Health and Sport Committee

2nd Report, 2012 (Session 4)

Stage 1 Report on the Alcohol (Minimum Pricing) (Scotland) Bill

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# CONTENTS

## Remit and membership

<table>
<thead>
<tr>
<th>Topic</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Report</td>
<td>1</td>
</tr>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>Procedure</td>
<td>1</td>
</tr>
<tr>
<td>Purpose of the Bill</td>
<td>1</td>
</tr>
<tr>
<td>Scottish Government consultation</td>
<td>1</td>
</tr>
<tr>
<td>Previous legislation</td>
<td>2</td>
</tr>
<tr>
<td>Committee consideration</td>
<td>2</td>
</tr>
<tr>
<td><strong>Minimum Pricing</strong></td>
<td>4</td>
</tr>
<tr>
<td>Background</td>
<td>4</td>
</tr>
<tr>
<td>Evidence base</td>
<td>4</td>
</tr>
<tr>
<td>Health and social impact</td>
<td>20</td>
</tr>
<tr>
<td>Setting the price</td>
<td>31</td>
</tr>
<tr>
<td>Consequences</td>
<td>36</td>
</tr>
<tr>
<td>Evaluation</td>
<td>42</td>
</tr>
<tr>
<td>Legality</td>
<td>46</td>
</tr>
<tr>
<td><strong>Financial implications of the Bill</strong></td>
<td>50</td>
</tr>
<tr>
<td>Background</td>
<td>50</td>
</tr>
<tr>
<td>Section 1</td>
<td>51</td>
</tr>
<tr>
<td>Section 2</td>
<td>51</td>
</tr>
<tr>
<td>Estimated savings</td>
<td>51</td>
</tr>
<tr>
<td>Cost to Scottish Government</td>
<td>51</td>
</tr>
<tr>
<td>Costs to Local authorities</td>
<td>51</td>
</tr>
<tr>
<td>Costs to other bodies</td>
<td>52</td>
</tr>
<tr>
<td><strong>Subordinate legislation</strong></td>
<td>56</td>
</tr>
<tr>
<td>Background</td>
<td>56</td>
</tr>
<tr>
<td>Section 1 – minimum price of alcohol</td>
<td>56</td>
</tr>
<tr>
<td><strong>Equalities</strong></td>
<td>57</td>
</tr>
<tr>
<td><strong>Overall conclusion</strong></td>
<td>58</td>
</tr>
</tbody>
</table>
Annexe A: EXTRACT FROM MINUTES OF THE HEALTH AND SPORT COMMITTEE 60
Annexe B: ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE 64
Annexe C: LIST OF OTHER WRITTEN EVIDENCE 67
Annexe D: REPORT BY THE FINANCE COMMITTEE 69
Annexe E: REPORT BY THE SUBORDINATE LEGISLATION COMMITTEE 70
Health and Sport Committee

Remit and membership

Remit:

To consider and report on health policy, the NHS in Scotland, anti poverty measures, equalities, sport and other matters falling within the responsibility of the Cabinet Secretary for Health, Wellbeing and Cities Strategy apart from those covered by the remit of the Economy, Energy and Tourism Committee.

Membership:

Jackson Carlaw
Bob Doris (Deputy Convener)
Jim Eadie
Mary Fee (until 21 December 2011)
Richard Lyle
Fiona McLeod
Duncan McNeil (Convener)
Gil Paterson
Dr Richard Simpson
Drew Smith (from 22 December 2011)

Committee Clerking Team:

Clerk to the Committee
Douglas Wands

Senior Assistant Clerk
Rodger Evans

Assistant Clerk
Rebecca Lamb

Committee Assistant
Andrew Howlett
Health and Sport Committee

2nd Report, 2012 (Session 4)

Stage 1 Report on the Alcohol (Minimum Pricing) (Scotland) Bill

The Committee reports to the Parliament as follows—

INTRODUCTION

Procedure

1. The Alcohol (Minimum Pricing) (Scotland) Bill ("the Bill") was introduced by Nicola Sturgeon MSP, Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy ("the Cabinet Secretary"), on 31 October 2011. The Bill is accompanied by Explanatory Notes (SP Bill 4–EN), which include a Financial Memorandum, and a Policy Memorandum (SP Bill 4–PM), as required by the Parliament’s Standing Orders. The Health and Sport Committee was subsequently designated lead committee on the Bill. Under Rule 9.6 of the Parliament’s Standing Orders, it is for the lead committee to report to the Parliament on the general principles of the Bill.

Purpose of the Bill

2. The Bill, if passed, would reform the law in line with the Scottish Government’s strategy on tackling alcohol misuse, Changing Scotland’s Relationship with Alcohol: A framework for Action.¹

3. Section 1 sets out amendments to the Licensing (Scotland) Act 2005 which would introduce a price below which a unit of alcohol cannot be sold, in the pursuance of reducing alcohol consumption and related harms.

4. Section 2 has no practical effect as it seeks to repeal section 1 of the Alcohol etc. (Scotland) Act 2010, which makes provision for the expiry of amendments made by a section that is not contained in the Act.

Scottish Government consultation

5. The areas covered by the Bill were included in the Scottish Government’s consultation, Changing Scotland’s relationship with alcohol: a discussion paper on

our strategic approach, published for consultation in June 2008. The consultation set out a range of proposals and ideas to address the growing trend of alcohol misuse and received 259 responses from individuals and 207 responses from organisations. In addition, two MSPs submitted the results of consultations that they had carried out with constituents; the Scottish Prison Service provided the views of prisoners and prison service staff; East Renfrewshire Council and Dundee Drug and Alcohol Action Team submitted the views of young people in their areas; Young Scot provided the results of a survey and of focus groups that they held on behalf of the Scottish Government, and Scottish Government ministers also received 53 letters or e-mails on the subject.

6. As part of the consultation process, the Scottish Government also held a Youth Summit to gather views on alcohol and its impacts on young people. The Government commissioned an analysis of the written responses from Hexagon Research and Consulting.

Previous legislation

7. Proposals to introduce a minimum price below which a unit of alcohol must not be sold on licensed premises were contained within the Alcohol etc. (Scotland) Bill (the 2009 “Alcohol Bill”) when it was introduced in November 2009. These measures were removed at Stage 2, and an amendment lodged at Stage 3 to reintroduce a section on minimum pricing failed to receive sufficient support within the Scottish Parliament.

8. The consultation, detailed above, and much of the evidence included in the documents accompanying the current Bill, were originally presented by the Scottish Government in support of the 2009 Alcohol Bill. New evidence, where available, has been included.

Committee consideration

9. The Committee would like to record its thanks to those who gave evidence to, or otherwise participated in, its inquiry into the general principles of the Bill.

10. The Committee wishes to draw attention to the unbalanced relationship with alcohol that now prevails in Scotland and which represents one of the biggest public health challenges that we face today. This was a recurring theme throughout its evidence taking, some of the starkest figures being:

- At least 900 children suffer with foetal alcohol syndrome or foetal alcohol spectrum disorder;\(^2\)
- It is estimated that 65,000 children live with a parent with an alcohol problem;\(^3\)

\(^2\) BBC News Scotland article, 7 March 2011. Available at: [http://www.bbc.co.uk/news/uk-scotland-12666093](http://www.bbc.co.uk/news/uk-scotland-12666093)

\(^3\) Scottish Government webpage, Alcohol and its impact on health. Available at: [http://www.scotland.gov.uk/Topics/Health/health/Alcohol/health](http://www.scotland.gov.uk/Topics/Health/health/Alcohol/health)
• One in three divorces cites excessive drinking by a partner as a contributory cause;\(^4\)

• 77% of young offenders said they were drunk at the time of committing their offence;\(^5\)

• 69% of people accused of homicide were either drunk or drunk and under the influence of drugs at the time of the alleged offence;\(^6\)

• Liver disease is now the second commonest cause of death in the under 65s\(^7\), and

• Alcohol kills three people in Scotland every day.\(^8\)

**Formal evidence**

11. The Committee issued a call for written evidence on 1 November 2011, with a closing date of 12 December 2011. 95 written submissions were received in response to the call for evidence. Of those respondents who made their opinion clear, 85% were in favour and 15% were opposed to minimum pricing. Those in favour tend to come from the health, licensing and on-trade sectors, while those who are opposed tend to be from the alcohol manufacturing and off-trade sectors.\(^9\)

12. The Committee call for evidence raised a number of themes in respect of the policy. These included: how targeted the policy is; empirical evidence, including the link between price and harm; the potential unintended consequences, such as the impact on Scotland’s alcohol industry; and the legality of the policy.\(^10\)

13. Following the closing date for the call for written evidence, the Committee agreed a programme of oral evidence sessions comprising of seven panels spread over five committee meetings. 28 witnesses attended in total.

14. Extracts from the minutes of all meetings at which the Bill was considered are attached at **Annexe A**. Where written submissions were made in support of oral evidence, they are reproduced, together with the extracts from the Official Report of each of the relevant meetings, at **Annexe B**. All other written submissions are included at **Annexe C**.

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\(^4\) Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 17. Available at: [http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill /Policy_Memo.pdf](http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill /Policy_Memo.pdf)

\(^5\) Action for Children Scotland. Written submission to the Health and Sport Committee.

\(^6\) Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 17. Available at: [http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill /Policy_Memo.pdf](http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill /Policy_Memo.pdf)

\(^7\) Alcohol Focus Scotland. Written submission to the Health and Sport Committee. MIN04

\(^8\) Alcohol Focus Scotland. Written submission to the Health and Sport Committee. MIN04


Reports from other committees

15. The Financial Memorandum was scrutinised by the Finance Committee, which sought written evidence from affected organisations, took oral evidence from affected organisations followed by oral evidence from the Scottish Government Bill team and then reported to the Health and Sport Committee. The report is attached at Annexe D. The provisions within the Bill for making subordinate legislation were considered by the Subordinate Legislation Committee. Its report to the Health and Sport Committee is attached at Annexe E. These reports are discussed in detail later in this report.

MINIMUM PRICING

Background

A minimum price of alcohol

16. Section 1 of the Bill would amend the Licensing (Scotland) Act 2005 (“the 2005 Act”) to introduce a further mandatory condition of premises and occasional licences granted under that Act. The condition would be that alcohol must not be sold on the premises at a price below the minimum price. This section would also require that, where alcohol was supplied along with other products or services – for example, where a bottle of beer was packaged with and sold with a branded glass or where a bottle of wine was sold with food as part of a “meal deal” – the minimum price would be the minimum price that would apply to the alcohol if sold on its own, with no account taken of the non-alcohol elements of the package.11

17. The Bill also sets out the formula by which the minimum price would be calculated as minimum price per unit (MPU) x strength of the alcohol (S) x volume of the alcohol in litres (V) x 100. The Explanatory Notes on the Bill set out a number of examples of minimum prices for different beverages calculated using the formula.

18. The Scottish Ministers would have the power to specify the minimum price per unit by order subject to the affirmative resolution procedure.

Evidence base

Policy Memorandum

19. In its Policy Memorandum on the Bill, the Scottish Government refers to several studies in support of the measures on minimum pricing, including the Wagenaar systematic review, which considered 100 separate studies reporting over 1,000 statistical estimates over the last 30 years and found that there was a consistent relationship between price and consumption of alcohol.12

20. The Scottish Government also refers to two studies by the School of Health and Related Research (ScHARR) at the University of Sheffield, one commissioned

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11 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes, paragraph 6. Available at: http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/Ex_Notes_and_FM.pdf
12 Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 17. Available at: http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/Policy_Memo.pdf
by the UK Government and published in 2008\textsuperscript{13}, and the other commissioned by the Scottish Government.\textsuperscript{14} These use econometric modelling and estimate that policies which increase the price of alcohol can bring significant health and social benefits and lead to considerable financial savings in the health service, in the criminal justice system and in the workplace.\textsuperscript{15}

21. The evidence from these studies, referred to in the Policy Memorandum, is the same as that presented by the Scottish Government during the passage of the previous Alcohol Bill.

22. However, the second of the studies by ScHARR, detailed above, was republished using the most up to date Scottish data in January 2012.\textsuperscript{16} Although the Committee was able to view the updated report in advance of the oral evidence session with the Cabinet Secretary for Health, Wellbeing and Cities Strategy, it was not published in time for other witnesses who gave oral evidence to the Committee as part of its Stage 1 scrutiny to be able to comment.

