2%	-12.2%
60p MUP	-9.2%	-8.1%	-4.5%	-16.1%
65p MUP	-12.0%	-11.0%	-6.0%	-20.2%
70p MUP	-15.0%	-14.2%	-7.6%	-24.4%
Absolute change ('000)				
10% general price increase	-14	-7	-3	-4
Ban on below-cost selling	0	0	0	0
35p MUP	-2	0	0	-1
40p MUP	-4	-1	-1	-2
45p MUP	-7	-2	-1	-4
50p MUP	-10	-3	-2	-6
55p MUP	-15	-5	-2	-8
60p MUP	-21	-7	-3	-10
65p MUP	-27	-9	-4	-13
70p MUP	-34	-12	-6	-16

¹ Estimated by modelling a “counterfactual” scenario in which the entire population becomes abstainers, i.e. zero consumption.

Table 6: Summary of financial impact of modelled policies on health, crime and workplace related harm over 20 years¹⁴⁴

Policy	Cumulative value of harm reductions over 20 years (discounted)					
	Health direct costs	Health QALYs costs (£60,000 per QALY)	Total health costs	Crime costs	Work absence costs	Total costs
Alcohol-attributable cost (£million, discounted)¹	2708	7067	9775	5236	290	15301
Relative change (%)						
10% general price increase	-7.6%	-10.3%	-9.5%	-6.7%	-6.6%	-8.5%
BBCS	-0.1%	-0.1%	-0.1%	0.0%	0.0%	-0.1%
35p MUP	-0.8%	-1.1%	-1.0%	-0.7%	-0.7%	-0.9%
40p MUP	-1.7%	-2.5%	-2.3%	-1.6%	-1.6%	-2.0%
45p MUP	-3.1%	-4.5%	-4.1%	-3.0%	-3.0%	-3.7%
50p MUP	-4.8%	-6.9%	-6.3%	-4.7%	-4.7%	-5.8%
55p MUP	-7.0%	-10.0%	-9.1%	-6.8%	-6.9%	-8.3%
60p MUP	-9.5%	-13.7%	-12.6%	-9.2%	-9.3%	-11.3%
65p MUP	-12.5%	-17.9%	-16.4%	-12.1%	-12.4%	-14.9%
70p MUP	-15.8%	-22.4%	-20.6%	-15.0%	-15.5%	-18.6%
Absolute change (£million, discounted)						
10% general price increase	-205	-725	-930	-351	-19	-1300
BBCS	-2	-7	-8	-1	0	-9
35p MUP	-22	-78	-99	-36	-2	-138
40p MUP	-47	-175	-222	-86	-5	-312
45p MUP	-85	-315	-400	-158	-9	-566
50p MUP	-131	-489	-620	-248	-14	-882
55p MUP	-188	-704	-892	-358	-20	-1270
60p MUP	-257	-970	-1228	-480	-27	-1734
65p MUP	-340	-1267	-1606	-635	-36	-2277
70p MUP	-428	-1581	-2009	-788	-45	-2842

¹ Estimated by modelling a “counterfactual” scenario in which the entire population becomes abstainers, i.e. zero consumption.

Retailers

211. A 50p MUP is estimated to lead to an overall increase in revenue for retailers of £27m per year (3.3%), with increase in revenue for off-trade retailers of £25m (12.2%) and for on-trade retailers of £2m (0.3%)¹⁴⁵ but it should be noted that considerable uncertainty exists regarding retailers’ responses to the introduction of an MUP. Retailers and producers may make a range of additional changes to both prices and products which may impact on resulting revenue changes to the Exchequer and retailers and other modelled outcomes.

¹⁴⁴ Sheffield Model (2014) Table 5.14, Page 67

¹⁴⁵ Sheffield Model (2014) Page 10

Summary and preferred option

Table 7: Summary: Costs for 3 Options

Options	Estimated Impact - Cost to WG	Cost to LAs	Cost to retailers	Estimated Impact
Option 1	£32m (current Substance Misuse Action Fund) £8.2bn health and crime costs ¹⁴⁶ over 20 years	£0	£0	£7.1bn – health QALYs costs ¹⁴⁷ over 20 years
Option 2	as above; potential impact on services for other substance misuse issues	£0	£0 (unless alcohol duties rise)	as above (unless alcohol duties rise)
Option 3 - preferred option	£10,300 – production of guidance £100,000 – communications £6000 – training	Not yet calculable – although additional inspection burden not anticipated to be significant.	Up to £600,200 implementation costs (overall increase in revenue predicted) £94,000 ongoing costs	£/year change in spending per drinker: Moderate - £2.37 Hazardous - £32.88 Harmful - £32.35

212. Option 1 does not meet the policy objective. It does not tackle the problem of very high alcohol consumption among some in Wales. Doing nothing would allow retailers to continue to sell heavily-discounted alcohol, meaning ongoing costs resulting from alcohol-related crime and health harms. Continuing the actions in the substance misuse strategy and other non-legislative actions outlined in Part 1 to prevent harm will have some impact, but without a whole population measure, we will not achieve the pace of change we are seeking.

213. Option 2 does not meet the policy objective, as it does not target harmful and hazardous drinkers. Although the actions within Option 2 may have some impact on consumption, and access to treatment, this could have a negative impact on drug-related educational campaigns and treatment programmes. If lobbying the UK government on alcohol duties were successful, this may reduce consumption but it would not be targeted specifically at low-cost, high-strength drinks which are most strongly associated with alcohol-related harm.

214. Option 3 is the preferred option. A table summarising the costs of this option is outlined at annex A. There is strong and consistent evidence linking the price of

¹⁴⁶ Sheffield Model (2014) table 5.14, p71. Crime costs include costs to victims; includes impact of BBCS

¹⁴⁷ Sheffield Model (2014) table 5.14

alcohol to consumption of alcohol and that increasing the price reduces consumption and therefore alcohol-related harm. The evidence supports the assertion that a MUP for alcohol will lead to reductions in health, crime and employment harms.

215. Minimum unit pricing is both a whole population and targeted approach – it applies to the whole population and may reduce consumption in all but because it affects alcohol products which are cheap relative to strength, it is targeted towards harmful and hazardous drinkers and young drinkers, who are likely to be most affected in terms of how much they spend and the reduction in the amount they drink, and therefore in how much they benefit from reductions in harm.

216. The increased costs to individuals are outweighed by the benefits in the reduction of societal harms. Similarly, implementation and administrative costs for the industry as a whole will be outweighed by the benefit from increased revenues.

217. This option, working in tandem with the existing range of measures undertaken as part of the substance misuse strategy as described in Part 1, will help to ensure that trends in alcohol consumption and harm reduction are maintained and strengthened, thereby protecting individuals, families and communities.

8. Competition assessment

218. This competition assessment analyses the likely economic impact of introducing an MUP for alcohol of 50p on the competitive ability of producers and retailers and the consequential impact on consumers.

Definition of competition¹⁴⁸

219. Competition is a process of rivalry between firms seeking to win customers' business. Effective competition encourages firms to deliver benefits to customers in terms of prices, quality and choice. Where levels of rivalry are reduced (because a regulation restricts the number of firms active in any market) customers have less choice because they have fewer firms from whom they can buy goods or services.

220. Competition between firms may focus on offering the lowest price, but most suppliers will try and compete in a number of ways in addition to price, for example by developing new improved products; by offering products of differing quality or characteristics; by branding and advertising the differences in their products relative to their competitors' or by using different sales channels.

Objective of the policy

221. The objective of the minimum unit pricing legislation is to tackle alcohol-related harm, including reducing alcohol-attributable hospital admissions and alcohol-related deaths, by reducing alcohol consumption among harmful and hazardous consumers as well as young people in Wales.

Definition of markets

222. Markets and sectors which could potentially be affected both directly and indirectly have been identified and are listed below.

Directly affected markets/sectors:

- Sales of alcohol in off-licensed premises
- Sales of alcohol on licensed premises
- Market flows between on and off-licensed sales
- Sales of other products by retailers which sell alcohol, including footfall

Indirectly affected sectors:

- Drinks manufacturers
- Distributors/wholesalers.

¹⁴⁸ Office of Fair Trading (2007) *Completing competition assessments in Impact Assessments: Guideline for policy makers* http://www.oft.gov.uk/shared_oft/reports/comp_policy/oft876.pdf

The status quo

223. Competition in the alcohol market in Wales is currently subject to a number of regulations and restrictions, particularly licensing regulations, which restrict availability by number, location and opening hours of retailers, among other factors. In addition, a price floor is already in operation in this market, in the form of the ban on sale of alcohol at below cost price – cost is the amount of duty plus VAT.

224. Nevertheless, the alcohol market in Wales is characterised by a high-level of competition. This is indicated by the large number of products and retailers and high degree of customer switching, as well as significant levels of innovation and ease of entry to the market at all levels, including new products, manufacturers and retailers.

Overview of the Welsh drinks industry

225. The alcohol retail sector (off-trade) consists of national supermarket chains, specialist retailers and a large number of other small grocers and corner stores. The hospitality sector (on-trade) consists of national chains and a large number of small pubs (a number of which are owned by large beer producers), clubs and restaurants. The retail sector and the hospitality sector sell products produced within and outside Wales.

226. The alcohol manufacturing sector in Wales had a turnover of £652m in 2014, a 7% rise on the previous year.¹⁴⁹ It is a flourishing sector, with several large breweries and a rapidly growing number of smaller producers, as well as 10 distilleries and 17 vineyards.¹⁵⁰ There are now about 55 businesses, a growth of 93% since 2007, employing around 600 people.¹⁵¹ Some alcoholic drinks produced in the Welsh manufacturing sector would not be directly affected by the MUP, as they are premium products sold at more than 50p per unit in the off-trade. Those produced by major producers may be affected.

227. In England and Wales, the total amount of pure alcohol sold per adult increased from 9L in 1994 to a peak of 10.5L in 2005, decreasing slightly each year thereafter to 9.2L in 2012, which equates to 17.6 units per adult per week. The distribution of sales across the on and off-trade has also changed. In 1994, 3.8L of pure alcohol were sold through the off-trade, compared with on-trade sales of 5.2L. By 2012, off-trade sales increased by 59% to 6.1L per adult, while on-trade sales decreased by 41% to 3.1L per adult. The off-trade market now accounts for 66% of the total volume of alcohol sold in England and Wales, compared with 42% in 1994.

¹⁴⁹ ONS, Inter-Departmental Business Register 2014 (excludes enterprises operating below the VAT threshold)

¹⁵⁰ According to Drinks Wales (www.drinkswales.org)

¹⁵¹ ONS, Inter-Departmental Business Register 2014

228. In 2012, beer accounted for 38% of the total market share, wine for 30%, spirits for 20% and cider for 8%. This is a shift towards a greater share of the market for spirits and, especially, wine. Beer sales have decreased by 33% between 1994 and 2012, from 5.3L to 3.5L per adult.

