Alcohol (Minimum Pricing) (Scotland) Bill

Co-operative Group

1. Executive Summary

1.1. The Co-operative Group shares the Scottish Government’s concern about the impact of alcohol misuse on individuals and on Scottish society as a whole. We welcome the commitment shown by all political parties in Scotland, and more broadly in the UK, to tackle to problem of alcohol misuse and the harm that can result.

1.2. The Co-operative is concerned that the proposals put forward in this Bill will not achieve the Scottish Government’s desired effect of reducing alcohol consumption in Scotland. Furthermore, it is not clear from the case put forward by the Scottish Government what the unintended consequences will be, and also, what the impact of such proposals may be in other business areas.

1.3. Supply-side measures are only one way to tackle alcohol abuse; a more rounded approach using public education and awareness initiatives and working in partnership with all stakeholders is more likely to be successful than the approach embodied in this Bill.

1.4. We, along with other retailers in Scotland, have spent considerable time and resource over the course of the last year preparing for, and subsequently implementing, the requirements of the Alcohol etc (Scotland) Act 2010. As implementation of this Act only took place in October 2010 it is our belief that it is premature for the Scottish Government to undertaken a further fundamental reform of alcohol policy in Scotland at this time.

2. Introduction and Background: The Co-operative Group and the Scottish Co-operative

2.1. The Co-operative welcomes the opportunity to provide evidence to the Health and Sport Committee on the general principles of the Alcohol (Minimum Pricing) (Scotland) Bill.

2.2. The Scottish Co-operative has proudly served Scotland for over 140 years. The Co-operative Group stands apart from other major retailers in the UK as a business which is owned, not by a small group of shareholders, but by more than five million consumers.

2.3. With core interests in food, financial services, travel, pharmacy and funerals, it has an annual turnover of more than £14 billion, employs 103,000 staff and operates over 5,000 retail trading outlets handling more than 20 million weekly transactions; this includes over 390 shops in Scotland. Following the acquisition of the Somerfield supermarket chain in March 2009, The Co-operative Food is the UK’s fifth largest food retailer.

2.4. Food retailing is core to our activities providing around half of the group’s turnover. Part of the retail mix is the sale of alcohol products that are sold in all of our Scottish food outlets.
2.5. As a convenience store and small supermarket chain, we operate within all Scottish communities, including some of the remotest areas of the Highlands and Islands. Our stores provide a lifeline to some of the most isolated and vulnerable people in our society. Our stores help ensure the long-term viability and vitality of our high streets and neighbourhood centres which are under increasing threat from out-of-town developments.

3. The Co-operative: A responsible retailer of alcohol

3.1. We are responsible retailers of alcohol and are committed to selling alcohol in a responsible manner, underpinned by our long-standing co-operative values and principles. We are members of the Scottish Grocers Federation, the Association of Convenience Stores and both the British and Scottish Retail Consortiums.

3.2. We are currently engaged in a wide range of initiatives and projects to promote responsible drinking. We implemented ‘Challenge 25’ throughout our stores well before it became a regulatory requirement under the Alcohol etc (Scotland) Act 2010. We are also a supporter of the Drinkaware Trust and have provided both financial and in-kind support for the ‘Campaign for Smarter Drinking’ in 2010 and 2011. We intend to roll-out a Drinkaware supported ‘unit awareness’ campaign throughout our stores in early 2012.

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

4.1. This Bill seeks to introduce a minimum price per unit of alcohol and introduces enabling legislation as a means to achieve this. We do not support the introduction of minimum pricing for alcohol products as we are unconvinced that it will have the impact desired by the Scottish Government, i.e. to reduce the harm caused by irresponsible consumption of alcohol. Furthermore, the proposal would restrict consumer choice and is an insufficiently targeted approach to a complex problem.

An ill-targeted approach in a challenging economic times for consumers

4.2. It is ill-targeted to use such a blunt policy instrument that impacts upon all consumers of alcoholic drinks regardless of whether or not the groups concerned have anything to do with alcohol misuse. We believe that the most effective public policy interventions on alcohol misuse will be targeted at those who have a problematic relationship with alcohol, not the majority of the population who do not. Fundamentally we disagree with the approach of the Scottish Government’s Framework on Alcohol; this is stated as “to adopt a whole population approach”.

Changing Scotland’s Relationship with Alcohol, February 2009, para. 11
4.3. Current economic conditions in the UK and Scotland are amongst the most challenging seen by retailers in over 40 years. Consumers have had to tighten their belts and tighten them again. Consumer confidence is low - fuelled by rising living costs and the real possibility that the UK will slip back into recession. At a time when consumers throughout Scotland are finding it difficult to make ends meet it seems grossly unfair to inflate the price of alcohol for the vast majority of the Scottish population who enjoy alcohol responsibly. We have particular concerns that the policy will have a disproportionate impact on the lowest income groups. The Institute for Fiscal Studies [IFS] recently published research which found that a minimum price per alcohol unit would have “...a particularly large impact on low income alcohol consumers.”

**Insufficient evidence to support the policy intervention**

4.4. We are not convinced by the evidence presented to date that there is a link between price and harm resulting from alcohol consumption. Evidence from around Europe suggests that the link is far from clear-cut. The UK currently has some of the highest duty rates in Europe but other countries with significantly lower rates of duty exhibit lower rates of consumption than the UK. Within the UK, evidence presented by the Scottish Government itself suggests that the average alcohol unit price in Scotland is almost identical to that in England and Wales but alcohol-related harm in Scotland is higher than in England. It should be noted that as a UK wide retailer The Co-operative operates a national pricing policy which does not differentiate between stores in Scotland and the other UK nations. We conclude, therefore, that there are cultural factors specific to Scotland which will need to be addressed if an effective public policy intervention is to be made.