\textit{Results from Canada}

23. Professor Timothy Stockwell of the University of Victoria, British Columbia, and colleagues are in the process of publishing results of a recent study looking at the effect of ‘Social Reference Pricing’ (“SRP”) on alcohol consumption in British Columbia.\textsuperscript{17}

24. The Canadian model differs from that proposed in the Bill in a number of ways, such as:

- In Canada, floor prices differ between and within different types of alcoholic drinks and there is not a price per unit of alcohol;
- Increases in floor prices are not simultaneous which would potentially allow substitution behaviour and ‘trading down’;
- In Canada, alcohol is sold in liquor stores and not in supermarkets, which may limit the read across to the impact on Scottish industry and its response;
- All alcohol distribution is state controlled;

\textsuperscript{15} Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 24.\textsuperscript{16} ScHARR, University of Sheffield (2009) Model-Based Appraisal of Alcohol Minimum Pricing and Off-Licensed Trade Discount Bans in Scotland (v2) second update. Available at: http://www.sheffield.ac.uk/polopoly_fs/1.150021!/file/scotlandupdatejan2012.pdf
\textsuperscript{17} Does minimum pricing reduce alcohol consumption? The experience of a Canadian province. To be published in the journal Addiction.
• Some states in Canada prohibit products perceived to be particularly harmful e.g. Alberta banned beer over 11% strength;
• In Canada, some end-of-line below-SRP selling is permitted;
• The revenue from SRP in Canada goes to provincial government.

25. Nevertheless the study does provide empirical evidence on the impact on consumption of raising floor prices of alcoholic drinks, and the Committee agreed to hold an oral evidence session via video-conferencing with Professor Stockwell on 10 January 2012.

Linking price and consumption
26. The study by Stockwell et al found that a 10% increase in the average minimum prices, of various types of alcohol over the period 1989-2010, led to a reduction of 3.4% in total alcohol consumption. This is one of the studies the Scottish Government refers to in its Policy Memorandum—

“There is strong evidence from numerous studies...that levels of alcohol consumption in the population are closely linked to the retail price of alcohol. As alcohol becomes more affordable, consumption increases. As the relative price increases, consumption goes down.”

27. This statement echoed much of the evidence on the effect of price variation received by the Committee, both written and oral. The submission made by the University of the West of Scotland states—

“[I]ncreasing the price of alcohol will reduce consumption and resulting problems, at all levels of drinking, including harmful/dependent drinkers. Alteration of price and availability are the most powerful interventions available to policy makers in reducing alcohol related problems.”

28. A number of submissions made to the Committee, predominantly from manufacturers and retailers, call into question the link between price, consumption and harm, and highlight a number of international examples such as Scandinavia where prices are high but they still experience significant alcohol related harms. They also point out that price is the same across the UK, yet Scotland experiences a 23% higher level of both consumption and harm.

29. In her oral evidence to the Committee, Professor Anne Ludbrook, Professor of Health Economics at the University of Aberdeen, argued—

“The levels of alcohol consumption in different countries can be explained by cultural differences. However, as far as each country is concerned, there

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18 Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraphs 17 and 19.
19 University of the West of Scotland. Written submission to the Health and Sport Committee, MIN 89.
is very strong evidence that price affects the amount consumed at different points in time.”

30. Professor Stockwell made a similar argument when comparing the variation in outcomes across provinces of raising floor prices of alcoholic drinks—

“The best way to see whether a policy works is to look at changes in a province over time. In the evidence from Saskatchewan...the level of consumption goes in one direction and then goes in the other direction after an increase in the minimum price. That is a more effective and scientifically appropriate way of judging the effectiveness of the price increase than comparing it with another place that has a different culture, different laws and who knows how many other differences.”

**Impact on related harms**

31. Referring again to the example in Saskatchewan, Professor Stockwell suggested that this not only demonstrated the effect of price increases on consumption, but also provided anecdotal evidence of the impact on public order issues in city centres—

“In the months after the pricing change, the chief of police in one of the big cities in Saskatchewan...commented on a dramatic reduction in public order problems around late-night entertainment venues in cities at the weekends. He said that crime had gone right down and that public order problems had reduced.”

32. Commenting more generally, Professor Stockwell said—

“[T]here is also evidence that price and taxation have an impact on harm. We do not necessarily need to worry about effects on consumption.”

33. He also told the Committee—

“Theoretically, from a purely public health perspective, the idea of pricing ethanol in such a way that the more ethanol someone purchases for their consumption, the more expensive it will be, what is proposed in Scotland is perfect. I guess that it would be more perfect if the same could be done for excise taxes as well, but that is another issue.”

34. In its Policy Memorandum on the Bill, the Scottish Government refers to the RAND report on ‘The affordability of alcoholic beverages in the European Union’ (Rabinovich et al 2009), which reports a statistically significant association between alcohol consumption at the population level and three alcohol-related harms. It states that a 1% increase in alcohol consumption at a population level is associated with an increase of:

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26 Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 18.
0.86% in traffic accidents;
0.61% in traffic injuries; and
0.37% in chronic liver disease.\textsuperscript{27}

35. During her oral evidence to the Committee, the Cabinet Secretary, Nicola Sturgeon, acknowledged the importance of real-life data when considering the effectiveness of policy measures, and conceded that “there is a lack of hard evidence around minimum pricing because no other country has done it in the form that we are proposing.”\textsuperscript{28}

36. In that regard, she stressed the importance of the Canadian research, but also emphasised that direct comparisons could not be drawn—

“The benefit of…hard evidence creates the real interest around Professor Stockwell’s Canadian work. I am not suggesting that we can just read across from Canada to Scotland, because the systems that Canada has in place are different from the system that we propose. Nevertheless, Professor Stockwell’s work is the first empirical evidence that we have had that demonstrates and proves the link between price and consumption, and it is therefore very valuable.”\textsuperscript{29}

\textbf{Conclusion}

37. The Committee believes that there is strong evidence to link price with alcohol consumption and that there is a direct link between consumption and harm. The overwhelming evidence that the Committee received supports this.

38. The Committee welcomes the publication of the empirical evidence from Canada and, while recognising the host of differences in geography, culture, policy motivations, state ownership of outlets etc., notes the value that this has brought to the debate in terms of reinforcing the link between price and consumption.

\textit{Econometric modelling as a decision-making tool}

39. The ScHARR study commissioned by the Scottish Government quantifies the projected impact that the introduction of various minimum prices would have on consumption and related harms in Scotland using econometric modelling. This uses statistical methods and real life data to assess the effects of different economic theories.

40. Whilst giving evidence to the Committee, Professor Alan Brennan, Professor of Health Economics and Decision Modelling at the University of Sheffield, was asked to outline the methodology of the ScHARR study—

\begin{flushright}
\textsuperscript{27}Scottish Parliament Information Centre. (2012) Alcohol (Minimum Pricing) (Scotland) Bill. SPICe Briefing 12/01. \\
\end{flushright}
“The central methodology is to look at how consumption varies across the population. We split consumption into age, sex and drinking level—moderate, hazardous or harmful—sub-groups, and then consider the effects of policy inputs on consumption, particularly with respect to pricing...We separate beers, wines, spirits and ready-to-drinks, or alcopops. We separate on and off-trade and look at prices in self-reported data from the expenditure and food survey for Scotland and in market research data supplied by Nielson. We get a big set of evidence on levels of consumption and prices and, essentially, we do a what-if analysis”.

41. Professor Brennan went on to describe how this study modelled the impact of minimum pricing on related harms—

“The second half of the methodology is to look at the relationship between consumption and harms. We work on the idea of risk functions—if consumption is higher, the risk of various health harms is higher. In our risk model, consumption changes reduce the risk of mortality and illness for around 50 different conditions.”

42. In his oral evidence to the Committee, Dr John Holmes, Public Health Research Fellow at the University of Sheffield, argued that “there is clear evidence that price should affect consumption and that changes in consumption will affect harm.”

43. He also highlighted what the estimated effect of minimum pricing would have been had the measures been implemented when they were first proposed—

“In version 2 of the Scottish model, the 45p minimum unit price that was proposed two years ago, in conjunction with the off-trade discount ban...would have reduced hazardous consumption by 6%, which would have led to 178 fewer deaths a year at full effect, and 2,700 fewer hospital admissions.”

Contradictions and complexities

44. A number of submissions received by the Committee call into question the link between price, consumption and harm. In its written evidence, the Wine and Spirit Trade Association stated—

“Minimum unit pricing assumes a link between price and harm that is not supported by evidence. No one disputes the notion that there is a link between price and sales...However, we vigorously dispute the notion that lower prices cause irresponsible consumption and harm. Evidence from across the world substantiates this view that there is no simple link between price and alcohol misuse.”
45. The Edrington Group, in its submission, noted that “the Scottish Government wishes to proceed with minimum pricing at a time when alcohol consumption in Scotland has been stable for 6 years and indicators of health harm show a decline,” and that—

“This would indicate the measures already put in place are having a positive impact. More importantly those measures have only been in place for a relatively short period of time and have not yet been fully assessed, with the measures under the Alcohol etc (Scotland) Act 2010 only recently introduced. It appears therefore premature to introduce yet further measures and restrictions.”

46. The Committee raised the issue of the reliability of the results contained in the Sheffield report, and whether these could be applied retrospectively to recent recorded data to test whether they would have predicted the reduction in the number of alcohol-related deaths that have actually occurred. Dr Holmes explained the difficulty in taking this approach—

“The Sheffield model estimates changes in consumption for age and sex groups and, if the changes in consumption that we model as a result of policies are not the same as the changes in consumption that you see in reality in Scotland, the effects on harm will not be the same.”

47. Although it was conceded that retrospective testing of the results of the Sheffield study would be difficult, Professor Brennan highlighted some analysis of the multi-buy discount ban to demonstrate its reliability—

“There was an 8% reduction in beer sales, a 5% reduction in wine sales and a 3% reduction in spirit sales…I am not claiming that such a level of accuracy of the model will happen on every parameter, but I was interested to find that our report on the effects of a total discount ban talked about an 8% reduction in beer sales…a 6.1% reduction in wine sales…and a 2.7% reduction in spirit sales.”

48. Referring to data from Sweden, Professor Jonathan Chick, Honorary Professor at Queen Margaret University, accepted the complexity of the situation and the difficulty in quantifying what the impact of the measures will be—

“Particularly among the young population, factors such as unemployment, opportunity, aspiration and so on are at work, which interplay with the effects of price…[I]t would be hard to predict the effect of minimum pricing on the number of injury-related, violence-related or crime-related incidents. It is, I

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35 Edrington Group. Written submission to the Health and Sport Committee, MIN 32.
36 Edrington Group. Written submission to the Health and Sport Committee, MIN 32.
38 The ban on quantity discounts in off-sales that encourage customers to purchase more than they might have, as introduced by the Alcohol etc. (Scotland) Act 2010.
think, easier to predict the proposed minimum price’s impact on the chronic effects of drinking.”

49. When asked about the Scottish Government’s reliance on the Sheffield study as its principle evidence base for the proposed legislation, and the consequences of the measures not producing the projected results, Professor Brennan responded—

“It is wrong to say that the Sheffield model is the only evidence. It is a tool that synthesises all the evidence that is available from various different studies, data sets and all the rest of it, in an effort to answer your question. It is not the only evidence.

If minimum pricing turns out to be completely ineffective or a counterproductive policy, for reasons that are not included in the modelling and which have not been included elsewhere, that is evidence, and evidence should be included in policy making.”

50. The Cabinet Secretary, in her evidence to the Committee, acknowledged the important role the Sheffield study had in determining the price that a minimum unit of alcohol would be set at—

“The relationship between a particular price and the harm reduction that results from it is a central factor. That is why we have set such store by the Sheffield report. As you indicated, that report is not the only factor that we take into account...but the modelling in it that suggests the benefits that would flow from set prices is a key part of our consideration.”

Conclusion

51. The Committee welcomes the Scottish Government making the updated modelling available in advance of the evidence session with the Cabinet Secretary for Health, Wellbeing and Cities Strategy.

52. The Committee recognises that there are differences of opinion regarding interpretation of the results from the Sheffield modelling. It also notes that the Sheffield work was robustly peer reviewed.