229. For the off-trade, 27% of the total volume of pure alcohol sold was sold as beer, 24% as spirits, 38% as wine, 8% as cider and 4% as other.¹⁵²

Prices

230. The *Living Costs and Food Survey* indicates the average price per unit of alcohol in Wales in 2013 was 78.4p. This compares to an English average of 82.3p.

231. The majority of alcohol sold in the on-trade retails at above 50p per unit, whereas a majority (by volume) of all alcohol except wine is sold at less than 50p per unit in the off-trade (72% of off-trade beer sold at less than 50p per unit, 78% of cider, 42% of wine and 66% of spirits).¹⁵³ The difference in price distributions across the on and off-trades can be seen in Figures 1 and 2. For spirits, and particularly wine, sales below 50p per unit are clustered not far below this threshold (with only 12.2% of wine below 40p per unit). As a result, only a small price rise will result in a significantly higher proportion selling at 50p per unit or above.

232. Furthermore, the average price paid differs for consumers, with moderate drinkers paying 54.2p per unit for off-trade alcohol, and 145.6p per unit for on-trade alcohol, compared with 50.3p per unit and 130.9p per unit for harmful drinkers, and 48.7p per unit and 130.2p per unit for hazardous drinkers.¹⁵⁴

¹⁵² Robinson M, Beeston C. 'Monitoring and Evaluating Scotland's Alcohol Strategy: Annual update of alcohol sales and price band analyses'. Edinburgh: NHS Health Scotland; 2013

¹⁵³ Sheffield Model, p18-19

¹⁵⁴ Living Costs and Food Survey, quoted in 'Welsh Adaption of the Sheffield Alcohol Policy Model; Summary of Relevant Data Sources for Wales', Unpublished

Figure 7: Off-trade price distributions Wales¹⁵⁵

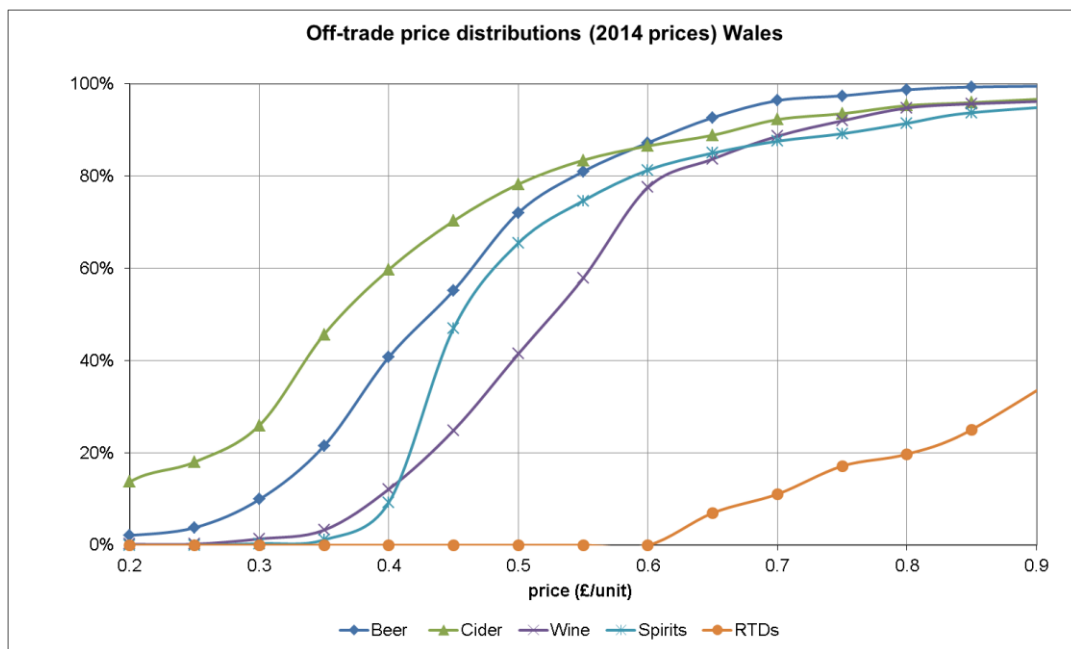
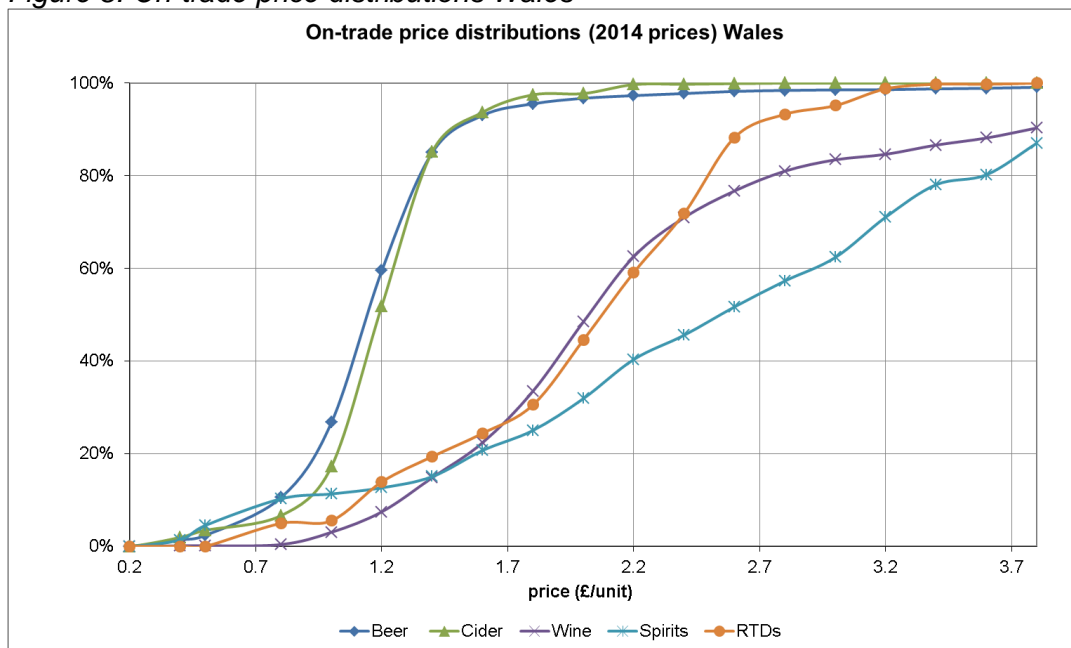


Figure 8: On-trade price distributions Wales¹⁵⁶



¹⁵⁵ Sheffield Model, Figure 4.8, p20

¹⁵⁶ Sheffield Model, Figure 4.8, p20

Table 8: Proportion of alcohol sold in Wales below a range of MUP thresholds¹⁵⁷

	Proportions sold below thresholds (2014 prices)		
	40p	45p	50p
Off-trade beer	40.8%	55.2%	72.1%
Off-trade cider	59.7%	70.3%	78.2%
Off-trade wine	12.2%	24.9%	41.5%
Off-trade spirits	9.3%	47.0%	65.5%
Off-trade RTDs ¹⁵⁸	0.0%	0.0%	0.0%
On-trade beer	1.4%	1.9%	2.4%
On-trade cider	0.0%	0.0%	3.4%
On-trade wine	0.1%	0.1%	0.1%
On-trade spirits	1.4%	2.7%	4.5%
On-trade RTDs	0.0%	0.0%	0.0%

Geographical impact

233. Since this legislation will apply only in Wales, there is potentially an impact on retailers in the border region, as there is theoretically an incentive for some Welsh consumers who live close to the border to purchase alcohol in England, shifting market demand away from Welsh supply (the cross-border effect). It is recognised that different legislation in Wales and England may have a small effect on consumer behaviour, depending on willingness and ability to travel, and the price differential compared to the costs of transport. These changes are expected to be minimal.

234. The potential savings from purchasing high-strength, low-price products would be insignificant compared to the travel time and costs for the majority of the Welsh population. The exceptions to this are towns very close to the border. Currently 4.91% of the total Welsh grocery spend is spent in England, and the map in Figure 9 shows how this is distributed across the border. This demonstrates that cross-border shopping already occurs, and it is not anticipated that this will increase dramatically as a result of minimum unit pricing. In conjunction with Figure 10, this suggests that cross-border shopping occurs most where there are a limited number of licensed retailers in Wales, indicating that the incentive is likely to be convenience in rural areas.

235. Furthermore, minimum unit pricing is targeted at the small proportion of drinkers who consume harmful or hazardous quantities of alcohol, and price differentials will be chiefly concentrated on high-strength, low-price products. Harmful drinkers, who tend to consume these cheaper and stronger products, may be more likely to purchase alcohol for immediate consumption, and data has demonstrated that only a small number live in border areas. Figure 9 also demonstrates that cross-border shopping appears to occur more in rural areas in the

¹⁵⁷ Sheffield Model, Table 4.2, p21

¹⁵⁸ RTD ready to drink beverages

central border region, rather than the urban areas in the north and south border regions, where drinking patterns are heavier.

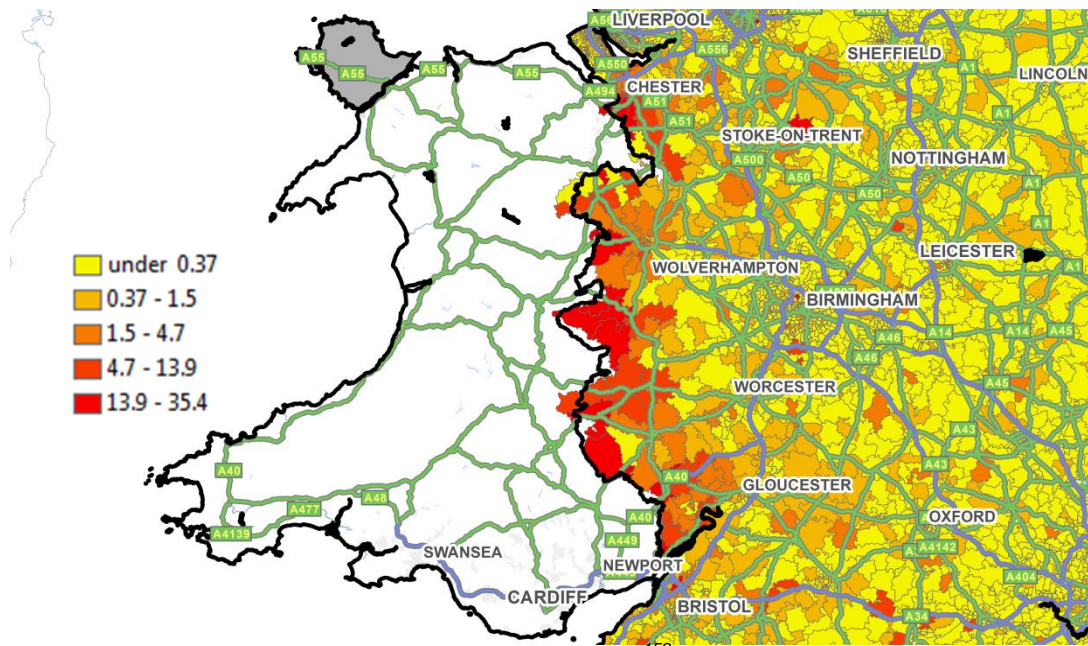


Figure 9: Grocery Spend from Wales (postal sectors)¹⁵⁹

¹⁵⁹ Experian, Measuring Cross Border Grocery Spend Between Wales and England Using Anonymized Card Data, Jan 2015

236. We do not anticipate that the spend from England into Wales will be diverted by minimum unit pricing. For grocery spend as a whole, there is a net gain per annum of £13m for Wales (with £44.4m flowing from Wales to England, and £57.4m from England to Wales). However, the map at Figure 11 demonstrates that this spend is spread across the whole of Wales, perhaps resulting from students, visitors or tourism and therefore shops close to the border are unlikely to be significantly affected by a decline in people currently crossing the border to purchase alcohol in Wales.