**Legality of the policy intervention**

4.5. We are concerned that there may be EU and UK competition law issues that will determine whether the Scottish Government can introduce a minimum price per unit of alcohol. We understand from the Business and Regulatory Impact Assessment of the Bill, that the Scottish Government has already briefed both the European Commission and the Office of Fair Trading about these proposals. In the interests of transparency and to enable effective scrutiny of the Bill, we urge the Scottish Government to publish as much information as possible at the earliest opportunity regarding these discussions, including any legal advice which has been sought.

4.6. We understand that it is the view of the UK Government that the proposal will prove to be illegal under European Law. This position was made public by the UK Public Health Minister, Anne Milton MP, when she gave evidence to the House of Commons Science and technology Committee in October 2011 and stated “Our advice is that, in itself, it is probably illegal as it contravenes European free trade legislation...I know Scotland is thinking about introducing it, and they

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2 Institute for Fiscal Studies: Alcohol pricing and taxation policies – IFS Briefing Note BN124 – pg 40
will be challenged, and that will clarify the law. But our advice is that it
is illegal.”

4.7. A full discussion about the legality of the proposal can only take place
once the proposed price per unit is known. The European Commission
stated in 2009 that minimum pricing had the potential to target heavy
drinkers but in order for the measure to be legal it would be necessary
to show that it was in proportion to the problems caused by alcohol,
without unduly restricting competition.4 This assessment cannot be
made until the price is known. We question, therefore, the approach
undertaken by the Scottish Government in publishing the Bill and
commencing the legislative process before a decision has been
reached on the proposed price per unit.

Unintended consequences
4.8. Different pricing regimes operating in Scotland and England are likely
to promote the development of a cross-border trade in alcohol. The
availability of ‘cheap’ alcohol across the border in England will impact
upon the off-trade in the Borders and South regions and, potentially as
far as the Central region. The promotional restrictions introduced by
the Alcohol etc (Scotland) Act 2010 have already resulted in certain
retailers marketing ‘cheaper’ alcohol on promotion in England to
consumers in Scotland when their internet order is fulfilled in England;
a number of MSPs have already indicated their concern about this
activity. Whilst such activity is compliant with the current regulatory
regime, the Scottish Government should be mindful that the
introduction of a minimum price is likely to result in additional activity of
this kind.

4.9. We note that the intention is to impact on low priced high alcohol
drinks. However, if a minimum pricing scheme were introduced on the
basis proposed relating to a cost per unit, this does not take account of
the quality of products and other factors governing price e.g. with
regard to wine. If the price of the lowest quality product is increased
as a result of minimum pricing, this could cascade across the whole
range to maintain a price differentiation for consumers to ascertain
quality.

4.10. Minimum pricing would also lead to wastage in stores as it would
affect our reduce to clear policies that apply to all grocery products as
it may not be possible to reduce the price of alcohol for quick sale if it
then went below a minimum price.

If a price intervention is desired, minimum pricing is the least
desirable public policy option
4.11. Whilst The Co-operative is not convinced by the evidence presented
to date that there is a link between the price at which alcohol is sold
and harm resulting from alcohol consumption, it is our belief that if the
Scottish Government wishes to influence the price at which alcohol is

3 Anne Milton MP, Parliamentary Under Secretary of State for Health at the House of Commons Science & Technology Committee, 26 October 2011
4 http://www.eurocare.org/library/latest_news/european_commission.responds_to_question_on_minimum_alcohol_retail_prices
sold in Scotland it would be preferable to achieve it using a ban on sales below cost (defined as VAT plus excise duty).

4.12. A ban on sales below cost would be preferable as being in line with the proposal of Westminster it would avoid the problems described above associated with differential pricing regimes in Scotland and England.

5. Other comments

5.1. We are concerned that the Bill appears to assume that it is both desirable and necessary to attempt to close the gap in pricing between the on-trade and the off-trade, particularly larger supermarkets. We would make the general point here that prices in shops will always be lower than in pubs/clubs because of the cost structures of the business and buying arrangements and the different nature of the service element in the latter. This equally applies to food where you would not expect to pay the same for food bought in a shop to cook at home as you would in a pub or restaurant.

5.2. Given our concerns about the potential effectiveness of this policy intervention we believe that the Scottish Government should make provisions within this Bill to assess the efficacy of the policy if it is introduced and, if necessary, to withdraw the policy. This could be achieved by including provisions within the Bill for a statutory post-implementation review and a ‘sunset clause’ – as was provided for when the policy was discussed in the context of the Alcohol etc (Scotland) Act 2010.

6. Conclusion

6.1. We acknowledge that action needs to be taken to tackle the problems highlighted in relation to Scotland’s relationship with alcohol, and, as a responsible retailer, we are committed to playing our part in tackling alcohol misuse. We are willing to work with the Scottish Government to achieve its aims. Clearly the change in culture being sought in Scotland, can only be achieved with a holistic approach involving a broad spectrum of stakeholders, bearing in mind that key to a change in culture does require some individual responsibility.

6.2. It also needs to be recognised that different approaches and solutions are required depending on whether age related sales and binge drinking and the associated anti-social behaviour problems are being targeted or the health implications. This immense programme of action cannot be achieved in a short period and will require a measured well thought through long-term approach to bring this about without resorting to what appear to be easy and quick measures that will not serve to achieve the objective.

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