53. In its prevailing view, on balance, given the detailed evidence provided by those involved in preparing the modelling and, in particular, the reliability demonstrated by the analysis of the discount ban (as highlighted in paragraph 47 above), the Committee is persuaded of the value and reliability of the Sheffield work.

54. The Committee regrets that the updated modelling was not available earlier in its deliberations and the revised findings could not therefore be tested with other witnesses. It notes, however, that the framework and general direction of the findings are consistent with the earlier modelling.


Price elasticity

55. One of the main arguments put forward by those opposed to the policy is that minimum pricing will not address the issue of harmful drinking and will mostly impact on moderate drinkers. In his oral evidence to the Committee, Benjamin Williamson, Senior Economist at the Centre for Economics and Business Research (CEBR) said—

“We would certainly not argue with the idea that there is a relationship between price and consumption…but we would argue that many of the studies that have been mentioned talk only about average levels of consumption…There is no specific targeting of harmful drinkers, which is where we feel that many of the problems lie.”

56. The National Association of Cider Makers (NACM) made a similar point in written evidence—

“The ScHARR model does no more than demonstrate that if you raise the price of a product consumption falls (the economic principle of price elasticity of demand); the basis on which the whole minimum unit pricing thesis is built.”

57. ‘Price elasticity of demand’ is the economic concept used to indicate how consumer demand for a product changes when the price changes. It is the proportionate change in demand given a change in price. Goods or services with an elasticity of less than 1 are termed ‘inelastic’ (i.e. less responsive to price changes). Meta-analyses have found that the demand for alcohol is generally inelastic, although different types of drinkers will respond in different ways.

58. During his evidence to the Committee, Professor Brennan outlined some of the elasticities seen in the results of the study commissioned by the Scottish Government—

“[W]e have separated out moderate drinkers from hazardous and harmful drinkers and have carried out a separate analysis of those two groups...When we have taken that disaggregated approach, it has shown that the hazardous and harmful drinkers are not that different from the moderate drinkers...The harmful drinkers are slightly more elastic, so the percentage reduction in their consumption is slightly bigger than that for moderate drinkers.”

59. Benjamin Williamson expressed concerns over these results—

“[T]he key problem for us is that the idea that harmful drinkers are more responsive to price changes than moderate drinkers are seems counterintuitive. We took a number of studies...which showed that binge-

44 National Association of Cider Makers. Written submission to the Health and Sport Committee, MIN 43.
drinking types—harmful drinkers—are the least responsive to price changes.\textsuperscript{47}

**Minimum pricing as a targeted approach – what difference does it make**

60. Dr Peter Rice, Chair of the Royal College of Psychiatrists in Scotland and Consultant Addictions Psychiatrist at NHS Tayside, stated that, in his opinion, the CEBR’s analysis “has made the mistake of taking data from overall price rises across the price range and applying them to a minimum price.”\textsuperscript{48}

61. Dr Rice elaborated on this point—

“It is certainly true that heavier drinkers, including dependent drinkers, are less sensitive to overall price rises, and Sheffield took account of that in its model...We are talking about a floor price that will affect only the cheapest alcohol. Sheffield said—and I think it makes perfect sense—that a minimum price will affect hazardous and harmful drinkers most, because they drink most of the cheap alcohol.”\textsuperscript{49}

62. In his oral evidence, Professor Stockwell argued that minimum pricing is a targeted measure, more so than “across-the-board price rises”, for the “theoretical reason...that the heaviest drinkers gravitate towards the cheapest alcohol”.\textsuperscript{50} Furthermore, that—

“All pricing strategies have the most impact on heavy drinkers, but minimum pricing especially targets heavier and younger drinkers, because they mostly prefer cheaper drinks.”\textsuperscript{51}

63. The Cabinet Secretary reiterated this point in her oral evidence as a justification for the proposed measures—

“[T]he updated Sheffield report...shows that the impact of a minimum unit price increases as we go up the scale from moderate to hazardous drinkers. That is the case at most of the prices that are identified. The overall impact and the impact on particular groups depends, to some extent, on the level at which the price is set.”\textsuperscript{52}

64. Professor Ludbrook also supported this interpretation in her oral evidence to the Committee—

“The Sheffield study disaggregated the population in the UK that was being studied and looked at the reactions to minimum pricing of groups with different drinking levels. It showed much higher reactions among the heavier drinkers. That is because there is a tendency for heavier drinkers to


trade down to lower-cost products when there is a general across-the-board price increase."\textsuperscript{53}

65. Professor Chick, in written evidence, offered clarification regarding the Edinburgh-based research of alcohol purchasing by patients in 2008-09. He wrote—

“Although the “average price” paid per unit was 43 pence, there was a wide dispersion; the average is biased up by some expensive on-license drinking by a small number of patients.”\textsuperscript{54}

\textit{Conclusion}

66. The Committee recognises that the evidence on the degree to which harmful drinkers may be responsive to minimum pricing is disputed by the CEBR and some in the alcohol industry.

\textit{Impact on the moderate majority}

67. Although Professor Ludbrook argued that minimum pricing will target problem drinkers, she also emphasised the point that it is not only the hazardous and harmful drinkers that cause alcohol-related problems—

“Even if the larger group experiences a low level of harm, the aggregate harm is greater. Even among moderate drinkers, some reduction in their alcohol consumption will reduce their risk of being affected by alcohol-related problems...If you have a low level of risk among a large number of people, a larger number of cases arise from that group. It is a group that we need to keep in mind.”\textsuperscript{55}

68. Andrew Leicester, Senior Research Economist at the Institute for Fiscal Studies, made the point that the proposed measures will still impact on moderate drinkers—

“[A] minimum price at the suggested rate would have a large and direct effect on almost everyone who drinks off-licence alcohol. That is not to say that that is a bad thing, but the policy ought not to be sold as only affecting a small number of harmful and hazardous drinkers. It would have effects right up the distribution chain.”\textsuperscript{56}

\textit{Impact on high and low income groups}

69. In written evidence received by the Committee from those opposed to the Bill, there are opinions that the Bill is regressive and will have a disproportionate impact on low income groups.\textsuperscript{57} It was also suggested that a minimum pricing policy will not affect those on higher incomes.

70. Benjamin Williamson raised this issue in his oral evidence—

\textsuperscript{54} Professor Chick. Written submission to the Health and Sport Committee.
\textsuperscript{57} See, for example, written submissions from: Consumer Focus Scotland; the Co-operative; Scottish Grocer’s Federation; Wine and Spirit Trade Association; Institute for Fiscal Studies.
“[O]ur research breaks down expenditure on alcohol by income deciles and shows that those people in the bottom three income deciles in Scotland spend an average of 40p per unit or less. A minimum price of 40p or 50p per unit would have a significant impact on them—it would have a significant negative impact on their disposable income.”

71. Dr Holmes highlighted the lack of evidence on this issue but stated that—

“[H]armful drinkers in all income groups buy significant proportions of cheap alcohol. They focus their spending on the off-trade and more than half of their off-trade spending is at less than 50p per unit. That is the position in all income groups, although there is still an income gradient.”

72. Andrew Leicester disagreed with the view that the report by the Institute for Fiscal Studies (“IFS”) suggests that minimum pricing will impact substantially more on lower-income groups and that, actually, the study “found evidence that there would perhaps be a slightly bigger effect on lower-income groups, but not a substantial difference.”

73. In her oral evidence to the Committee, Dr Evelyn Gillan, Chief Executive of Alcohol Focus Scotland, summarised the results of a study in this area using existing data—

“[S]ome useful analysis by the Government’s analysts shows that 23% of those in the lowest income group in Scotland do not drink at all and 57% drink, on average, five units a week. When the two figures are added together, it shows that 80% of people on the lowest incomes in Scotland either will not be affected at all by minimum pricing or will be very minimally affected. However, the remaining 20% of the lowest income group who do drink carry the biggest burden of health harm. For example, hospital admissions for an alcohol-related condition are 7.5 times higher in the lowest income groups and death rates are six times higher, so the people on the lowest incomes who drink stand to be the biggest health beneficiaries of pricing mechanisms.”

74. Regarding harmful drinkers in higher-income groups, Professor Ludbrook pointed out “that harmful drinkers in the highest income quintile are predicted to be buying 80 units a week of cheap alcohol. Raising the price of that alcohol will reduce their consumption.”

75. Professor Chick, referring to his own research, expressed a similar view—

“We did not, across all the deprivation index categories, find a particular trend that only people in the poorer areas were drinking cheaply. Among the ill

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people that we saw, even drinkers in categories 2 and 1 at the higher end—the least deprived—were purchasing alcohol cheaply when they could.\textsuperscript{63}

\textit{Inequality of harms}

76. Professor Chick reiterated that those in lower-income groups will benefit most from minimum pricing—

“Low-income groups suffer disproportionate harm from the same amount of alcohol...In Finland, when there was a sudden price reduction in alcohol to do with European Union regulations in 2004, the increase in mortality due to alcohol in the following four years was almost exclusively in the low-income groups.”\textsuperscript{64}

77. Dr Holmes agreed that “for a variety of reasons, low-income drinkers are at greater risk of harm than are high-income drinkers who consume the same amount”.\textsuperscript{65}

78. Dr Gillan argued—

“People support minimum pricing not because the effect on the poor is a price worth paying, but for precisely the opposite reason: it is because the people in the lowest income groups desperately need to have health inequalities addressed. We know that alcohol is a factor in health inequalities. The most vulnerable people in our society carry the biggest burden of harm, so they stand to gain the most from improvements to health.”\textsuperscript{66}

79. Andrew Leicester, in his oral evidence, expanded on his response to claims that the measures are regressive—

“The right measure of how a minimum price policy impacts on households in a welfare sense is not how much more or less they spend after the policy has been introduced.”\textsuperscript{67}

80. He continued—

“Not every policy that a Government implements has to be progressive in order for it to be a good policy. A number of policies would impact significantly on lower-income groups but are still probably worth doing because of other concerns that we have, including concerns about health or the environment.”\textsuperscript{68}

81. Responding to concerns over the impact of the measures on lower-income groups, the Cabinet Secretary stated—

“[W]e know from work that has been carried out that people in low-income groups are more likely than those in other groups not to drink at all or to drink

very moderately. At the other end of the scale, however, those in low-income groups are more likely to be hazardous or harmful drinkers.\(^{69}\)

82. Furthermore—

“You cannot look just at the impact of minimum pricing on any particular group; you have to look at the other side of the coin, which is the harm caused by alcohol misuse. As we know, those who suffer the greatest harm from alcohol are those in lower-income groups and we must weigh in the equation the fact that someone in the lowest-income section of the population is something like five times more likely to die from alcohol-related causes than someone in the top income bracket.”\(^{70}\)

Conclusion

83. The Committee notes the concern from some quarters that people on lower incomes, including moderate drinkers in that socio-economic bracket, could be financially hardest hit by minimum pricing. The Committee also notes the view expressed by many witnesses that people at the lower end of the socio-economic spectrum carry the greatest burden of harm from alcohol and could therefore benefit most.

Limitations in tackling binge drinking

84. The Committee also heard views from supporters of the Bill that minimum pricing will help to tackle the problem of hazardous and harmful drinking by younger people. In her oral evidence, Dr Gillan said—

“Young people are buying cheap alcohol from supermarkets and pre-loading on that prior to going out. If we make the alcohol in supermarkets more expensive, it will be less available to them and they will buy less of it. Minimum pricing will impact on young people going out because it will be more expensive for them to pre-load on alcohol prior to going out.”\(^{71}\)

85. Professor Stockwell told the Committee—

“Young people are very price sensitive, and pre-loading is time-honoured...Inevitably, the market that will be impacted by minimum pricing will be liquor store or off-license sales, where people do their pre-loading, so less of that will go on. Pre-loading will continue, and it will still be way cheaper to buy alcohol from a liquor store or a supermarket than from a bar, but there will be slightly less of it.”\(^{72}\)

86. Some in the drinks industry held a contrary view. Michael Patten of Diageo told the Committee—

“The evidence clearly shows that young people are less responsive to pricing than we would want and that pre-loading is a cultural issue. We have seen

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shifts in the culture around alcohol consumption that need to be addressed, but we are not going to succeed in doing that using the pricing mechanism.”