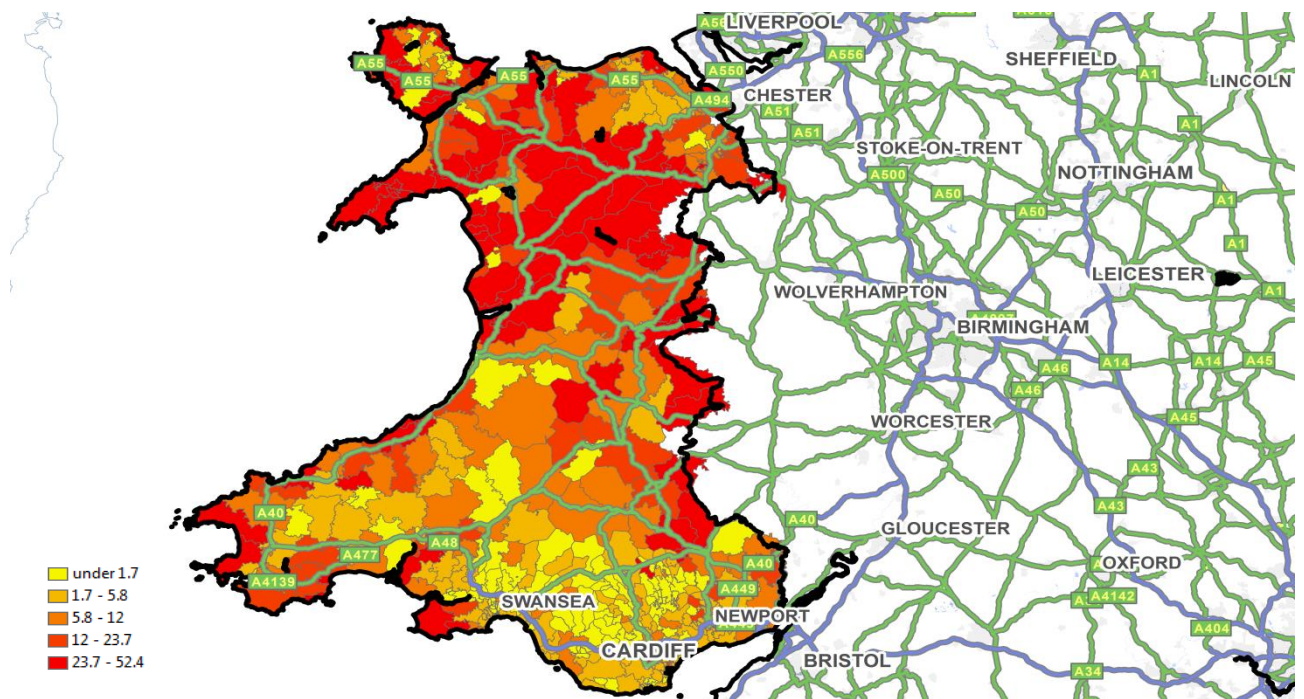


Figure 11: Grocery Spend from England (postal sectors)¹⁶⁰

237. Research in Scandinavia has found that large tax differentials near borders induce tax avoidance behaviour, with reduced revenue for Norwegian retailers of alcohol and tobacco near the border with Sweden (where taxes are lower), despite consumers in those areas reporting high consumption.¹⁶¹ There is therefore a potential impact on some businesses, largely on low-price product lines in the border area, particularly in densely populated areas in North Wales. This will be monitored as part of the review process for the Bill.

238. Similarly, there is a potential impact on internet sales of high-strength, low-price products, as if the alcohol is despatched from a store or depot outside Wales, MUP would not apply. Where the price difference is greater, there will be a higher

¹⁶⁰ Experian, Measuring Cross Border Grocery Spend Between Wales and England Using Anonymized Card Data, Jan 2015

¹⁶¹ Beatty, T., Larsen, E., and Sommervoll D. (2009) *Driven to Drink. Sin taxes near a border*, Journal of Health Economics, 28, 1175 - 1184

incentive to purchase from online retailers based in England. Consumers are generally not able to choose which particular store their shopping is despatched from. Currently, most of the alcohol purchased online is not the type targeted by the policy, and would mainly be unaffected, since it is sold above a 50p per unit price point. This market could however diversify or grow, partially as a result of this policy, and this effect will be monitored as part of a post-legislative review process.

Impact on retailers, suppliers and wholesalers

a) Would the proposals directly limit the number or range of suppliers?

239. Minimum unit pricing will not directly limit the number or range of suppliers, as it will not award exclusive rights to supply, restrict any procurement or establish a limitation or quota on the number of suppliers or retailers.

b) Would the proposals indirectly limit the number or range of suppliers?

240. An MUP will, in effect, establish a higher-price floor. This could potentially make it harder for firms to enter the market for retailing or manufacturing alcohol if the free market price for products lies below the price floor. New, small retailers would no longer be able to attract demand by challenging existing firms on the basis of price where these are lower than the set MUP and new products would be limited in their use of price promotions. At the lower end of the market, the ability to compete would be restricted to non-price factors, such as brand, quality and range.

241. Minimum unit pricing requires that only products which currently retail below the MUP of 50p per unit raise their price to comply with the legislation. As this could lead to a number of brands of a similar product retailing at an identical price, such as supermarket own-label spirits, brands associated with a low retail price and those recognised as more premium brands, considerable uncertainty exists regarding manufacturers' and retailers' responses. If there was no price differential it may be that demand for the own-label product or value product diminishes, leading ultimately to a reduction in the number of suppliers.

242. However, minimum unit pricing may provide an incentive to innovate, particularly in encouraging manufacturers to produce alcohol products which are lower in strength. These could be sold at a relatively lower price or in larger quantities, as they would contain fewer units of alcohol per litre.

c) Would the proposal limit the ability of suppliers to compete?

243. MUP will restrict the ability of retailers to compete on price. Since the limitation will act as a price floor, retailers will not be able to out-compete by undercutting one another on price across some or all of their product range or

through loss-leading. This could have a weakening effect on competition between retailers.

244. Large and small retailers may be affected differently but it is difficult to predict how this may develop. Larger retailers sell large volumes of popular brands (often priced very competitively) but also a greater range of products. Smaller stores are concerned with maintaining low prices to compete with supermarkets, particularly as supermarkets continue to develop their convenience store format, putting pressure on independent retailers to compete on price. However, the Federation of Small Businesses Wales has recognised that, where supermarkets are using alcohol products as loss leaders, smaller retailers have not been able to compete with very low prices and so may benefit from minimum unit pricing.

245. Where retailers do depend on alcohol sales for a significant proportion of their turnover, there could be some reduction in sales if consumption rates fall but this is likely to be balanced by the additional income predicted to be generated at any given level of MUP (although it is not possible to predict how increased revenues will be distributed across the supply chain, see below).

246. It is therefore very unlikely that the MUP legislation will force any small retailers out of the market, however, if this did happen, there would be a potential competition impact since it could lead to a more consolidated market and hence less competition between firms even on products where the minimum price floor does not have a direct effect, resulting in higher turnovers for these firms.

247. The table below illustrates the potential impact on the price of a selection of specific products following the introduction of an MUP of 50p. These are examples taken as a snapshot from a large retailer. Tesco has been chosen for illustrative purposes as it has the largest market share for groceries and the selection represents products at low and medium price range in different drinks categories (sample taken in January 2015). The table indicates the minimum retail price and those products for which there would be no change. (Please note that some of these prices may have been a special offer indicating a price reduction on that date.)

Table 9: Retail prices of a sample of products from Tesco.co.uk (January 2015) and the impact of a 50p minimum price per unit

Product	ABV (%)	Units	Price (Jan 2015)	Per unit of alcohol	Minimum price at 50p/unit	Increase
Cider						
Tesco Original Cider, 2L	5.0	10.0	£2.25	£0.23	£5.00	£2.75
Somerset Tree Shaker, 3L	7.0	21.0	£5.00	£0.24	£10.50	£5.50
Strongbow Cider, 2L	5.0	10.0	£3.25	£0.33	£5.00	£1.75
Carling Cider, 4x440ml	4.5	7.9	£3.00	£0.38	£3.95	£0.95
Magners, 4x440ml	4.5	7.9	£3.50	£0.44	£3.95	£0.45
Bulmers, 6x568ml	4.5	15.3	£9.00	£0.59	£7.65	Not affected
Koppaberg Pear, 4x500ml	4.5	9.0	£5.99	£0.67	£4.50	Not affected
Beer and lager						
Tesco Lager, 4x440ml	3.8	6.7	£2.65	£0.40	£3.35	£0.70
Carlsberg Export, 4x440ml	4.8	8.4	£3.50	£0.42	£4.20	£0.70
Carlsberg Lager, 4x440ml	3.8	6.7	£3.00	£0.45	£3.35	£0.35
Stella Artois, 4x440ml	4.8	8.4	£3.54	£0.42	£4.20	£0.66
Grolsch 4x440ml	5.0	8.8	£3.50	£0.40	£4.40	£0.90
Carling, 4x440ml	4.0	7.0	£3.50	£0.50	£3.50	Not affected
Carlsberg Special Brew*, 4x440ml	9.0	15.8	£7.50	£0.47	£7.90	£0.40
Spirits						
Tesco Value Gin, 70cl	37.5	26.3	£10.00	£0.38	£13.13	£3.13
Tesco Dry London Gin, 70cl	37.5	26.3	£11.50	£0.44	£13.13	£1.63
Gordon's Special London Gin, 70cl	37.5	26.3	£14.00	£0.53	£13.13	Not affected
Tesco Value Vodka, 70cl	37.5	26.3	£10.00	£0.38	£13.13	£3.13
Red Square Vodka, 70cl	37.5	26.3	£12.00	£0.46	£13.13	£1.13
Smirnoff Red Vodka, 70cl	37.5	26.3	£14.00	£0.53	£13.13	Not affected
Tesco Value Whisky, 70cl	40.0	28.0	£11.50	£0.41	£14.00	£2.50
Famous Grouse Whisky, 70cl	40.0	28.0	£14.00	£0.50	£14.00	Not affected
Tesco Finest Single Malt, 70cl	40.0	28.0	£21.00	£0.75	£14.00	Not affected
Wine						
Tesco Spanish Red, 750ml	11.0	8.3	£2.99	£0.36	£4.13	£1.14
Tesco South African Red, 750ml	13.5	10.1	£3.49	£0.35	£5.05	£1.56
Tesco South African White, 750ml	12.5	9.4	£3.49	£0.37	£4.70	£1.21
Banrock Premium Merlot, 750ml	13.5	10.1	£5.00	£0.50	£5.05	£0.05
Echo Falls White, 750ml	12.5	9.4	£4.89	£0.52	£4.70	Not affected
Blossom Hill Californian Red, 750ml	12.0	9.0	£4.99	£0.55	£4.50	Not affected
Tesco Australian Red - Boxed, 3L	13.5	40.5	£13.99	£0.35	£20.25	£6.26

*Price at Sainsburys.co.uk (not sold at Tesco.co.uk)

248. The initial change in the market is likely to be in the quantities of a specific alcoholic product sold if the original price lies below the newly-set MUP. The change in revenue to retailers and wholesalers will be determined by consumers' elasticity of demand for that product – the more inelastic the demand, the greater the increase in revenue. This leads to a transfer of rents (revenue that exceeds the normal profit in perfect competition) from consumers to retailers. In effect, retailers can charge higher prices for the same goods than they otherwise could under free and unrestricted competitive markets.

249. There could also be a risk of market distortion as a result of obligatory price increases in some of the low-price, high-strength products. Such an increase would reduce the price gap between lower-quality products and higher-quality or branded products. This could potentially lead to a commoditisation of the market, with consumers expected to switch to alternative, higher-quality, but now similarly priced products. Alternatively, there may be a proportionate increase in prices of higher-quality products to maintain the product differentiation, resulting in a higher level of prices throughout the alcohol product segment presented to the consumer. Evidence from British Columbia shows that when the MUP for alcoholic drinks was raised, prices rose across all of the price distribution, including those well above the minimum price. The scale of price increases reduced the higher the original price of the product.¹⁶² The Sheffield University report acknowledges the potential for this kind of effect,¹⁶³ but as it is not possible to predict the degree to which this will happen, this is not included in modelled outcomes.

250. Nevertheless, the Sheffield University model predicts that all MUP scenarios modelled will result in increased revenue for the alcohol industry overall, both off-trade and on-trade (excluding duty and VAT). Higher minimum prices lead to greater retail receipts, with increases in off-trade revenue of around £25m for a 50p per unit minimum price and £2m increase in revenue for the on-trade.¹⁶⁴

251. The likely distribution of these increased revenues for the industry across the supply chain is not known. If the majority of profits are retained by retailers, those margins could be used to become more competitive in other areas, for example using staples such as bread and milk as loss-leaders, in a reversal of previous approaches. This could put smaller retailers, who may not have the same flexibility of margins, at a competitive disadvantage. Alternatively, if producers raise their prices accordingly following the imposition of a MUP, this would negate any profit margin increase for retailers.

¹⁶² Professor T. Stockwell (2012) *Alcohol pricing for public health: alcohol general principles, the devil and the detail*.

¹⁶³ Sheffield Model, p81

¹⁶⁴ *ibid*

252. There is evidence to suggest that restrictions such as these may have some negative effects on competition. For example, Ireland's Groceries Act (1987) restricted retailers' pricing by outlawing below-cost selling in Ireland (until 2005). This influenced the behaviour of retailers, and was a significant variable in the explanation of retail gross margins.¹⁶⁵ The banning of below-cost selling was positively related to retail gross margins, suggesting the law resulted in a reduction in price competition between retailers. A study by the Irish Competition Authority in 2005 estimated that removing the restriction on below-cost selling for groceries could save households nearly €500 a year.¹⁶⁶ An Organisation for Economic Co-operation and Development (OECD) roundtable in 2005 on resale below cost further noted that restrictions on selling below cost are associated with slower economic growth and higher unemployment.¹⁶⁷ It should be noted that below-cost sales of alcohol have already been banned in the UK, preventing the use of alcohol as a loss-leader.

253. In some cases, there is a risk that government-imposed restrictions on pricing could encourage rent-seeking activity, for example lobbying by firms to maintain or increase restrictions. This could lead retailers to divert resources away from developing and improving their products and services. In the long-run this can result in higher costs. The diversity of the alcohol industry, however, means this kind of diversion is unlikely and would have a very limited effect.

Specialists

254. For specialists who sell alcohol products only there would not be the opportunity to use any increase in revenue to reduce prices of other products such as fruit and vegetables in order to enhance competitiveness. In terms of lower-priced products, an MUP may increase the ability of independent shops and smaller chains to compete in this market.

Production methods and innovation

255. The producers which will be most affected by an MUP are those whose products consist of a significant volume which currently sell below the minimum price threshold, predominantly those that focus on own-label products, as these generally sell at a lower price. It is not however easy to identify the producers of own-label alcohol. In general, where production of cheaper brands of beer and cider takes place in the UK, these tend to be owned by global companies. However, such companies are likely to be affected to a very minimal extent by a MUP in Wales.

¹⁶⁵ Collins, Burt, and Oustapassidis (2001), "*Below-cost Legislation and Retail Conduct: Evidence from the Republic of Ireland*", British Food Journal

¹⁶⁶ Irish Competition Authority (2005), 'Submission to the Minister for Enterprise, Trade and Employment on the Groceries Order, Submission: S/05/006', July 2005

http://www.tca.ie/PromotingCompetition/Submissions.aspx?selected_item=9

¹⁶⁷ 'Organisation for Economic Co-operation and Development (2006) *OECD Policy Roundtables: Resale Below Cost, 2005* <http://www.oecd.org/dataoecd/13/30/36162664.pdf>

256. Premium alcohol produced in Wales is unlikely to be affected as it is currently sold at more than 50p per unit in the off-trade.

257. There should also be minimal impact on innovation or the introduction of new products. New, high-strength products would have to comply with the MUP but would not be prevented from being introduced. There may even be an incentive to innovate, as described above, to introduce lower-strength alcohol products, which could be sold at a relatively lower price in larger quantities due to them containing fewer units of alcohol per litre.

258. It is not anticipated that the proposals will limit suppliers' freedoms to organise their own production processes or their choice of organisational form.

International competition

259. Scotland has sought to implement minimum price legislation, which is currently subject to review by the Court of Justice of the European Union; MUP is under active consideration in the Republic of Ireland and Northern Ireland. In England it remains a policy under consideration. There is currently no evidence to suggest this will lead to similar legislation in other countries beyond the UK although MUP has been at the centre of the alcohol debate in several OECD countries. Nevertheless, given the very small export market of Welsh-owned producers, and their premium focus (most products exported sell for more than 50p per unit) it is unlikely to have a detrimental effect on this market, which is already subject to a number of duties and restrictions in other countries.

(d) Would the proposals reduce suppliers' incentives to compete vigorously?

260. Since minimum unit pricing introduces a price floor, its effect will be to reduce the ability of retailers to compete on price grounds below this floor (price competition will still take place above 50p per unit). Retailers are therefore likely to compete on other grounds, such as quality, customer service, heritage, taste or origin. Some of this could be positive for consumers. Other forms of competition can however be less positive (for example, competition on advertising). One unintended consequence of the legislation could be an increase in this type of non-price competition facilitated by the increase in revenue and any resultant impact on sales.

261. The Sheffield University model shows there are likely to be increases in revenue to retailers following the introduction of an MUP, depending on the elasticity of demand for alcohol. This could remove pressure on retailers to be efficient as it may reduce incentives to compete on price grounds.

262. It will be important to ensure that the introduction of an MUP does not inadvertently allow or encourage competitors to share information on their

commercial matters (for example future price or demand projections) during the process of setting their price according to the regulations. If this were the case, it could also lead to reduced incentives to compete.

263. The overall effect on suppliers' incentives to compete is dependent on the impact on consumers, and particularly the choices they make in response to any price rises. These behavioural changes are modelled by Sheffield University – the analysis below demonstrates the potential effect on the consumption of various alcohol products.

264. Since the effect of MUP is focused on harmful and hazardous drinkers, there will still be an incentive for suppliers to compete vigorously for customers among moderate drinkers. Several studies have found that even among lower income groups, moderate drinkers are more likely to purchase alcohol at a higher price point than heavier drinkers. This section details the evidence to show the relative responsiveness to price changes between moderate and heavier drinkers, which indicates that, since this is a targeted measure, the greatest impact of minimum unit pricing on competition among suppliers is likely to largely fall upon cheap alcohol.

265. A price floor will lead to price changes for affected products – though other products' prices would not change, if their original price was already set above the MUP. Consumers can be expected to respond to these changes, either by reducing their consumption of an alcoholic product if the price increases or by switching to alternative products whose relative price has decreased. The extent to which this happens will depend on consumers' price responsiveness – the own-price elasticity (PED) and cross-price elasticities (XED) of demand, which will determine change in consumption and switching behaviour.

- PED represents the percentage change in the demand for a type of alcohol due to a 1% change in the price of that same type of alcohol. It is a measure of how consumers react to a change in price.
- The demand for a good is *inelastic* when changes in price have a relatively small effect on the quantity of the good demanded – meaning the PED is less than one. The demand for a good is *elastic* when changes in price have a relatively larger effect on the quantity of good demanded – meaning that the PED is more than one.

266. As alcohol is both mind-altering and addictive it might be reasonable to suggest alcohol has relatively few substitutes.¹⁶⁸ The risk that consumers could switch to illegal drugs or new psychoactive substances is considered very low, as an illegal or untested substance is clearly qualitatively different to legal consumption of

¹⁶⁸ Fogarty, J. (2008) *The demand for beer, wine and spirits: Insights from a meta analysis approach*, American Association of Wine Economists, Working paper No.31, November 2008

alcohol and most people would not consider them a valid substitute. The PED for alcoholic beverages as a whole is therefore likely to be inelastic.

267. A number of studies and meta-analyses have shown that demand for wine and beer is generally inelastic in the UK, although elasticities for spirits range in findings. The Sheffield University model uses a novel pseudo-panel approach which has several advantages over previous approaches (a more detailed description of the methodology can be found in the referenced article).¹⁶⁹ It finds own-price elasticities broadly in line with historical elasticities¹⁷⁰ including that demand for beer and ready to drink beverages is relatively more inelastic than demand for wine and spirits.

268. A possible increase in the price of alcoholic products following the introduction of a MUP proposal could therefore have different effects on consumption depending on these elasticities. For the more inelastic products, it can be expected that consumers will spend more. For the relatively more elastic products, consumers could reduce their consumption in response to price increases. The effect for suppliers on purchasing and revenue and their ability to compete on price above the MUP level, will therefore vary depending on the type of alcohol.