87. Dr Holmes disagreed on the degree to which young people will be impacted—

“In much of the debate on minimum pricing, it has often been said that it is a policy that will tackle the drinking of young people and have a big impact on them, because they have less money, so they go for cheap drinks, but that is not the case.”

88. Echoing the anecdotal case in Canada presented by Professor Stockwell in his oral evidence, Dr Holmes explained that although minimum pricing “might not be the best targeted policy to deal with young people’s binge drinking, much of which goes on in the on-trade”, it will still have an impact, albeit a proportionally smaller one—

“The model predicts that there will be reductions in various crimes. Some alcohol-related crime is to do with on-trade alcohol being sold at low prices, but part of it is to do with binge drinking sessions that start with drinking at home, or pre-loading, and that is one part on which the measure will have an impact.”

Scottish Government
89. The Cabinet Secretary, in her evidence to the Committee, responded on this issue—

“Younger drinkers tend to drink cheaper alcohol, so I think that a minimum unit price would have an effect on them.”

90. She also said—

“The fact that the impact on the hazardous drinkers as a whole would be greater than the impact on a certain sub-group of hazardous drinkers is not an argument against the policy. As I said, it is an argument for ensuring that the policy is part of a wider approach.”

Conclusion
91. The Committee recognises that views differ on the impact that the Bill might have on the drinking behaviour of young people in general as well as on what might be viewed as the wider societal issue of binge drinking. The Committee acknowledges that the witnesses from the University of Sheffield found a “slightly smaller” but “still significant” impact on 18-24 years olds and that the modelling does not address binge drinking.
**A wider approach**

92. Referring to the issue of young hazardous and harmful drinkers, the Cabinet Secretary stated—

“Minimum pricing...is not the whole answer. I think that that might be particularly the case with younger drinkers.”

93. In this regard, she stressed the importance of education but, when questioned on the effectiveness of initiatives in this area, conceded that “the success of previous educational approaches has been variable.”

94. Dr Holmes highlighted the role local authorities have in tackling this issue—

“[M]inimum pricing does not have to be the end of the debate. We have said already that it might not be the best targeted policy to deal with young people‘s binge drinking, much of which goes on in the on-trade. There are other options that can be pursued. For example, I know that you have already implemented a public health consideration in licensing objectives.”

95. Professor Chick highlighted the need for increased efforts to provide focussed treatments for those harmful drinkers that will be most impacted by the measures—

“[I]n Canada, a small panel of homeless severely dependent alcoholics was asked, ‘Over the past 12 months, what did you do when you no longer had money for alcohol?’ the most frequent response was ‘I got treatment’; indeed, 14 out of 15 said it...Given that going for treatment was top of the list, I think that the policy might result in renewed efforts to provide focused treatments for the very severe minority of cases.”

96. The Cabinet Secretary stressed that the measures proposed in the Bill are not a single solution to all alcohol related problems—

“...I do not and will not argue that minimum pricing is a silver bullet and the answer to all those problems. It needs to be viewed within the context of the much wider package of measures that is contained in our framework for action. That package includes measures on education, support for families and communities and preventive public health measures. All of those taken together can help to create the cultural shift that is required to deal with our relationship with alcohol.”

**Conclusion**

97. The Committee notes that the need for a continuing multi-faceted approach in tackling alcohol misuse, of which the Bill could be considered one element, was a recurring theme from the evidence.

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Taxation alternative and trading down

98. Andrew Leicester, during his evidence session, said—

“[I]n an ideal world, it would be preferable to use an instrument that is in place—the excise tax system for alcohol—to do something that looks a lot like minimum pricing, if that were possible...In an ideal world, we would be able to change the system to base the taxation on the alcohol content of drinks, as currently happens for spirits and beers. However, European directives limit the UK Government’s ability to do that and the Scottish Government does not have the power independently to vary alcohol tax rates in Scotland.”

99. In her oral evidence, Professor Ludbrook outlined the difficulties of other pricing interventions—

“[W]e have seen that taxation is not necessarily passed on into prices and it affects all products...Evidence from Sweden has shown that a greater impact can be made on consumption by targeting the same price increase on low-price products. The Sheffield model shows that minimum pricing would be more effective than an across-the-board price increase.”

100. Professor Chick stated that, regarding harmful drinkers—

“Minimum unit pricing [“MUP”] is a more effective method than taxation for reducing consumption in that group because such drinkers tend to trade down. The MUP means that they are no longer able to buy very cheaply; that, we think, will help them and their families.”

101. Dr Gillan argued that it needn’t be a choice—

“We have never said that the choice is either/or; we have said that increases in taxation are complementary to minimum unit pricing. Many jurisdictions around the world that have tax raising powers are also exploring the possibility of minimum unit pricing. The difficulty is that hiking up taxation would not necessarily increase the price of the very cheapest products to the level at which consumption would reduce.”

Conclusion

102. The Committee notes the evidence on taxation and trading down and reflects on the limited options at the Scottish Government’s disposal policy-wise.

Health and social impact

A culture of access and excess

103. Although Scotland has a long-standing history with alcohol, drink being a central part of many of our traditional celebrations; and a dangerous affinity with it,
on the basis of the overwhelming evidence of long-term increasing health harms, this has not always been the case. Dr Gillan told the Committee—

“There is an assumption that Scotland has always had a high level of alcohol consumption. However, a royal commission on alcohol licensing in 1931 concluded that drunkenness had gone out of fashion in Scotland and that young men were growing up with no idea of what beer tasted like.”

104. Professor Ludbrook expressed concern at the mixed messages resulting from the Scottish Government running drink awareness campaigns while the price of alcohol remained at current levels. She said—

“There is a cultural mismatch between saying that alcohol has a health harm — and it is a health harm to everyone if they do not consider their drinking — and that it is okay to sell alcohol at very low prices.”

105. Young people’s attitude to drink was of particular concern to some witnesses. Dr Gillan told the Committee—

“We adults have not yet grasped how the drinking culture among young people has changed, even compared with the culture when we were young.”

106. The drinks industry also recognised a change in the behaviour of the younger generation, particularly when it came to “pre-loading”. Michael Patten of Diageo suggested they were less responsive to pricing than policy makers may wish. He said—

“We have seen shifts in the culture around alcohol consumption that need to be addressed, but we are not going to succeed in doing that using the pricing mechanism.”

107. Paul Waterson of the Scottish Licensed Trade Association took a contrasting view, putting pricing firmly in the centre of the discussion. He told the Committee—

“A change is taking place that is being driven by price, which is taking people out of the controlled environment and allowing them to drink at home. It is quite an easy equation to do. There is no doubt that young people are strategic when it comes to planning their drinking on the basis of price.”

108. Alcohol Focus Scotland wished to put the behaviour of young people in a wider social context. Dr Gillan said—

“It is very easy to point at young people and say how antisocial and irresponsible their drinking behaviour is, but all they are doing is reflecting the adult society that they see around them. How can we expect young people to

exercise responsibility in an environment that promotes access and excess and which saturates them in images of alcohol?”

109. On the themes of the accessibility and visibility of alcohol, Dr Peter Rice of NHS Tayside pointed out international differences. He said—

“Reading Professor Stockwell’s work brought home to me...how unusual the British alcohol market is. One does not walk into a supermarket in Vancouver and buy vodka. One does not walk into a supermarket in Wellington – or in Austin, Texas, where I was last month – and buy spirits.”

110. Dr Rice went on to cite the availability of alcohol alongside groceries as a “powerful explanation” of how the UK had become out of step with other countries in respect of its relationship with alcohol.

111. The scale of the challenge posed in tackling Scotland’s drinking culture was highlighted by many giving evidence to the Committee. Tennent Caledonian Breweries (UK) Limited’s George Kyle said—

“I think that everyone has acknowledged the complexity of Scotland’s relationship with alcohol and agrees that minimum unit pricing is not a panacea or magic bullet that will deal with every instance.”

112. He referred to the difference in off-trade and on-trade pricing and suggested that a minimum unit price of 45p “will not induce people to switch back to the on-trade, where there is probably more in place in the way of education measures and supervision, and where people go through the rite of passage of learning to drink in a controlled environment.”

113. Finding out the reasons for people’s drinking and the potential of drawing on peer pressure in a positive sense were matters raised by Asda. David Paterson told the Committee—

“We need to get behind the cultural issues and understand more fully why, when the price is the same in Scotland and England, but disposable incomes are significantly lower in Scotland, consumption here is higher...we then need to understand the motivations for different types of drinking behaviour.”

114. He cited work that Asda was doing with the Department of Health to see if calorie information might encourage some groups to cut down their consumption, adding—

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“We are also looking at how peer-level interventions can be made to change the general sense of what is socially acceptable – the social norms.”

115. That sense of what was deemed acceptable by society and how change could be brought to bear was raised by Consumer Focus Scotland. Sarah O’Neill told the Committee—

“We would want to make it clear that the policy [minimum pricing] will work only as part of a package of measures, and that the cultural issue – looking at ways in which we might change the culture – is vital. We saw how long that took with smoking. We must start somewhere, but culture is clearly a major part of this.”

116. On that theme, Kate Higgins of Children 1st said—

“…we fundamentally believe that Scotland needs to shift its attitude and behaviour towards and relationship with alcohol.”

117. Professor Stockwell talked about that attitude as a sense of entitlement. He said—

“…minimum pricing is felt to be an attack on individual freedoms; the right to drink is very dear to many people, and particularly the Scottish.”

Scottish Government
118. The Cabinet Secretary echoed the point when she told the Committee—

“…through not just minimum pricing but our entire approach to alcohol misuse, we are trying to make the point that alcohol is not a normal commodity.”

Cheap alcohol comes at a price
119. The Financial Memorandum lodged with the Bill states—

“Alcohol is not an ordinary commodity – it is a psychoactive and potentially toxic addictive substance and is a contributory factor in 50 different cases of illness and death ranging from stomach cancer and strokes to assaults and road deaths.”

120. In his written evidence to the Committee, Professor Stockwell went further, suggesting that—

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104 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 23. Available at: http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/Ex_Notes_and_FM.pdf
“Alcohol has been causally implicated in over 60 diagnostic categories of disease, illness and injury, including a variety of cancers, cardiovascular illnesses and traumatic conditions.”

121. The data on the health impact of alcohol is as extensive as it is consistently negative, in contrast to other areas of public health in which tremendous improvements have been recorded, for example with Scotland’s heart disease record, cancer survival rates, incidence of stroke-related deaths, and deaths linked to diabetes. Dr Rice said—

“Some of the biggest causes for concern are the trends: for example, rates of death from liver disease are three times what they were 15 years ago….The fact is that things have never been like this.”

122. He added—

“Alcohol’s contribution to Scotland’s ill health – and particularly to health inequalities – has increased more and more as time has gone by. Alcohol as an issue has certainly become more important. Having worked in this field for 20 years now, I can tell the Committee that, 15 years ago, no one was very interested in alcohol. It was felt there were other bigger problems. However, that view has changed, partly because we now have better data.”

123. Dr Gillan also emphasised the relevance of the data on liver disease. She told the Committee—

“One of the most accurate indicators of the level of alcohol harm in society is the rate of liver cirrhosis. It is always worth reminding ourselves that Scotland has gone from having one of the lowest such rates in Western Europe in the 1950s to having one of the highest. Over the past 30 years, there has been a 450 per cent increase in liver cirrhosis rate.”