269. These own-price elasticities do not take into account switching behaviour. Cross-price elasticities of demand (XED) measures the percentage change in demand for one good that occurs in response to a percentage change in the price of another good. If the XED between two alcohol products is high, this means that consumers would switch easily to an alternative if the price of one product increased.

270. Within a narrowly-defined market, there is greater flexibility to switch to alternative products. For any given brand of beer, there are many substitute beer products (that brand will have a relatively high own-price elasticity). However, for a broader market, such as off-trade beer, there will be lower cross-price elasticities depending on the willingness of consumers to switch to, for example, off-trade wine or on-trade beer. The Sheffield University model considers a matrix of 10 beverage categories, and the table below indicates where these are substitutes (positive sign), meaning that consumers can be expected to switch between them. For example, the

¹⁶⁹ Meng, Y., et al. (2014), *Estimation of own and cross price elasticities of alcohol demand in the UK – a pseudo-panel approach using the LCF Survey 2001-9*, Journal of Health Economics, 34:96–103.

¹⁷⁰ See, for example:

- Fogarty, J., (2010). *The demand for beer, wine and spirits: a survey of the literature* Journal of Economic Surveys 24, 428-478.
- Gallet, C. A. (2007) *The Demand for Alcohol: A Meta-analysis of Elasticities*, Australian Journal of Agricultural and Resource Economics, 51, 2, 121-135
- Wagenaar, A.C., Salois, M.J., and Komro K.A (2009) *Effects of beverage alcohol taxes and prices on consumption: a systematic review and meta-analysis of 1003 estimates from 112 studies*, Addiction: 2009, 104
- Collis, A., Grayson, A., and Johal, S. (2010) *Econometric Analysis of Alcohol Consumption in the UK: HMRC Working paper 10*, London: HMRC

estimated cross-price elasticity of demand for on-trade wine with regard to off-trade beer price is 0.25, indicating that the demand for on-trade wine increases by 2.5% when the price for off-trade beer is increased by 10%.¹⁷¹ Other products are complements (negative sign), meaning that price increases for these products may see a reduction in demand for the other product also.

271. It should be noted that the absolute figures are small, so the extent of the switching behaviour is likely to be minimal. Nevertheless, the inclusion of cross-price elasticities improves the reliability of own-price elasticities (by controlling for cross-price effects). It does show some statistically significant joint effects, for example on-trade wine and spirits.

Table 10: Estimated own and cross-price elasticities for off and on-trade beverages in the UK¹⁷²

		Purchase									
		Off-beer	Off-cider	Off-wine	Off-spirits	Off-RTDs	On-beer	On-cider	On-wine	On-spirits	On-RTDs
Price	Off-beer	-0.980*	-0.189	0.096	-0.368	-1.092	-0.016	-0.050	0.253	0.030	0.503
	Off-cider	0.065	-1.268*	0.118	-0.122	-0.239	-0.053	0.093	0.067	-0.108	-0.194
	Off-wine	-0.040	0.736*	-0.384*	0.363	0.039	-0.245	-0.155	0.043	-0.186	0.110
	Off-spirits	0.113	-0.024	0.163	-0.082	-0.042	0.167	0.406	0.005	0.084	0.233
	Off-RTDs	-0.047	-0.159	-0.006	0.079	-0.585*	-0.061	0.067	0.068	-0.179*	0.093
	On-beer	0.148	-0.285	0.115	-0.028	0.803	-0.786*	0.867	1.042*	1.169*	-0.117
	On-cider	-0.100	0.071	0.043	0.021	0.365	0.035	-0.591*	0.072	0.237*	0.241
	On-wine	-0.197	0.094	-0.154	-0.031	-0.093	-0.276	-0.031	-0.871*	-0.021	-0.363
	On-spirits	0.019	-0.117	-0.027	-0.280	-0.145	-0.002	-0.284	0.109	-0.890*	0.809*
	On-RTDs	0.079	0.005	-0.085	-0.047	0.369	0.121	-0.394	-0.027	-0.071	-0.187

Remarks *: p-value <0.05

NB: Equivalent tables of elasticities for moderate and non-moderate drinkers can be found in Meng et al (2014), Appendix 7¹⁷³

272. Minimum unit pricing may impact on suppliers' incentives to compete in certain sectors of the market, where it affects the demand for certain types of drinks. The estimated own-price elasticities indicate substantial decrease in demand for cheap off-trade beer, cider, wine and spirits if their prices rise. However, there will be some substitution effects, suggesting that demand may transfer to other parts of the alcohol market. In addition, the decline in demand does not exactly match the rise in price, meaning that spending overall will increase. The table below summarises Sheffield University's findings on modelling consumers' behaviour for different scenarios of varying MUP levels. The changes in consumption are then translated into changes in spending on alcohol products.

¹⁷¹ Sheffield Model (013), p13

¹⁷² Meng, Y., et al. (2014), p101

¹⁷³ Meng, Y., et al. (2014), *Estimation of own and cross price elasticities of alcohol demand in the UK – a pseudo-panel approach using the LCF Survey 2001-9*, Journal of Health Economics, 34:96–103.

Table 11: Impact of minimum price scenarios on consumption and total spending (all drinking)¹⁷⁴

Minimum price (£)	% change in consumption	Total spending change (£m)	% spending change
0.35	-0.7%	1.95	0.1%
0.40	-1.5%	4.16	0.3%
0.45	-2.6%	10.44	0.8%
0.50	-4.0%	21.21	1.6%
0.55	-5.6%	33.93	2.5%
0.60	-7.6%	46.53	3.4%
0.65	-9.9%	57.84	4.2%
0.70	-12.3%	66.92	4.9%

273. Increasing levels of MUP show increasing impacts on consumption and, similarly, increases in overall spending. The increases in consumer spending at all MUPs mean that consumption decreases do not keep pace with price increases and so overall spending rises.

274. The Sheffield University report breaks down the extra spending per drinker per year into moderate, hazardous and harmful drinkers. These estimates take into account any changes in consumption that occur due to the price changes at different MUP levels. Harmful drinkers account for the largest proportion of extra spending in each scenario. The spending impact on moderate drinkers is much lower than that observed for harmful drinkers.

275. Some aggregate analyses have suggested that heavier drinkers 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 relatively less than moderate drinkers. Even if this were the case, since heavier drinkers by definition consume more in absolute terms, the absolute quantities of alcohol consumed by this group would still change more than for moderate drinkers and so they would remain the most affected.

276. However, the RAND report argues the suggestion that heavier drinkers are less responsive to price changes is not consistent with the balance of research showing the negative outcomes of alcohol misuse “are in fact sensitive to changes in the full price of alcohol; that is, studies have shown that when the price of alcohol goes up, alcohol-related harms go down and vice-versa”.¹⁷⁵ RAND also suggests that because hazardous and harmful drinkers tend to choose cheaper drinks, they are less able to switch to lower-price drinks. Studies in Sweden show increases in the price of the cheapest alcoholic beverages lead to reductions in consumption

¹⁷⁴ Based on Sheffield Model (2014), tables 5.1 and 5.3

¹⁷⁵ Hunt, P., Rabinovich, L., and Baumberg, B. (2011) *Preliminary assessment of economic impacts of alcohol pricing options in the UK*, RAND Europe , p7

levels as consumers have no cheaper alcoholic alternative.¹⁷⁶ Similarly, a study of drinkers with alcohol-related illnesses in Scotland found they were already drinking as cheaply as possible – even among this group, a percentage change in consumption is likely and this would have a relatively large absolute effect.¹⁷⁷ The Sheffield University study, which uses a complex matrix of elasticities for different alcoholic drinks, found that heavier drinkers were more responsive to price change than moderate drinkers because they purchase significantly more alcohol below the MUP threshold.¹⁷⁸

277. Furthermore, the sensitivity analysis produced an alternative model, based on separate elasticity matrices for moderate drinkers and harmful/hazardous drinkers,¹⁷⁹ which shows that heavy drinkers are more likely to cut their consumption in response to price rises – with consumption dropping by 6% for hazardous drinkers, 8.6% for harmful drinkers but 1.5% for moderate drinkers (compared to 2.0%, 7.2% and 2.2% in the base case model, respectively). In this scenario, harms are further reduced, with 121 fewer deaths per year compared to 53 in the base case model. Although the panel size is smaller, this does suggest that the Sheffield University model is fairly conservative in its estimate of how targeted MUP is. The impact on competition in the market for moderate drinkers will therefore be limited.

278. The matrix of elasticities of demand above, as well as the matrices for moderate and harmful/hazardous drinkers, produced in the sensitivity analysis, have been used to produce tables to illustrate the hypothetical reduction in demand for products which have to increase their price under a 50p MUP.

279. Table 12 illustrates the consumption response to a 50p MUP for specific individual alcoholic beverages and brands (resulting from the price changes calculated in table 9). This is provided for illustrative purposes to indicate how the model anticipates an effect on specific types of alcohol in particular. It is not a prediction of the overall response to MUP, however, and there are caveats to it:

- a) estimated changes in consumption are based on own-price elasticities only, that is to say the estimated change in consumption for each product considers only the impact of the change in the price of that product (assuming all other products' prices remain the same). Substitution or compliment effects, where changes in the price of one beverage affect consumption of another are excluded from this analysis (whereas these cross-price elasticities are

¹⁷⁶ Grunewald, P., W. Ponicki, H. Holder and A. Romelsjo, "Alcohol Prices, Beverage Quality and the Demand for Alcohol: Quality Substitutions and Price Elasticities", *Alcoholism: Clinical and Experimental Research* 30:1, pp. 96–105, 2006

¹⁷⁷ Black, H., Gill, J. and Chick, J. (2011), 'The price of a drink: levels of consumption and price paid per unit of alcohol by Edinburgh's ill drinkers with a comparison to wider alcohol sales in Scotland'. *Addiction*, 106: 735

¹⁷⁸ Sheffield Model (2013), p21

¹⁷⁹ Meng Y., et al.(2013), Appendix 7

included in the Sheffield University model). Since this involves assuming a constant elasticity of demand, this automatically implies that consumption will linearly decrease with a linear increase in price (to the point where it is reduced by 100%), which might be unrealistic.

- b) similarly, whereas the model takes into account the proportion of each type of drink consumed, the range of products presented here is illustrative only and should not be construed as representative of the overall alcohol market. Estimated consumption changes do not represent overall changes in population drinking as, for example, wine makes up a much larger proportion of total consumption than spirits and a much greater proportion of off-trade cider is sold at below 50p than off-trade spirits.

Table 12: Consumption response to a 50p minimum unit price illustrated for specific alcoholic beverages and brands

Product	Change in Price (%)	Change in Consumption - All drinkers (%)
Cider		
Tesco Original Cider, 2L	122%	-100%
Somerset Tree Shaker, 3L	110%	-100%
Strongbow Cider, 2L	54%	-68%
Carling Cider, 4x440ml	32%	-40%
Magners, 4x440ml	13%	-16%
Bulmers, 6x568ml	0%	0%
Kopparberg Pear, 4x500ml	0%	0%
Beer and lager		
Tesco Lager, 4x440ml	26%	-26%
Carlsberg Export, 4x440ml	20%	-20%
Carlsberg Lager, 4x440ml	12%	-11%
Stella Artois, 4x440ml	19%	-18%
Grolsch 4x440ml	26%	-25%
Carling, 4x440ml	0%	0%
Carlsberg Special Brew, 4x440ml	5%	-5%
Spirits		
Tesco Value Gin, 70cl	31%	-3%
Tesco Dry London Gin, 70cl	14%	-1%
Gordon's Special London Gin, 70cl	0%	0%
Tesco Value Vodka, 70cl	31%	-3%
Red Square Vodka, 70cl	9%	-1%
Smirnoff Red Vodka, 70cl	0%	0%
Tesco Value Whisky, 70cl	22%	-2%
Famous Grouse Whisky, 70cl	0%	0%
Tesco Finest Single Malt, 70cl	0%	0%
Wine		
Tesco Spanish Red, 750ml	38%	-15%
Tesco South African Red, 750ml	45%	-17%
Tesco South African White, 750ml	35%	-13%
Banrock Premium Merlot, 750ml	1%	0%
Echo Falls White, 750ml	0%	0%
Blossom Hill Californian Red, 750ml	0%	0%
Tesco Australian Red - Boxed, 3L	45%	-17%

280. As a further illustration of the potential effects of minimum unit pricing, table 13 illustrates consumption changes based on separate elasticities for moderate drinkers and for increasing-risk/high-risk drinkers. These separate elasticities were used and reported as a sensitivity analysis only and so give slightly different results (the model results in the Sheffield University *Model-based appraisal of minimum unit pricing for alcohol in Wales* report are based on the elasticities illustrated in table 13).

Table 13: consumption response to a 50p minimum unit price illustrated for specific groups of drinkers by alcoholic beverages and brands

Product	Change in Price (%)	Change in Consumption - Moderate drinkers (%)	Change in Consumption - Increasing and high-risk drinkers (%)
Cider			
Tesco Original Cider, 2L	122%	-83%	-100%
Somerset Tree Shaker, 3L	110%	-74%	-100%
Strongbow Cider, 2L	54%	-36%	-66%
Carling Cider, 4x440ml	32%	-21%	-39%
Magners, 4x440ml	13%	-9%	-16%
Bulmers, 6x568ml	0%	0%	0%
Kopparberg Pear, 4x500ml	0%	0%	0%
Beer and Lager			
Tesco Lager, 4x440ml	26%	-12%	-29%
Carlsberg Export, 4x440ml	20%	-9%	-22%
Carlsberg Lager, 4x440ml	12%	-5%	-13%
Stella Artois, 4x440ml	19%	-8%	-20%
Grolsch 4x440ml	26%	-11%	-28%
Carling, 4x440ml	0%	0%	0%
Carlsberg Special Brew*, 4x440ml	5%	-2%	-6%
Spirits			
Tesco Value Gin, 70cl	31%	-9%	2%
Tesco Dry London Gin, 70cl	14%	-4%	1%
Gordon's Special London Gin, 70cl	0%	0%	0%
Tesco Value Vodka, 70cl	31%	-9%	2%
Red Square Vodka, 70cl	9%	-3%	0%
Smirnoff Red Vodka, 70cl	0%	0%	0%
Tesco Value Whisky, 70cl	22%	-6%	1%
Famous Grouse Whisky, 70cl	0%	0%	0%
Tesco Finest Single Malt, 70cl	0%	0%	0%
Wine			
Tesco Spanish Red, 750ml	38%	-16%	14%
Tesco South African Red, 750ml	45%	-19%	16%
Tesco South African White, 750ml	35%	-14%	12%
Banrock Premium Merlot, 750ml	1%	0%	0%
Echo Falls White, 750ml	0%	0%	0%
Blossom Hill Californian Red, 750ml	0%	0%	0%
Tesco Australian Red - Boxed, 3L	45%	-19%	16%

9. Specific Impact Assessments

281. A series of impact assessments on the policy areas contained within the draft Public Health (Minimum Price for Alcohol) (Wales) Bill have been completed as part of the regulatory impact assessment. A summary of these are outlined below:

Equality Impact Assessment

282. The Welsh Government is bound by the Equality Act 2010, and the Wales-Specific Equalities Duties Regulations, the Human Rights Act 1998 and the European Convention on Human Rights (ECHR). A full Equality Impact Assessment, which found largely positive impacts for the health and wellbeing of different groups of people in Wales, is published alongside this explanatory memorandum.

Human Rights

283. The draft Bill provisions are considered to be compatible with the European Convention on Human Rights, the United Nations Conventions on the Rights of the Child (UNCRC), and the Welsh Ministers' duty to act in the best interests of children.

284. Careful consideration will be given as the draft Bill develops, together with further discussion and input from key stakeholders.

United Nations Convention on the Rights of the Child (UNCRC)

285. The Rights of Children and Young Persons (Wales) Measure 2011 places a duty on all the Welsh Ministers to have due regard to the substantive rights and obligations within UNCRC and its optional protocols when exercising any of their Ministerial functions. This means they need to consider all the issues which are relevant to the decision they are making and do everything possible to ensure it furthers children's rights.

286. This proposal most directly supports the following articles of the United Nations Convention on the Rights of the Child:

Article 3 – All organisations concerned with children should work towards what is best for each child;

Article 6 – All children have the right of life. Governments should ensure that children survive and develop healthily.

Article 12 – Children have the right to say what they think should happen when adults are making decisions that affect them, and to have their opinions taken into account.

287. The proposals within the draft Bill will have a broad impact across society as a whole but they are also important in protecting the health of children and preventing future health harms relating to alcohol consumption by children and young people and the parents of children and young people. Minimum unit pricing also helps to address a number of related issues, for example a rise in pre-loading among young people – consuming alcohol at home before going out to a bar, pub or nightclub.

288. There are distinctive issues to be considered in relation to alcohol misuse, particularly for a significant minority of people, including some parents of young children who drink to excess and do not realise the harm they are doing to themselves.

289. Minimum unit pricing is a targeted intervention, which aims to have the greatest impact on hazardous and harmful drinkers. In a recent report the Welsh Government's Advisory Panel on Substance Misuse (APSoM) concluded the effects of MUP will vary for different subgroups of the population, enabling those individuals drinking more harmfully or hazardously to be targeted, with smaller effects on moderate drinkers, particularly those with low incomes.

290. In relation to young people, some progress has already been made in reducing alcohol consumption. For example, data from the Health Behaviour in School-Aged Children (HSBC)¹⁸⁰ report shows between 1998 and 2009 there was a reduction from 59% to 36% in the number of 15-16 year old boys and a reduction from 46% to 30% in the number of 15-16 year old girls who reported drinking in the last week. However, while progress is being made, there is still a great deal of work to do to reduce alcohol misuse in Wales and minimum unit pricing would be a key part of the overall strategy for addressing this issue.

¹⁸⁰ Office for National Statistics (2010) UK Health Statistics. Edition No.4 [online]. Available at <http://www.ons.gov.uk/ons/rel/ukhs/united-kingdom-health-statistics/2010/index.html>

Supporting and promoting children's rights

291. Although the level is decreasing, Wales has the highest alcohol consumption among 15 year olds in the UK.¹⁸¹

292. It is widely recognised that whilst children should not be drinking alcohol, large numbers do. As mentioned in the RIA (page 34, para 108) in 2009-10, the most recent data available, 17% of boys and 14% of girls aged between 11-16 in Wales were reported to be drinking alcohol at least once a week. An MUP system aims to reduce alcohol consumption including consumption by children and young people as well as the harms caused by hazardous drinking of parents of children and young people.

Positive impacts for Children and young people

293. Young people are becoming more affected by the longer-term chronic diseases and conditions associated with excess alcohol consumption in adults, and deaths from liver disease are now occurring at younger ages.

294. Alcohol misuse in adolescence, during a developmentally-sensitive period, poses a particular danger to the emerging brain faculties of executive functioning and long-term memory.¹⁸² Starting drinking at an early age is also associated with higher trends of alcohol dependence in adulthood and a wider range of other adverse consequences. Adolescents who misuse alcohol are also more likely to suffer from side-effects, including appetite change, weight loss, eczema, headaches and sleep disturbances. Alcohol consumption during adolescence is also associated with unprotected sex, teenage pregnancy and the likelihood of contracting sexually transmitted infections.

295. Creating an MUP system to target alcohol-related harms is consistent with UNCRC requirements and promotes the spirit of the convention. Such a proposal has the best interests of children as a primary consideration.

Negative impacts for children and young people

296. It is not anticipated there will be any direct negative impacts for children or young people in implementing this proposal. A pricing system which discourages drinking among children and young people can only have positive direct impacts.

¹⁸¹ Currie, et al. 2012 Social determinants of health and well-being among young people. Health Behaviour in School-aged Children (HBSC) study: International report from the 2009/10 survey. WHO Regional Office for Europe.

¹⁸² Newbury-Birch et al, 2008 – Impact of Alcohol Consumption on Young People: A Review of Reviews. Newcastle University for the Department of Children, Schools and Families.

297. There will however be a need to monitor some potential indirect negative impacts which could arise as a result of the proposals. In particular, while minimum unit pricing is intended to have a smaller effect on moderate drinkers and those on low incomes, there will be a need to monitor perceived affordability/unaffordability for young adults. There will also be a need to monitor impact on the household budgets of families living in poverty, in order to ensure that the MUP system does not indirectly push some children further into deprivation. This monitoring will be undertaken by the Welsh Government, local authorities in Wales and other partners once the MUP system has been implemented. A full children's rights impact assessment (CRIA) is published alongside this explanatory memorandum.

Impact on the judicial system

298. The proposals in the draft Bill put in place a series of offences, penalties and exemptions relating to the MUP system. The new legislation is likely to lead to some cases being brought before the courts. However from experience in other areas, it is envisaged that the legislation will generally attract high levels of compliance, with an anticipated minimal number of court cases. The overall impact on the courts and judicial system in Wales is therefore anticipated to be low. Where potential impacts have been identified, these have been referenced at the appropriate points within this document.

Impact on the Welsh language

299. The Welsh Government's Welsh language scheme requires that an assessment of the impacts of proposed primary legislation on the Welsh language be carried out. A full Welsh language impact assessment is published alongside this explanatory memorandum.

300. The Welsh Government published its *laith Fyw; laith Byw* strategy for the Welsh language for 2012-17, which aims to increase the number of people who speak and use the language. In relation to health specifically, the *More Than Just Words* strategy aims to strengthen Welsh-language services among frontline health and social care.