124. Dr Jan S Gill of Queen Margaret University suggested that minimum pricing should be accompanied by clearer drinking guidelines and she pointed to an ISD Scotland publication on the cancer risks, especially for women, associated with a small alcohol intake. She said—

“The message on the link between what we would call just over a unit – 10g – a day and breast cancer has not got through, and that is a message for everyone to take on board…”

125. Outlining work in Canada on the detail of possible impact of minimum pricing on harm using data gathered over an eight-year period, Professor Stockwell told the Committee—

“…our estimate is that a 10% increase in the minimum price across the board resulted in a 4% reduction in acute alcohol-related hospitalisations over the period, controlling for all the other factors. We are talking about injuries and poisonings. There was a less pronounced effect for chronic illnesses, which is pretty much what we would expect, given that were looking at short-term impacts. It takes a number of years for chronic illnesses to develop, so that is the kind of result we would have predicted.”\textsuperscript{110}

126. He went on to say—

“A reduction of 1,200 in hospital admissions in the first year is entirely believable. The number will go up or down depending on where you are brave enough to set the minimum price.”\textsuperscript{111}

127. Dr Holmes also suggested the health benefits expected to accrue from minimum pricing and reduced consumption. He said—

“There is clear and robust evidence that reductions in drinking lead to reductions in the number of injuries, falls and car crashes. With all the caveats that I mentioned earlier about who reduces their drinking, it is clear that if we reduce the drinking of people who suffer such harm, we will get a reduction in the number of hospital admissions.”\textsuperscript{112}

128. Professor Stockwell’s written evidence to the Committee stated that, despite the lack of previous empirical evidence, there were “strong a priori grounds for expecting this to be an effective policy for promoting public health and safety.”\textsuperscript{113}

129. By video link from Canada, he told the Committee—

“You will be doing something that – from the scientific point of view – will without a shred of doubt save lives, reduce healthcare costs, prevent death and injury on the roads, prevent birth defects, and reduce public violence and a range of other things.”\textsuperscript{114}

\textit{Scottish Government}

130. The Cabinet Secretary framed the issue in stark terms—

“Alcohol-related deaths have doubled since the early 1990s and hospital admissions have quadrupled since the early 1980s.”\textsuperscript{115}

131. The Policy Memorandum states that—

“While there was some evidence that mortality rates may be falling (from 2006 onwards), rates increased again in 2010 (including a rise of 7% in male mortality rates).”\textsuperscript{116}

\textsuperscript{113} Does minimum pricing reduce alcohol consumption? The experience of a Canadian province, page 13. To be published in Addiction.
132. The numbers for alcohol-related deaths in Scotland over the most recent five years for which information is available are given as:

- 2006 – 1,546;
- 2007 – 1,399;
- 2008 – 1,411;
- 2009 – 1,282;
- 2010 – 1,318.\(^{117}\)

133. Asked if consideration of the number of lives that might be saved from the policy would inform the level at which the minimum price was set (one of the estimates in the Sheffield modelling being that 33 people would be saved in the first year of implementation), she said—

“The straight answer to your first question is yes. The relationship between a particular price and the harm reduction that results from it is a central factor…the benefits that would flow from set prices is a key part of our consideration.”\(^{118}\)

134. She told the Committee—

“Cheap alcohol comes at a price – not just the price that we are talking about – which relates to lives, health impact and crimes that are committed.”\(^{119}\)

**Conclusion**

135. The Committee draws attention to the procession of statistics on alcohol-related harms as regards illness, injury and crime. The Committee recognises that alcohol’s contribution to Scotland’s ill health, and also to health inequalities, has grown in recent decades. The Committee notes the figurative words of the Cabinet Secretary that “cheap alcohol comes at a price”.

136. The Committee agrees that the nation’s drinking culture must be challenged and indeed overcome if we are not to find ourselves increasingly debilitated by it as a society. The Committee recognises the depiction of a Scotland that has become out of step with other countries when it comes to our relationship with alcohol. The Committee believes that it is time to curtail Scotland’s culture of excess.

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\(^{116}\) Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 8. Available at: [http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/Policy_Memo.pdf](http://www.scottish.parliament.uk/S4_Bills/Alcohol%20(Minimum%20Pricing)%20(Scotland)%20Bill/Policy_Memo.pdf)


A duty to listen

137. Alcohol impacts not just on individuals of course but on their families and dependents too, and women and children can bear the brunt of that.

138. Dr Gillan told the Committee—

“…the argument for protecting children and young people from exposure to the harms of alcohol is, for me, one of the strongest reasons why Scotland should adopt more interventionist policies.”

139. The extent of that exposure was indicated in figures provided by Children 1st stating that the estimated costs incurred by the children’s hearings system in dealing with referrals linked to parental drinking were somewhere between £114 million and £346 million.

140. The Salvation Army also highlighted the extent of the problem for those family and friends of individuals experiencing problems with alcohol. Major Dean Logan said—

“There is anecdotal evidence that, for every person who comes through our doors, another 12 people are directly affected by that individual’s alcoholism and their behaviour. By addressing the issues that are pertinent to the individual, we can have a significant impact on those who care for them.”

141. Ms Higgins told the Committee—

“For decades we have seen the harm that is caused to children and young people by adults’ misuse of alcohol and we are very much involved on the front line in trying to address the impacts of that harm such as abuse, trauma, neglect, violence, and detriment to emotional health and wellbeing.”

142. She stated that alcohol misuse featured directly in 12% of cases of individuals and families referred to Children 1st and that in another 9% of cases alcohol was a major factor on the child’s wellbeing. Somewhere between 80,000 and 100,000 children in Scotland were estimated to be adversely affected by parental alcohol misuse.

143. The Policy Memorandum lodged with the Bill suggests that alcohol misuse can cause family break up and that in one in three divorces excessive drinking was cited by a partner to be a contributory cause.

144. Kate Higgins referred to statistics from the Scottish Children’s Reporter Administration on the number of referrals to the children’s panel on grounds of alcohol misuse and the incidence of family breakdown. She said—

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125 Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 11.
“Family breakdown is a key cause and symptom of alcohol misuse, which is one reason why we end up working with families. Following a loss, bereavement or relationship breakdown, people can turn to alcohol, which causes problems. The situation can apply the other way round as well.”

145. Ms Higgins also told the Committee that—

“Alcohol is a significant contributory factor in about 50% of incidents of domestic violence, which run at 40,000 to 50,000 a year. We have done our own work in that area, which suggests that at least 25,000 children in Scotland are directly affected by domestic violence.”

146. Professor Chick placed the problem in a generational context—

“Minimum unit pricing will have benefits in terms of health harms, and it might interrupt the reiteration that we see in families in which there is, from generation to generation, exposure to drinking problems at home.”

147. Asked whether there was a concern that hard-pressed families would experience greater difficulties if an alcohol-dependent parent was spending more of the household budget to pay for more expensive drink, Ms Higgins told the Committee—

“Our experience suggests that in the vast majority of cases they will reduce their drinking consumption, because parents by and large want to do the best for their children and families, so they will adjust their consumption habits in the same way as the rest of us, because it hurts our pockets more and we have only finite income.”

148. The complexity of the relationship between alcohol and poverty was touched upon by the Salvation Army and Children 1st. There were reasons why people used alcohol, often as a coping mechanism, and that informed the work of the agencies with those families.

Scottish Government

149. The Scottish Government’s Policy Memorandum outlines how minimum pricing and the wider approach of its Framework for Action can make a positive contribution to national outcomes, including having strong and supportive communities, improving the life chances for children, young people and families at risk, and ensuring that “our children have the best start in life and are ready to succeed.”

150. Asked about the need to tackle the abuse of alcohol and the social impact on the most vulnerable, the Cabinet Secretary said—

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131 Alcohol (Minimum Pricing) (Scotland) Bill, Policy Memorandum, paragraph 15.
“...opinion is not evidence, but, nevertheless, we have a duty to listen to the opinion of people who work day to day with the effects of alcohol misuse, whether in the health service, the criminal justice system or the family support and child protection system.”

Conclusion

151. The Committee recognises that alcohol-related harms impact not just on the individual but on their families and dependents too. The Committee draws particular attention to the issue of protecting children who may be growing up in a household where alcohol is being abused and the detrimental effect that this can have on their care, development and wellbeing.

Pitching the message

152. The Committee heard a lot of views about the effect that minimum pricing may have on young people. For some witnesses the logic was clear. Dr Gillan, for example, said—

“Minimum pricing will impact on young people going out because it will be more expensive for them to pre-load on alcohol prior to going out.”

153. Pre-loading and binge drinking were recurring themes when it came to discussion of the more negative aspects of young people’s alcohol consumption. These are addressed in paragraphs 84 to 91.

154. The Youth Parliament introduced a young person’s perspective to the debate. Andrew Deans said—

“Because young people are generally low-income consumers, they may be more responsive to the cost of alcohol. Low-priced alcohol means that irresponsible drinking is more affordable for young people, and that is why we are broadly supportive of minimum alcohol pricing”

155. He told the Committee—

“...minimum pricing must be part of a picture that includes education, counselling and intervention, and it must be set at a level that allows responsible drinkers among young people to continue that responsible drinking and not be impinged on.”

156. Dr Holmes questioned the logic that because young people have less money and go for cheaper drinks, the Bill would necessarily have a major impact on them. He said—

“When we look at the expenditure and food survey data, it suggests that 18-to-24 year olds buy a lot of their alcohol from the on-trade, which will be

largely unaffected by minimum pricing. That is why we see a slightly smaller impact on that group [in the modelling].”\textsuperscript{136}

157. He did, however, go on to qualify the statement, telling the Committee—

“That said, the impact is not negligible...It is predicted that a 50p minimum price will achieve a 2.6% reduction in that group, which is not huge, but it is significant and it would lead to reductions in harm.”\textsuperscript{137}

158. Ms Higgins underlined the danger and indeed harms that alcohol misuse posed for young people, telling the Committee—

“The evidence shows that young people who engage in overuse of alcohol and risky consumption put themselves at serious risk of harm, particularly sexual harm. As a society, we need to do everything that we can to keep them safe.”\textsuperscript{138}

\textit{Scottish Government}

159. The Cabinet Secretary believed that the Bill would have an effect on young people but acknowledged, as did many of the witnesses, the greater challenge posed by young people’s drinking habits. She said—

“...for younger drinkers, there are other measures in our alcohol framework that are particular important from the point of view of changing attitudes and changing the culture around alcohol. That puts a big emphasis on some of the educational provisions in our alcohol framework.”\textsuperscript{139}

160. And returning to the education theme, she concluded—

“Education is really important and people better qualified than I am are able to suggest the best ways of approaching young people and pitching these messages in the most effective possible way. It has a huge role to play, but it must be part of a bigger package that, in my view, must include pricing.”\textsuperscript{140}

\textbf{Conclusion}

161. The Committee recognises the challenge inherent to getting a health message across to young people. Views on the impact the Bill might have on their drinking behaviour differ but the need for continuation of a multifaceted approach was a recurring theme.

162. The Committee recommends that evaluation of the Bill include an analysis of the degree of impact on young people’s consumption habits including pre-loading and binge drinking.

Setting the price

163. The Scottish Government did not include the minimum price at which a unit of alcohol cannot be sold below on the face of the Bill. This was to allow an updated report from the University of Sheffield, published at the end of the Committee’s series of oral evidence sessions, to be taken into account before a final decision was made.

164. During her oral evidence, the Cabinet Secretary stated—

“We are getting close to a decision on the price. Like the committee, we have just received the updated Sheffield report, so it will take us a bit of time properly to analyse, digest and reflect on it. However, I am of the view that we will name the price during stage 2, and certainly before stage 3, of the bill.”

Opinion on the initial price per unit

165. The Committee’s call for evidence asked respondents what the unit price should be. Of those who answered this question, the largest proportion identified 50p as their preference; second to this was 45p. The lowest price suggested was 40p, and the highest was 70p.

166. During the Committee’s oral evidence taking, witnesses were asked to comment on the level at which a minimum price per unit should be set, although, at this stage, the updated Sheffield report had not yet been published. Dr Gillan highlighted the difficulty in making an informed suggestion under these circumstances—

“The price must be set at a level at which the health benefits kick in, and you can only determine that level once you have examined the most recent updates on the Sheffield modelling, the consumption trends and what the market is doing. It is a fairly complicated process, but that is the principle. When the Parliament considered the issue previously, the level at which the health benefits began to kick in was 40p, and the proposal was to make the price 45p. There may be a case for increasing the price further this time round.”

167. Dr Rice gave his professional opinion—

“If I was being a hard-nosed health practitioner I would say that the minimum price should be as high as it can be without leading to the considerable negative health consequences that might kick in from home distilling, for instance, or things like that.”

168. Later in his evidence, he elaborated—

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“In our submission we said that the starting point should be 50p to 60p. I am a health practitioner, so I tend towards the higher level, as you would expect me to.”\textsuperscript{144}

169. “A 45p minimum price will be less effective now than it would have been two years ago, because the market has changed—indeed, the market changed between Sheffield 1 and Sheffield 2. It will be less effective because there is less cheap alcohol around; prices have gone up a bit. We are in a dynamic situation and some of the important indicators are improving.”\textsuperscript{145}

170. George Kyle also argued, for slightly different reasons, that 45p would be too low—

“The research and modelling that we have undertaken suggest that a minimum unit price of 45p will not close the gap between off-trade and on-trade pricing and therefore will not induce people to switch back to the on-trade, where there is probably more in place in the way of education measures and supervision, and where people go through the rite of passage of learning to drink in a controlled environment.”\textsuperscript{146}

171. Michael Patten highlighted the impact on moderate drinkers that setting the minimum price too high may have—

“In reality, you would be asking moderate consumers, who represent a large proportion of your population, to pay a high price for the transgressions of a minority. You have to ask yourself whether that is fair or equitable. At 75p or 80p, the loss of utility and enjoyment and the cost to moderate consumers—as well as the fact that the unnecessary reduction in their consumption will have an impact on your domestic industries—seems like an enormous price to pay, particularly when there are some questions and uncertainty about the data. If it is the case that harmful consumers are less elastic, you are asking moderate consumers to pay a price that is disproportionate to the outcome.”\textsuperscript{147}

172. Major Logan attempted to balance the argument when stating his view on setting the minimum price—

“In the evidence that we gave to the committee the last time that the Parliament dealt with this issue, we considered the expertise that was being collated, sought guidance from the Institute of Alcohol Studies and came to the conclusion that a level of 50p would have a significant impact on the people whom we seek to serve—the Sheffield study supports that view. Of course, it would not give as much benefit as other levels...

A level of 50p would not disproportionately disadvantage those who drink moderately and socially and for whom alcohol is not a problem but it would

have a significant impact on the 10 per cent of people whose drinking is problematic and affects their families.”

**Uprating mechanism**

173. In her evidence to the Committee, the Cabinet Secretary outlined the possible ways in which the minimum price could be adjusted in the future—

“Two broad options are open to us. I dare say that there are variations on both, but I will stick to the broad options, at the moment. First, we could use an inflation-linked mechanism that went up in line with RPI or RPI plus a certain factor. Secondly, we could commit to reviewing the policy biannually or every five years. We are still considering what the best approach would be. Professor Stockwell has said that an automatic link to inflation would be best because the increase would happen automatically and people would get used to it. That argument has some force. Canada, of course, does not have to deal with EU law; we, on the other hand, are not necessarily sure that an approach whereby the price simply rose with inflation would retain proportionality, as is required by EU law. For example, inflation could be going up and consumption could be coming down.

That takes me more towards the alternative whereby there would at set intervals be a review of the policy that would, in effect, do what Sheffield has done in its updated report by taking account of all the different factors that might have changed and coming to a balanced judgment on that basis. That is a summary of my thinking at this stage; it is not a final decision. If the committee has views that it wants to express, I will be happy to hear them.”

174. Professor Brennan commented on how often and the basis on which the measures should be reviewed—

“It would not be difficult to do the kind of updates that we have been doing…It makes sense to pull together the emerging evidence and look at it again over time, year by year or whatever.”

175. Furthermore—

“From a modelling perspective, it would be easy to re-do the analysis year on year because many of the data sets that we use in the updates appear on an annual basis. Not too much detailed evidence would emerge from re-analysing quarter by quarter. There will be higher-level evidence. I would not recommend remodelling quarter by quarter, and I would not do that.”

176. Andrew Leicester expressed similar views during his oral evidence—

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“When we have new evidence after the measure has been introduced, we ought to be able to say, based on that evidence, that the price should be higher or lower. We should be prepared to say that we did not get it right first time, and it would be fantastic to have good evidence to inform that.”\(^{152}\)

177. Regarding the frequency of the review, he said—

“I do not see the value of adjusting the price week by week or month by month. An annual uprating process, as there is for excise taxes or similar measures, seems sensible. The UK Parliament has allowed excise taxes to drift down over time. Pre-announcements are made that are then reneged on six months or a year later when wider economic circumstances change. That has particularly been the case with fuel excise taxes. There is not a lot of value in making long-term pre-announcements of what the rate will be in five or 10 years. A credible annual uprating process would be an improvement on much of what goes on at present.”\(^{153}\)

178. Dr Rice stated that “[t]he mechanism is more important than the absolute price”\(^{154}\) and—

“I suggest that we start somewhere around 50p to 60p and that we have a good, well-informed and responsive system, which changes the price twice a year. That would not be an undue burden to place on an industry that changes its prices all the time for its own reasons.”\(^{155}\)

179. Professor Stockwell, in his evidence, said—

“What you do will depend on the effect that you want. If you want an increasing benefit, you will gradually increase the value of the minimum price… I suggest that you set the price at a very good level and ensure that you adjust it for inflation. I reckon that you should adjust it quarterly for inflation; you will have your own mechanisms for doing that. The more often you do it, the less people will notice.”\(^{156}\)

180. Michael Patten argued against adjusting the minimum price too frequently—

“If you choose to implement a method, you should consider it over a period of time, so that you can get some time-based analysis. The market will not settle down and level out within six months or a year after the introduction of minimum pricing. Therefore, the idea that you could change the price quarterly if you are not getting the desired outcome will not work, because the data to support that will not exist. That is not a practical suggestion.”\(^{157}\)

181. David Paterson supported this view, adding—

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“When you intervene in the market, you are necessarily intervening in the contracts that exist between retailers and producers. Several other laws govern that, such as the grocery supply chain code of practice, which means that we cannot retrospectively change the terms of contracts. A quarterly change in the minimum price would change the nature of contracts, which would have implications for those relationships. An annual change would be much more sensible and reasonable.”

182. Dr Gillan stated that “[m]ost health organisations believe that it is important to establish the principle of minimum pricing and then allow for mechanisms to review the price annually.”

183. Responding to the various views expressed in previous oral evidence sessions on adjusting the minimum price for a unit of alcohol, the Cabinet Secretary said—

“Regarding reviewing of the minimum price, I am happy to give the committee a commitment that before we get to the final stage of the bill we will come to a final view on our approach, because Parliament should have the chance to reflect on and comment on that. As with setting the price initially, it will be a balanced judgment; it is important that we get it right.

Some people have said that the review of the price should be more regular. I understand the arguments for that, but there is a counter-argument that says that reviews should be less frequent in order to give the industry greater stability. The most important overall consideration is to ensure, on an ongoing basis, that the minimum price is set at a level that delivers the kind of benefits that we want it to deliver—for obvious reasons—and the benefits that it must deliver in order to pass the tests that it needs to pass.”

Supplementary written evidence

184. In response to a call for supplementary written evidence on the mechanism by which a minimum price could be adjusted periodically, a minority of organisations indicated support for index linking adjustments, arguing that this would provide certainty for the industry and would remove political intervention from the process.

185. Some organisations, such as the Scottish Beer and Pub Association, disagreed with this approach on the grounds that adjustments to a minimum price should be subject to greater scrutiny by the Scottish Parliament. The Law Society of Scotland and the SWA argued that automatic index linking would not take account of the need for proportionality under EU law.

186. Most organisations which responded expressed support for adjustments to be made based on an evaluation of the data, while some argued for a combination of automatic uprating and a periodic review. There were also a number of views

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expressed on the frequency at which adjustments should be made, ranging from quarterly to biennially.

**Conclusion**

187. The Committee notes the assurance of the Cabinet Secretary that the level at which the minimum price is to be set will be announced prior to Stage 3.

188. The Committee will consider that information, and the resultant impact as predicted under the University of Sheffield modelling, when it is forthcoming.

189. The Committee notes the options for a proposed mechanism for adjusting the level at which the price is set and the frequency of conducting that adjustment.

190. The Committee welcomes the Cabinet Secretary’s statement of being open to views regarding what that mechanism should be and the frequency of review.

191. The Committee notes the lack of consensus among stakeholders concerning both the nature and frequency of the mechanism by which a minimum price could be adjusted, and further notes the Cabinet Secretary’s view that any mechanism must not only deliver the desired health benefits on an on-going basis but also meet the requirement of “proportionality” under EU law.

192. The Committee recommends that the Scottish Government states its preferred option and sets out the rationale for that decision by the end of Stage 2.

**Consequences**

193. The matter of “what if-s” must be considered for minimum pricing, as with any new policy or piece of legislation. The Committee heard much about what may happen as a result or by-product of introducing minimum pricing but it was also asked not to overlook the central motivation behind the Bill.

194. Professor Stockwell said—

"We need to think of the big picture. We must acknowledge that, with such a major change, there will be some unintended negative consequences, but they can be managed in other ways. The overall public health safety benefits are massive and should not be sacrificed for such concerns."\footnote{Scottish Parliament Health and Sport Committee. *Official Report*, 10 January 2012, Col 803.}

**Windfall and market response**

195. Concerns raised included the question of a windfall for retailers, the likely industry response, the prospect of cross-border activity, the practice of consumers substituting their drink of choice for other kinds of alcohol or other substances, the rise in internet sales, the threat of illicit production and sale of alcohol, the effect
that minimum pricing might have on the cost of other products in a shopper’s basket of goods, and even the intense scrutiny that the policy would come under internationally.

196. Emma Reynolds of Tesco was sceptical about the extent to which minimum pricing would benefit retailers, suggesting that the windfalls figures were overstated. She told the Committee—

“If minimum pricing achieves its desired effect, there will be falls in consumption. Other customer responses might include a shift from large supermarkets to smaller retailers and, indeed, others have mentioned the issue of on-line and sales and cross-border trade; there are also competitive responses, with, for example, retailers trying to continue to be competitive on the overall basket for shoppers.”

197. In a similar vein, David Paterson of Asda said—

“Although there is a lot of good stuff in the Sheffield modelling, one of its weakest aspects relates to where the money will go and how much it will amount to, because it takes absolutely no account of the potential extent of cross-border sales, internet sales and increases in the black market, grey market and counterfeit sales or changing market dynamics”.

198. From an on-trade perspective, Patrick Browne, Scottish Beer and Pub Association, made it very clear where he saw any windfall heading, telling the Committee—

“The biggest benefit will probably be to retailers, particularly the larger supermarkets. That is alluded to in the regulatory impact assessment that accompanies the Bill, which makes clear that those supermarkets are likely to use their dominant position in the market to retain as much of that money as they can.”

199. The Centre for Economics and Business Research came at the matter from a rather different angle, Benjamin Williamson saying—

“The retailers stand to make windfall profits at the expense of poor consumers in Scotland.”

200. Professor Stockwell took a broader view on the windfall question, although of course the situation in Canada would seem to favour the government and its revenue collection because it controls distribution and sale of alcohol. He said—

“The revenue almost adds up to the direct costs…On private profit, part of me thinks from a public health and safety point of view that it does not matter

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who takes the profits; rather, what matters is having fewer dead and sick people and more healthy babies."\(^{166}\)

201. On the question of how the industry might respond to minimum pricing to try and replace lost revenue from reduced consumption, perhaps via a marketing or advertising route, Dr Rice mulled over the possibilities before posing a rhetorical question—

"Can we imagine retailers or producers doing anything that would be worse than what we have at present?"\(^{167}\)

202. Andrew Leicester of the IFS told the Committee—

"I agree whole-heartedly that the big unknown in the debate is the supply side response."\(^{168}\)

**Lower alcohol drinks**

203. One way in which the industry might respond, it was suggested, was in the production of lower-alcohol drinks, beer for example. Professor Stockwell pointed to such an occurrence in Australia, telling the Committee—

"Structures can also give incentives to consumers to choose beers with a lower alcohol content, and they should also encourage retailers, if they can get more profit, to promote and supply lower-strength beverages at the cheaper end of the range. That may be a good thing."\(^{169}\)

204. Professor Chick also pointed to the Australian market and said—

"...there is a large market for beers of less than 3 per cent alcohol by volume. That would be a positive outcome."\(^{170}\)

205. Ms Reynolds suggested the impact of the Bill on the range of products sold. She told the Committee—

"It is difficult to know at this stage how the market and customers will respond, but our sales figures show a big growth – almost 50% – in the past year in low-alcohol beer. We have seen that accelerate following the change in duty for beers of less than 2.8% ABV, so we are introducing a new range of low-alcohol beers next week. You might expect to see some more innovation in the market in such products."\(^{171}\)

206. Professor Stockwell focused on the idea of drinkers swapping more expensive, stronger alcohol for cheaper, weaker alcohol. He suggested that pricing based on ethanol content would encourage people to opt for lower strength
drinks because the policy would make those beverages cheaper than stronger alternatives.\textsuperscript{172}