301. The issues dealt with in the Bill primarily relate to a discrete public health issue – introducing an MUP for alcohol, rather than the provision and accessibility of health services generally. As such, it is not expected that the Bill will have a significant impact on the Welsh language, although pricing and the production of bilingual signage, guidance and other documentation will clearly need to be amended as part of the routine nature of commercial retail businesses. These matters have been discussed with the retail industry and it is believed that these costs can be subsumed within the routine pricing and administration changes that are normally incurred as a result of the business of retail. This will support the aims

of *laith Fyw; laith Byw* by strengthening the position of the Welsh language within the community while also contributing towards community health benefits.

Sustainable development

302. As part of the policy impact screening for the Bill, consideration has been given to the five headline indicators in the Welsh Government's sustainable development scheme. These are as follows:

- Sustainable resource use;
- Sustaining the environment;
- A sustainable economy;
- A sustainable society;
- The wellbeing of Wales

303. It is increasingly crucial that preventative approaches drive action, including legislative action, in order to place sustainability at the heart of the public health agenda. Introducing an MUP system is expected to make an important contribution to a broader agenda focused on preventing avoidable harms to health and wellbeing.

A Sustainable society, economy and the wellbeing of Wales

304. Preventative principles are an intrinsic component of sustainable development, as they aim to achieve benefits for both individuals and society as a whole supporting sustainability over the long term. As mentioned earlier, this legislation will help to reduce alcohol consumption and address the side-effects of drinking too much alcohol, including appetite change, weight loss, eczema, headaches and sleep disturbances. Minimum unit pricing is also expected to make a significant contribution over time to not only the health service but public services generally and bring benefits to communities as well as having a positive effect on the Welsh economy by reducing illness, work place absences and the damaging affects of anti-social behaviour.

Rural proofing

305. The proposed changes within the draft Bill will impact on both urban and rural areas, and will apply equally to all parts of Wales.

306. There will be no differences in costs for rural businesses. The enforcement mechanisms for the changes provided for in the draft Bill will make use of existing local mechanisms. This will ensure the local knowledge and expertise held by enforcement and inspection officers are harnessed, including the knowledge of operating within a rural context.

Health and Wellbeing

307. The Welsh Government has priorities and ambitions to accelerate the pace of improvement in the health and wellbeing of people in Wales, and for improvements to be shared more equally. In realising these ambitions the Welsh Government has signalled its ongoing commitment to taking action in a range of ways, including through legislation, to help further improve and protect health for everyone. This is demonstrated by the introduction of the Public Health (Wales) Bill on 8 June 2015 and the Well-Being of Future Generations (Wales) Act 2015.

308. We are making good progress, as outlined in Part 1, but there is still a lot of work to do to reduce alcohol misuse in Wales. Alcohol consumption levels are still too high and there is a changing profile in drinking behaviour. This was highlighted by Alcohol Concern Cymru in its statement "*The Hidden Cost of Drinking at home?*¹⁸³" which reported 46% of drinkers in Wales drink at home because it is cheaper than going to the local pub.

309. Given the links between affordability and consumption, an MUP system is considered to have significant potential to reduce alcohol consumption among vulnerable groups of adults, but also children and young people. The Welsh Government believes this legislation is an essential tool within its programme of work towards improving the health and wellbeing of the population.

Impact on privacy

310. In order to implement and enforce the MUP system, authorised officers will need to be able to access the register of licensed alcohol retail premises currently kept by local authorities. These registers provide a comprehensive list of all premises which are licensed to sell alcohol within a local authority's area, and are held by local authorities in their role as the licensing authorities in Wales.

311. Section 8(3) of the Licensing Act 2003 provides that each licensing authority must make the entries in its licensing register available for inspection by any person during office hours for free. As such, an AO will not be accessing any information, which is not readily available to any member of the public. In addition, officers who are most likely to fulfil the role of AO will already have access to the register in their other capacities and therefore the proposals will not grant them with new insights or provide them with new information. The Welsh Government is therefore content that this does not impact upon privacy.

¹⁸³ Document available from Alcohol Concern Cymru acwales@alcoholconcern.org.uk

312. There are no proposals within the Bill that alter or extend any processes or procedures that relate to the processing of personal data or impact on privacy by any other means.

Impact on the voluntary sector

313. The legislation itself will not directly impact on the voluntary sector as a whole. Voluntary organisations which hold an alcohol licence will be subject to the MUP for alcohol in the same way as any other organisation with a license. However, a range of voluntary sector organisations in Wales which are involved, or have a direct interest, in helping people deal with the damaging effects of excessive alcohol consumption that lead to spiralling and detrimental affects on families and communities should see the benefits of the legislation. Voluntary sector organisations such as Alcohol Concern Cymru are supportive of the policy to introduce an MUP system and believe that it will have a positive impact on people and society in Wales as well as positive impacts on charities and the voluntary sector. It is also considered likely that the MUP system will alleviate pressures in this sector.

314. The Welsh Government will continue to engage with the voluntary sector as well as local authorities and others to seek advice and help in monitoring the effectiveness of the legislation on implementation.

10. Post implementation review

315. It is proposed that the provisions of the Bill be commenced 12 months from the date of Royal Assent. This is to allow sufficient time for those affected by the new law to prepare accordingly.

316. The effect of the Bill will be measured in a number of ways. Methods will include research and evaluation with stakeholders and enforcement officers as well as routine data collection techniques.

317. The proposed monitoring and evaluation arrangements can be grouped into two broad categories. Taken together, these will encompass a blend of monitoring of routine health data and statistics, administrative data and a formal review.

Health data and statistics

318. Activity to monitor the implementation of the Bill will wherever possible be aligned to other relevant work. Data about alcohol-related deaths will be reviewed annually and the Welsh Government will liaise with Public Health Wales and health boards for updated information on alcohol-related hospital admissions as well as data on consumption levels via the Welsh Health Survey¹⁸⁴.

Administrative data

319. Similarly, best use will be made of the most relevant administrative information already collected. Importantly, this will include a range of data collected by local authorities such as:

- Data on inspections undertaken, where available;
- Enforcement information, including data on written warnings, fixed penalty notices and prosecutions;
- Data on complaints/enquiries received by trading standards and environmental health departments.

¹⁸⁴ As the Welsh Health Survey is due to be revised in 2016-17, some data may not be directly comparable

Annex A – Explanatory Notes

PUBLIC HEALTH (MINIMUM PRICE FOR ALCOHOL) (WALES) BILL

EXPLANATORY NOTES

INTRODUCTION

1. These Explanatory Notes relate to the draft Public Health (Minimum Price for Alcohol) (Wales) Bill.
2. They have been prepared by the Welsh Government's Department for Health and Social Services in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by the National Assembly for Wales.
3. The Explanatory Notes should be read in conjunction with the draft Bill. They are not meant to be a comprehensive description of the draft Bill. Where an individual section of the draft Bill does not seem to require any explanation or comment, none is given.

POLICY BACKGROUND

4. The health and wellbeing of the population of Wales is continuing to improve. In general, people are living longer and enjoy better health than ever before. However, Wales still faces a number of specific and significant health challenges. The level of alcohol consumption in Wales has led to a range of health and social harms, particularly for the minority of people who drink to excess and do not realise the harm they are doing to themselves. There were 467 alcohol related deaths in Wales in 2013 and drinking among young people is also a concern with 17% of males and 14% of females aged between 11-16 in Wales drinking alcohol at least once a week in 2009-10.
5. This Bill has been developed following consultation on a Public Health White Paper, which included a series of legislative proposals to address a number of public health issues in Wales. One of these was a proposal to introduce a minimum unit price for alcohol.
6. Legislation has historically played an important role in improving and protecting the health of people in Wales. The aim of the draft Bill is to address the Welsh Government's concerns around the health harms that can be caused by the effects of excess alcohol consumption.

GENERAL OVERVIEW OF THE BILL

7. The draft Bill provides for a minimum unit price for alcohol supplied in Wales to a person in Wales and establishes a local authority led enforcement regime.
8. The Bill is comprised of 23 sections and a Schedule.

CONTENTS

Section 1: Minimum price for alcohol

9. This section sets out the formula that is applied to calculate the minimum selling price for alcohol and provides an example of how that price is calculated.
10. The formula is $M \times S \times V$ (Minimum price \times Strength \times Volume).
 - (a) M is the minimum unit price (to be specified in regulations)
 - (b) S is the strength of the alcohol in a percentage format
 - (c) V is the volume of alcohol in litres
11. Subsection (2) provides that where the minimum selling price for the alcohol would not be a whole number in pennies, it is to be rounded up to the nearest whole penny, for example £4.321 would be rounded up to £4.33 for the purposes of the selling price.
12. Subsection (3) provides a practical example of the calculation relating to a bottle of wine.

Section 2: Offences

13. This section makes it an offence for an alcohol retailer (defined in section 4) to supply a serving of alcohol or, to authorise the supply of a serving of alcohol from qualifying premises in Wales to a person in Wales at a selling price below the minimum price for that serving.
14. Subsection (2) provides that a serving of alcohol is the amount of alcohol that is contained in any receptacle. For example, in the case of a bottle of wine, the “serving” is the wine contained in the bottle, whereas in the case of a glass of wine, the serving is the wine contained in the glass. While in the case of a bottle of wine and a bottle of vodka sold at the same time, there will be two servings to be taken into account, the wine contained in its bottle, and the vodka contained in its bottle.
15. Subsection (3) provides a defence for a person charged with a section 2 offence to show that they took reasonable steps and exercised due diligence to avoid committing the offence. If a person raises this defence and produces some evidence in support of it, the burden of disproving the defence beyond all reasonable doubt will fall on the prosecution (subsection (4)).
16. Subsection (5) provides that it does not matter for the purposes of the offence, whether the authorisation of the supply of alcohol takes place in Wales or elsewhere.

Section 3: Meaning of supply of alcohol and qualifying premises

17. This section defines the supply of alcohol as being the sale by retail to a person in Wales or the supply by or on behalf of a club to a member of the club who is in Wales, or to a person in Wales to the order of a member of the club. Whether a particular supply of alcohol is a "sale by retail" will depend on the facts, but in most cases this will be straightforward.
- 18 "Qualifying premises" are also defined in this section.
19. Subsection (3) provides that premises are "qualifying premises" if:-
 - (a) a premises licence under Part 3 of the Licensing Act 2003 authorises the premises to be used for the supply of alcohol;
 - (b) a club premises certificate under Part 4 of the Licensing Act 2003 certifies that the premises may be used to supply alcohol, or
 - (c) the supply of alcohol on or from premises is a permitted temporary activity under Part 5 of the Licensing Act 2003.

Section 4: Meaning of alcohol retailer

20. This section defines alcohol retailer in relation to the supply of alcohol from qualifying premises i.e., licensed premises such as a pub or supermarket as being -
 - (a) a personal licence holder under Part 6 of the Licensing Act 2003.
 - (b) the designated premises supervisor for the premises, designated under the Licensing Act 2003.
21. In relation to clubs, the alcohol retailer is the person who holds the club premises certificate. This "person" might be the club itself or an individual.
22. In relation to temporary events and premises, the alcohol retailer is the premises user for the purpose of Part 5 of the Licensing Act 2003.