\textbf{Letter and spirit of the law}

207. Asked whether they would not only comply with the law, if the Bill was passed, but the spirit of the law, the retailers stated that they would adhere to the legislation. Pressed on Asda’s response to the volume discount ban, David Paterson told the Committee—

“It is worth saying that we did not slash our prices and we have not driven customers to online purchasing.”\textsuperscript{173}

\textbf{Ripple effect}

208. The issue of a ripple effect was raised; the suggestion that minimum pricing might not only raise the cost of drinks at the lower end of the market but lead to a hike in prices for the cost of premium brands and those in the middle. Mr Patten said—

“The honest answer is that we do not know until we see how minimum pricing plays out.”\textsuperscript{174}

209. When asked to provide an example, he outlined how the price of a product like a branded vodka would go up under minimum pricing but said it was unclear what would happen with “relative prices” i.e. whether retailers would increase the price further and how that would compare with the pricing of own-brand products.\textsuperscript{175}

210. Andrew Leicester of the Institute for Fiscal Studies also said that “the big unknown” was the supply side response and he called for post-implementation evaluation of that side of the equation.\textsuperscript{176} Professor Brennan of the University of Sheffield spoke too about a lack of information on “the supply side and trend issues.”\textsuperscript{177}

\textbf{Cross-border sales}

211. The issue of cross-border sales was underlined by some of the witnesses from the retail and industry evidence session, particularly the example of Northern Ireland and the Republic from 2008/09.\textsuperscript{178} It was pointed out, however, that there were a number of other factors at play in that example, such as the strength of the Euro against the Pound and excise rates in the Republic.\textsuperscript{179}

212. But would consumers in, say, the central belt of Scotland be willing to drive two hours to England to make savings on their own alcohol purchases or to seek profit on a business basis? David Paterson of Asda suggested it was a

“reasonable” expectation that it would happen if the profit margin was tempting enough for “white van man”.\(^\text{180}\)

213. The Canadian experience, however, did not suggest it was a major issue, Professor Stockwell told the Committee that “by and large, people go for convenience and buy locally”.\(^\text{181}\)

**Online sales**

214. Another possible consequence, indicated by the retailers, was that of online sales. David Paterson told the Committee—

“…when there is an intervention in a market, particularly a market that is part of a wider UK single market, there will be a number of unintended consequences, which cannot be wished away. Other retailers have been attacked for their use of online retailing. It seems bizarre that companies that are based solely in England can continue to sell alcohol under any deal and at whatever price they want, but companies that are in Scotland and invest here are not able to do that.”\(^\text{182}\)

215. The Financial Memorandum that accompanied the Bill on introduction suggests that most consumers of low cost alcohol do not purchase drink online.\(^\text{183}\)

216. The Scottish Grocers Federation, in its written evidence, disputed this assertion and claimed that the Scottish Government underestimated the potential of the policy to boost both internet and cross-border sales.\(^\text{184}\)

217. Similarly, the Wine and Spirits Trade Association (“WSTA”) argued that it was “unrealistic” for the Scottish Government to claim that customers would not seek to buy alcohol online from providers outwith Scotland if they can access better offers. The WSTA referred to a report by the British Retail Consortium that showed by 2011 nearly 10% of retail sales were conducted online, compared with 6% two years earlier.\(^\text{185}\)

**White van man activity**

218. David Paterson touched on the issue of illegal sales and to what extent this may become a greater problem. He said—

“One interesting question – and it is really difficult to tell – is to what extent higher prices feed a grey and black market, and to what extent cheaper alcohol from England gets mixed in with counterfeit sales. We have read a lot recently about an increase in that, and Her Majesty’s Revenue and Customs

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\(^{183}\) Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 57.

\(^{184}\) Scottish Grocers Federation. Written submission to the Health and Sport Committee, MIN 70

\(^{185}\) Wine and Spirit Trade Association. Written submission to the Health and Sport Committee, MIN 93.
reckons sales of illegal alcohol amounted to approximately £1.2 billion in the UK last year.”

219. The WSTA also expressed concern about illicit trade or “white van man” activity. The Bill team, in oral evidence to the Finance Committee on the Bill, conceded there might be “a bit of growth” in illegal sales. They did, however, also point out the logistical challenge to white van man that drink posed that tobacco did not. There were “inherent limits” it was suggested to how drink could be sold on.

Substitution effect

220. The notion of a substitution effect on consumers was also raised as a possible consequence of minimum pricing, whereby they might switch the kind of alcohol they drank or replace drink with drugs. Dr Rice was sceptical, telling the Committee—

“We make some reference in our submission to potential disadvantages, including the increased use of other drugs, but it does not work like that; essentially the way that it works predominately in Scotland is that alcohol is a gateway drug to other drugs.”

221. Professor Chick noted the importance of looking into such issues as illicit alcohol, substitution between different drinks, drug use and smuggled alcohol, informing the Committee that the evaluation work he was to be involved with would address such matters. He said—

“I am concerned to look at what we can learn about unintended consequences....although my deep hope for Scotland is that we will stop recruiting new people to the cohort of heavy and dependent drinkers, the important question is what will happen to those who are dependent on alcohol at the moment.”

The world is watching

222. One further consequence, arguably a welcome one, was the international coverage the Bill was receiving. Professor Stockwell informed the Committee that the Bill was being written about in such publications as The Huffington Post, the Chicago Tribune and the Washington Post. He said—

“What you are doing is being looked at across the world.”

223. Dr Rice also remarked that colleagues elsewhere in the UK and beyond were interested in what was happening here. He told the Committee—
“...the Royal College of Physicians in London has consistently presented Scotland as a model of where it would like to head in its discussions with the UK Government.”

224. The Cabinet Secretary told the Committee that it was “a thoroughly good thing” the world was watching and she said—

“I know that, on alcohol, many countries regard Scotland as a leader in our public health approach, as we were rightly regarded when the previous administration brought in the ban on smoking in public places. Northern Ireland, the Republic of Ireland and England are looking closely at what we are doing on minimum pricing. I am firmly of the view that where Scotland leads, other countries will follow.”

Conclusion
225. The Committee draws attention to its recommendation at paragraph 245 addressing evaluation and which includes unintended consequences.

226. The Committee acknowledges that one of the unknown consequences of the policy is the market response to both the minimum pricing requirement and the potential windfall accruing to retailers.

227. The Committee welcomes the recent and widespread international coverage that minimum pricing has received and hopes that this may focus energy and attention on the range of initiatives necessary to challenge and overcome Scotland's drink culture.

Evaluation

228. The importance of gathering data on the impact of the legislation was emphasised by a range of witnesses, the Scottish Government included.

229. Suggestions of what information should be gathered ran wide, from the health benefits to specific groups of drinkers, along age lines and according to income, to the economic impact and industry response, and also covering any loop holes or unintended consequences.

230. Michael Patton of Diageo framed the need in pessimistic terms, saying—

“Unfortunately, the biggest consequence that we may need to confront is that the expected outcomes of the policy may not be delivered.”

231. He encouraged a review of those outcomes, involving time-based analysis, suggesting this be carried out “within a defined period....dispassionately and independently”.

232. Dr Rice put some onus back onto the industry, saying—

“...we need a monitoring system and good quality data, and [that is] why the requirement for the industry to share its data is so important.”

233. Both Diageo and Asda talked about data sharing and the legislative difficulties around it. David Paterson suggested that the UK Government had a role to play in ensuring it would be possible under the existing competition framework.

234. Mr Paterson also said—

“However, organisations such as Nielsen and Kantar hold significant industry data than can tell us a lot about the market.”

235. Professor Stockwell talked about data though he counselled against survey-based evaluations, expressing scepticism about their worth. He suggested a comparative study with the north-east of England.

236. He told the Committee—

“..it is more important to go straight to the harm measures and to look at the measures of consumption of the most hazardous products and get very good sales data on them – such data is usually very solid.”

237. He added—

“...data on presentations to emergency departments would be good, and alcohol-related hospital admissions would be another very good indicator, along with impaired-driving rates on the road.”

238. Professor Chick was able to advise the Committee that he had received funding “to consider a natural control population recruited on the same criteria in Newcastle – Newcastle drinkers have a lot in common with Scottish drinkers – so we will have a before-and-after study and, in a way, a control group.”

239. Andrew Leicester of the IFS focused on the “supply side response”, implying rather a chicken and egg problem in getting at that data. He told the Committee—

“I would call for a good ex post evaluation of the impact of the supply side. That would be a very valuable contribution to the debate. It is very difficult to do any ex ante modelling of that because to assess the industry’s response, we need incredibly detailed estimates of how consumers will respond...ultimately we will get much more evidence after the fact.”

240. He welcomed the Scottish Government’s intention to carry out a detailed evaluation, adding—

“One interesting feature of minimum pricing will be how people adjust to the new reality in the long term.”

241. He drew on the example of the London congestion charging and how the initial impact appeared to have been followed by people returning to their old habits.

242. Professor Brennan of the University of Sheffield emphasised the importance of being able to gather data over a decent period of time both on what households bought and what prices they paid. He said—

“There are some longitudinal studies, but they are not quite as big as one would like, if we are to have an even better go at understanding what is going on.”

243. Professor Brennan was asked what his position would be if the evaluation showed the impacts predicted by modelling to have been wide of the mark. He said—

“If minimum pricing turns out to be completely ineffective or a counterproductive policy, for reasons that are not included in the modelling and which have not been included elsewhere, that is evidence, and evidence should be included in policy making.”

Scottish Government
244. The Cabinet Secretary told the Committee—

“Once the policy is introduced, it is vital that we evaluate it…We need to look at hard evidence and continue to demonstrate the on-going effectiveness of the policy to ensure that it passes all the tests that it needs to.”

Conclusion
245. The Committee considers that evaluation of the Bill is essential and recommends that this evaluation should include inter alia—

- study of the response of hazardous and of harmful drinkers, including the use of a control group in the north east of England (in addition to the study of severe drinkers to be carried out by Queen Margaret University);
- looking at the impact on low-income groups;

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• scrutiny of the industry response to the “spirit” as well as the letter of the law;

• review of any substitution effect covering not just other kinds of alcohol but also drug use;

• assessment of the funding of brief intervention and family support services;

• analysis of the degree of impact on young people’s consumption habits including pre-loading and binge drinking;

and

• examination of any unintended consequences, including cross-border trade, illicit sales, the black and grey economy, and internet purchases.

246. The Committee notes the requests made by some witnesses for better access to industry data to inform the policy evaluation, and, within the parameters of commercially sensitive information and data protection etc, hopes that the Scottish Government can explore all avenues to secure this information; and that manufacturers and retailers, in the interests of encouraging a better understanding of the impact of the Bill, will, in so far as they can, assist with the process.

Sunset clause
247. On discussion of the merits around the possible inclusion of a “sunset clause” in the Bill, Michael Patten of Diageo said—

“We are dealing with uncertainties, so we suggest that, if the Bill is enacted, we should introduce as a backstop some form of sunset clause or review clause.”

248. When the Cabinet Secretary was asked about the case for inserting a sunset clause into the Bill, she reminded the Committee that she had introduced just such an amendment the last time around. She said—

“In effect, the sunset clause was an attempt at saying – “Okay – you have this view, I have that view. Let’s try it and if it doesn’t work – if you’re right – we have the sunset clause.” We are going to evaluate the policy. On balance, I decided not to put the sunset clause in the Bill as it is drafted, but I remain open to persuasion. If that makes it easier for people to support the Bill – even if they have reservations and remain sceptical in a way that I am not – I am happy to discuss that at a future stage of the Bill process.”

Conclusion
249. The Committee notes the view of some members that a sunset clause should be added into the Bill in order to provide a specified timeframe for

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the legislation’s review and, therefore, to allow by order either its
continuation should it prove a policy success, or its removal from the
statute book if its impact is shown to be otherwise. The Committee will
consider the issue as it arises at Stage 2.

250. The Committee welcomes the constructive and consensual tone taken
by the Cabinet Secretary in her evidence to the Committee, in particular with
regard to her statement of remaining open to persuasion regarding the case
for a sunset clause.