Section 5: Supply of alcohol and other goods and services for a single price

23. This section applies to alcohol supplied with other goods (excluding alcohol) or services or in a composite alcohol transaction, for a single price. If alcohol and other goods or services are supplied for a single price, the alcohol is to be treated as being supplied at that price. Section 5 also provides that if the alcohol is supplied free of charge with the other goods or services, the alcohol is treated as though the alcohol is supplied at the same price as the other goods or services.

Examples of how this will work in practice follow:

Buy three food items and a bottle of wine for £10: the wine is treated for MUP purposes as costing £10 (subsection (1)(b)).

Buy three food items and 2 bottles of wine for £10: both bottles are treated for MUP purposes as being one serving, supplied for £10 (subsections (1)(a) and (b)).

Buy three food items for £10 and a free bottle of wine: the wine is treated for MUP purposes as costing £10 (subsections (1)(b) and (5)).

Buy two food items for £20 and get a bottle of wine for £2: the wine is treated for MUP purposes as costing £22 (subsection (2)(b)).

Buy two food items for £20, and get a bottle of wine for £5 and a second bottle of wine free: both bottles of wine are treated for MUP purposes as being one serving, supplied for £25 (subsections (2)(a) and (b) and (5)).

Buy 2 bottles of wine for £10: both bottles are treated for MUP purposes as being one serving, supplied for £10 (subsections (3) and (4)(c)).

Buy 1 bottle of wine for £10 and get another free: both bottles are treated for MUP purposes as being one serving, supplied for £10 (subsections (3) and (4)(a)).

Buy 1 bottle of wine for £8 and get another for £2: both bottles are treated for MUP purposes as being one serving, supplied for £10 (subsections (3) and (4)(b)).

Section 6: Penalties

24. This section states that an alcohol retailer guilty of an offence under section 2 of this Bill is liable on summary conviction to a fine not exceeding level 3 on the standard scale. The offence may only be tried in the magistrates' court. The levels on the standard scale are set out in section 37 of the Criminal Justice Act 1982.

Section 7: Fixed penalties

25. This section allows authorised officers to issue fixed penalty notices (FPNs) to persons believed to have committed offences under section 2 in the local authority's area.
26. FPNs may be issued to a partnership or an unincorporated association where the authorised officer believes it appropriate. Payment of the FPN discharges the person believed to have committed an offence from being convicted for the offence in court. The section also introduces the Schedule on fixed penalties (for commentary on this, see the Schedule below).

Section 8: Enforcement action by local authorities

27. Subsection (1) provides that a local authority may bring prosecutions in respect of offences under section 2 in its area, may investigate complaints in respect of alleged section 2 offences in its area, and may take other steps with a view to reducing the incidence of such offences in its area.
28. Subsection (2) provides that a local authority must consider, at least once every year, the extent to which it is appropriate to carry out a programme of enforcement in its area, and to the extent that it considers appropriate, carry out such a programme.
29. In complying with subsection (2), local authorities must have particular regard to improving public health and protecting children from harm.

Section 9: Authorised Officers

30. This section clarifies that any reference in the Bill to an authorised officer of a local authority is to any person authorised to exercise functions of the local authority under the Bill.

Section 10: Power to make test purchases

31. An authorised officer may make purchases and arrangements, and secure the provision of services if the officer considers it necessary for the purpose of enforcement of the local authority's functions under this Bill.

Section 11: Powers of entry

32. Section 11 enables an authorised officer to enter, at any reasonable time, premises (excluding premises used wholly or mainly as a dwelling) if the officer has reasonable grounds to believe that an offence under section 2 has been committed, and the officer considers it necessary to enter the premises for the purpose of ascertaining whether such an offence has been committed.
33. The power to enter premises does not enable the authorised officer to enter by force. If required, an authorised officer must, before entering the premises, show evidence of their authorisation.
34. Section 67(9) of the Police and Criminal Evidence Act 1984 provides that, while acting in the course of their enforcement functions, authorised officers of the enforcement authority must have regard to the relevant code of practice made under that Act. Therefore, authorised officers must have regard to PACE Code of Practice B in the exercise of their enforcement functions.

Section 12: Warrant to enter a dwelling

35. If access to premises which are wholly or mainly used as a dwelling is necessary a written application must be made by the local authority to a justice of the peace.
36. Section 12 enables a justice of the peace to sign a warrant, thereby authorising an authorised officer to enter the dwelling, if needs be by force, if an authorised officer has reasonable grounds to believe an offence under section 2 has been committed.
37. Any such warrant will be in force for the period of 28 days beginning on the date it was signed by the justice of the peace.

Section 13: Warrant to enter other premises

38. If access to premises that are not only used wholly or mainly as a dwelling is necessary section 13 enables a justice of the peace to sign a warrant authorising any authorised officer to enter the premises, if needs be by force. The warrant can be obtained by making a written application to a justice of the peace. In the case of

premises used wholly or mainly as a dwelling a warrant must be sought under section 12.

39. In order for a warrant to be signed, one or more of the requirements set out in subsections (2) to (5) must be met. These include that a request to enter the premises has been, or is likely to be, refused; an application for admission, or the giving of notice of an intention to apply for a warrant is likely to defeat the purpose of the entry; the premises are unoccupied; or the occupier is temporarily absent, and awaiting their return is likely to defeat the purpose of the entry. Once the warrant is signed, it will be in force for the period of 28 days beginning on the date it was signed by the justice of the peace.

Section 14: Supplementary provision about powers of entry

40. This section enables authorised officers entering premises under sections 11, 12 and 13, to take with them any other persons or equipment as appropriate to ascertain whether an offence under section 2 has been committed. The section also requires that if the premises are unoccupied or the occupier is temporarily absent, those authorised to enter the premises must leave them as effectively secured against unauthorised entry as the person found them.

Section 15: Powers of inspection, etc.

41. Once an authorised officer has gained entry to premises, they may undertake inspections and examinations to ascertain whether an offence under section 2 has been committed. This may include inspecting and examining the premises and obtaining copies of documents, such as records of stock and sales.
42. The authorised officer may also take possession of anything on the premises, and retain it for as long as necessary or require any person to provide them with information, or afford facilities and assistance within their control. This may include providing an account of events, or supplying information that is stored on a computer or other device.
43. If an authorised officer takes possession of anything, they must leave at the premises a statement containing the particulars of what has been taken. However a person is not required to answer any question or produce any document which they would be entitled to refuse to answer or produce during proceedings in a court in England and Wales.

Section 16: Obstruction etc. of officers

44. This section provides that a person commits an offence if they intentionally obstruct an authorised officer from exercising their functions under sections 11 to 15.
45. A person commits an offence if, without reasonable cause, they fail to provide an authorised officer with facilities that are reasonably required under section 15(1) or they fail to comply with a requirement under section 15(1)(b) or (d) such as providing information.

46. A person found guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale. The levels on the standard scale are set out in section 37 of the Criminal Justice Act 1982.

Section 17: Amendment to the Licensing Act 2003

47. This section amends Schedule 4 to the Licensing Act 2003 to provide that an offence committed under section 2 is to be classed as a “relevant offence” in relation to personal licences.
48. A ‘relevant offence’ is an offence which can be taken into consideration by a licensing authority when making decisions on granting/renewing personal licences. A licence holder is under a duty to notify their licensing authority of convictions for relevant offences as soon as reasonably practicable (and commits an offence if they fail to do so). The Court is also under a duty to notify licensing authorities of convictions for relevant offences.

Sections 18 and 19: Offences committed by bodies corporate etc. and Offences committed by partnerships and other unincorporated associations

49. These sections make provision in connection with offences under the Bill that may be committed by a body corporate; a partnership; or other unincorporated organisation. It describes how offences may be attributed to a senior officer of the body corporate etc., or any person acting in that capacity, as well as, the body corporate etc. itself. Sections 18(3), 18(4) and 18(5) describe what is meant by the terms “senior officer”, “director” and “partnership” under this Part.

Section 20: Regulations

50. This section explains how powers to make regulations under this Bill are to be exercised and sets out the procedure to be followed in making regulations under different sections of the Bill.

Section 22: Coming into force

51. This section sets out the provisions that will come into effect on the date of Royal Assent; and those that will come into force by Commencement Orders made by the Welsh Ministers.

Section 23: Short title

52. This provides that the short title of the Act will be the Public Health (Minimum Price for Alcohol) (Wales) Act 2016.

Schedule: Fixed Penalties

53. The Schedule to this Bill contains provisions relating to fixed penalties and fixed penalty notices. The initial amount of a fixed penalty is £200 but this can be reduced to £150 if paid within 15 days of receipt of the FPN. These include the contents of the penalty notice form, powers for the Welsh Ministers to make regulations to set the penalty and discounted amounts, and the periods for payment of the penalty and

discounted amounts. Paragraphs 15 and 16 enable a person to request to be tried for the offence in court instead of paying the fixed penalty. Paragraph 17 permits authorised officers of the issuing authority to withdraw a fixed penalty notice. Paragraph 18 allows a local authority to use amounts received from fixed penalty notices for the purpose of functions relating to the enforcement of provisions of this Bill and regulations made under it.

Annex B – Summary Cost of legislation table

The following cost table reflects the predicted costs benefits over the first 5 years as well as those much greater gains expected in years to come.

Table 13:

	Year 1 costs £	Year 2 costs £	Year 3 costs £	Year 4 costs £	Year 5 costs £
Welsh Government costs					
Guidance costs	10,300	0	0	0	2400
Communications	100,000	0	0	0	0
Training for LA staff	6000	0	0	0	0
Total Cost to Welsh Government	116,300	0	0	0	2400
Local authorities					
Staff costs for inspections and enforcement	<i>Anticipated to be low, enforcing MUP is expected to be undertaken within the existing inspection regime .</i>				
Total cost to local authorities					
Retailers					
Staff costs for familiarisation with the new legislation	376,000 (4 hours per license holder)	94,000 (1 hour per license holder)	94,000	94,000	94,000
Staff costs to change prices	224,200	0	0	0	0
Total cost to retailers*	600,200	94,000	94,000	94,000	94,000
Consumers					
Aggregate cost to consumers – modelled change in spending**	0	£/year change in spending per drinker: Moderate - £2.37 Hazardous - £32.88 Harmful - £32.35	£/year change in spending per drinker: Moderate - £2.37 Hazardous - £32.88 Harmful - £32.35	£/year change in spending per drinker: Moderate - £2.37 Hazardous - £32.88 Harmful - £32.35	£/year change in spending per drinker: Moderate - £2.37 Hazardous - £32.88 Harmful - £32.35
Total change in spend***		21.2m	21.2m	21.2m	21.2m

* There may be other costs associated with implementation for larger stores, for example software updates, wastage, reviewing promotions; however, it is very difficult to estimate these at this stage. These costs should also be covered by the increased revenues resulting from higher prices.

** This is an aggregate estimated cost.

***Sheffield model (2014) p73, table 5.15; based on a drinking population of 2.09m, and an average change in spending of £10.14 per drinker per year