Legality

251. The Law Society of Scotland outlined the relevance of articles 34 and 36 of
the Treaty on the Functioning of the European Union, explaining that the European
Union was trying, via these articles, to ensure that there could be no interference
with imports and exports, except where certain criteria were met. Jim McLean told
the Committee—

“It is to stop trade barriers being erected that do not look like trade barriers at
first sight, but that operate as such.” 211

252. The protection of health was one of those criteria, an allowable exception, but
as Mr Mclean said, it was not sufficient to say as much and hope that would
satisfy. He said—

“It must first be shown that the view that the measure might protect health
has been reached by a proper process and by consideration of a lot of
evidence. Having got that far, the next stage would be to answer the question
whether there was a simpler way of doing that that was less disruptive of
trade.” 212

253. He suggested that there was no precedent of others trying to justify minimum
pricing in that way, going on to say—

“…the proportionality test is whether the measure is indispensable. It does
not have to be the only conceivable way of addressing the problem, but a
real effort must be made to show how it could work, that there is reason to
think that it could work. And that it is not disproportionate.” 213

254. Asked whether the insertion of a sunset clause might influence matters, Mr
McLean told the Committee—

“There is some question as to whether the full sunset review would be
required, but an acknowledgement that this is a moving target and that
evidence will be created would be extremely helpful.” 214

255. Mr McLean suggested that the “internal arrangements” of the UK were of no interest to the Commission in this regard. Therefore, the argument that minimum pricing was the only policy lever available to the Scottish Government was not in itself a justification.\textsuperscript{215}

256. Addressing the particular issue of “notification” – informing the Commission of the intention to implement the policy, Mr McLean did not think that minimum pricing met the criteria on the basis that it constituted neither a standards issue nor that state aid was involved.\textsuperscript{216}

257. Furthermore, he expressed the view that the policy could not be described as a “technical regulation” as it was about the price at which a product could be sold and did not relate to the substance of a product or that product being allowed for sale on the market.\textsuperscript{217}

258. It would be open, he said, for somebody to “sound out” the Commission and that any opinion forthcoming would be “highly authoritative” but not a definitive answer on the matter. He told the Committee—

“Ultimately, however, it would take litigation to get an absolute, 100% definite view.”\textsuperscript{218}

259. Asked if minimum pricing might be considered a discriminatory measure in terms of its impact on imported beverages, Mr McLean said—

“It would apply across the board but that board might have more importers than native producers. This involves an article 34 issue, and that might form part of the argument. For me, however, the nub of the matter is whether this is a genuine health measure that is justifiable on the basis that it can do things that could not be done by any of the apparent alternative measures.”\textsuperscript{219}

260. Outlining how the level at which the minimum unit price is set might inform the question of the Bill’s legality, he told the Committee—

“If it were a token measure, that would probably count against it legally…It is really a kind of benefit analysis – if we fix the price at that, it will do this; if we fix it a bit higher, it will do that – and we need to analyse all that and draw conclusions about the balance between interference with trade and social benefit. That will be quite a task.”\textsuperscript{220}

261. Asked if this was purely a political decision, Mr McLean said—

“It is, but it is made within certain constraints of evidence-based objective justification for whatever price is being suggested.”

262. Talking about how the legislation might be litigated, Mr McLean outlined the possible scenarios. He began by saying that the European Court of Justice (“ECJ”) prefers national courts to get on with things where they can in respect of compliance and proportionality. If, however, they do not do that, then the ECJ will step in. He told the Committee—

“Wherever this goes, if there is litigation, it will be incumbent on the Scottish courts to ensure that everyone concerned has gone through the arguments fully and that there is an opportunity for a really thorough analysis because it will make the job of whatever court reviews the matter much easier.”

263. He pointed out that such a matter might still not get as far as the ECJ, saying—

“In theory, such a decision is reviewable but, on quite a few occasions, the Supreme Court and the House of Lords have made up their minds and the matter has never gone to Luxembourg.”

264. Mr McLean concluded by telling the Committee—

“No one is contesting the notion of excessive drinking as a social problem. The question is whether the Bill is an appropriate response to it.”

265. The Scotch Whisky Association (“SWA”) contended that the measure was illegal in a European context. Gavin Hewitt said—

“We believe strongly that it is illegal, because it is a trade restriction in the European Union treaty’s terms. It is clear that the Scottish Government takes a different view and believes that the measure is properly legal, although much of that will depend on the price.”

266. Mr Hewitt cited ECJ jurisprudence as having always ruled minimum pricing illegal on the basis that other measures less restrictive of trade were available.

267. He also told the Committee—

“We believe strongly that the measure is notifiable under the technical standards directive, which requires notification to ensure that the Commission and member states can express a view. The Commission would give a view and advice to the Scottish Government and therefore the Parliament about the measure’s legality.”
In addition to written and oral evidence provided, the SWA later wrote again to the Committee citing correspondence between the association and the Commission on the question of notifying the provisions of the Bill to the European Commission under the Technical Standards Directive 98/34/EC.\(^\text{228}\)

The head of the Enterprise and Industry Directorate-General at the Commission wrote in the correspondence that “the afore-mentioned proposal seems, in principle, notifiable”.\(^\text{229}\)

The letter went on to say—

“However, it falls under the Member State’s competence to decide if and at what stage they will notify a draft national rule.”\(^\text{230}\)

Scottish Government

The Cabinet Secretary confirmed her view that the Bill was “perfectly capable of complying with European law.”\(^\text{231}\)

She said it was a matter for others whether there was a legal challenge. The job of the Scottish Government, in her view, was to prepare the defence of the Bill and that was why such care would be taken in setting the minimum unit price.\(^\text{232}\)

On the question of notification, the Cabinet Secretary stated the “firm view” that this was not necessary for the Bill or the regulations that would flow from it.\(^\text{233}\)

She told the Committee—

“The measure is not state aid, nor is it setting a standard for alcohol, If, for example, we were to set regulations on the content of alcohol, they would fall within the definition of a measure that required notification. However, the measure that we are discussing does not set a standard. We are clear about that, and my understanding is that the UK Government agrees with our interpretation.”\(^\text{234}\)

She went on—

“It is open to us to notify the European Commission of the regulations anyway, and I certainly do not rule that out. We are considering that and we might do it. However, that should in no way suggest, or lead to anybody’s suggestion, that we are obliged to do so”.\(^\text{235}\)

The Cabinet Secretary reported that she was about to travel to Brussels for various meetings and that the Bill would be discussed. Asked how these

\(^{228}\) Scotch Whisky Association. Supplementary written submission, 10 February 2011.
discussions would inform her thinking on the setting of the minimum price, she said—

“It might be easier to answer the question about the influence that the discussions might have after I have had them. If it would be helpful to the Committee, I am certainly happy to update you in that regard.”

276. In a follow-up letter to the Committee, she reported—

“...my visit was part of the ongoing process of engagement we are having with the European Commission over our minimum pricing proposals. To this end, I had very constructive and positive discussions with John Dalli, European Commissioner for Health and Consumer Policy and, in a separate meeting, with senior officials from DG Enterprise and Industry.

These different discussions confirmed that tackling alcohol misuse is a priority for the European Commission. Most importantly, the discussions with DG Enterprise officials confirmed our view that there is nothing in EU law which makes minimum pricing, per se, illegal. As we already knew, we will need to be able to balance the scale of market intervention with the health benefits which will flow, but we have always known we needed to be able to demonstrate this kind of proportionality, and are confident we will be able to do so.”

Conclusion

277. The Committee notes that the Bill could comply with EU law but considers that, without yet knowing the level at which the minimum price is to be set, it is not possible to arrive at a view as to whether the policy is likely to meet the criteria set out by article 36.

278. The Committee also notes that the Cabinet Secretary did not rule out the Scottish Government itself notifying the Bill and its policy intentions to the EC although she underlined the view that it was under no obligation to do so.

FINANCIAL IMPLICATIONS OF THE BILL

Background

279. As required by Standing Orders Rule 9.3.2, the Bill was accompanied by a Financial Memorandum.

280. Standing Orders also require the Committee to consider and report on the Financial Memorandum and, in doing so, to take into account any views submitted by the Finance Committee.

281. The Finance Committee took written and oral evidence from affected organisations and from the Scottish Government’s Bill team. The Finance Committee’s report is attached at Annexe E.

237 Letter from the Cabinet Secretary to the Convener, 23 February 2012.
Section 1

282. Paragraph 18 of the Financial Memorandum (“FM”) states that the requirement to set a minimum price under Section 1 of the Bill “is considered to carry a significant financial impact”.238

Section 2

283. This is a technical provision and the FM states that it will have “no financial impact”.

Estimated savings

284. The Finance Committee noted that the assumptions made in the FM regarding the price-consumption-harm link were challenged by a number of industry organisations.

285. It also noted that a number of NHS boards and organisations in the health field supported those assumptions.

286. The Finance Committee reported that it had heard conflicting views on the merits of the Sheffield modelling but that it had not been presented with any evidence to contradict the modelling of impacts on harmful drinking.

Conclusion

287. The Committee notes, as did the Finance Committee, that there are different views on the Sheffield modelling and the perceived harm reductions and other societal benefits that could derive from the policy.

288. The Committee endorses the view of the Finance Committee that it is “crucial” that the impact of the measure be evaluated, including the extent to which savings may be made in the areas of health, care and justice.

Cost to Scottish Government

289. These are set out in paragraphs 33-35 of the FM and relate to the Sheffield modelling, the monitoring and evaluation work to be carried out under the MESAS programme led by NHS Health Scotland, initial set up costs regarding business advice, and the mechanism for setting and varying the minimum price per unit.239

Costs to Local authorities

290. Paragraph 36 of the FM outlines the costs to local authorities, estimating minimal costs and setting out the additional duties to be placed on Licensing Standards Officers.240

238 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents)
239 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents)
240 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents)
The Finance Committee reported that it heard evidence that a number of local authorities, though not all, had concerns with that assumption.

**Conclusion**

292. The Committee notes the range of views from local authorities on the potential impact of minimum pricing and concurs with the Finance Committee suggestion that this likely reflects the varying impact that the policy may have on individual services.

**Costs to other bodies**

*Individuals*

293. Paragraphs 37-46 of the FM outline the costs to individuals. This is a complex area as demonstrated by the very technical nature of some of the evidence provided to the Committee on the Sheffield modelling, particularly regarding the elasticities applied to categories of consumer. The arguments over who is likely to be affected most, least and points in between are covered more fully in paragraphs 55 to 83 of this report.

294. The Finance Committee reported that concerns were expressed by witnesses such as the Scottish Grocers Federation and the Wine and Spirits Trade Association as to the impact of the policy on low income households, but that health organisations pointed out the disproportionate harm that alcohol caused in the most deprived fifth of the population.

295. The Health and Sport Committee also heard concerns from some witnesses that people on lower incomes could be financially hardest hit by minimum pricing, the CEBR for example.

296. The Committee also notes the view expressed by others that, while people at the lower end of the socio-economic spectrum could proportionately face more of a financial impact, they also carried the greatest burden of harm from alcohol and, therefore, could be the group to benefit most. This was a viewpoint shared, for instance, by Alcohol Focus Scotland, Dr Rice and Professor Stockwell.

297. The view of the IFS (as outlined earlier in paragraph 68) was more nuanced, suggesting that—

> “We found evidence that there would perhaps be a slightly bigger effect on lower-income groups, but not a substantial difference....the policy effect is about 2% of the total grocery budget for the poorest income groups and about 1.3% for the richest income groups. That is not a substantial difference.”

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241 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents)
298. The Cabinet Secretary, when asked about the effect of the measure on the lower three income groups, told the Health and Sport Committee—

“I will also ensure that your point about the evaluation of low-income groups if factored into evaluation plans.”

**Conclusion**

299. The Committee endorses the Finance Committee’s recommendation that the impact on people on low incomes be part of the evaluation of the legislation and welcomes the Cabinet Secretary’s assurance that this will be factored in.

**Businesses**

300. Paragraphs 47-61 of the FM outline the cost on businesses. It is suggested that all minimum price scenarios would result in increased revenue for the alcohol industry but the remit of the modelling precluded consideration of where the money would go: retailers, wholesalers or producers, or all three to some extent.

301. Clearly there will be a cost to retailers from re-pricing. The Scottish Grocers Federation (“SGF”) did not provide a figure but based on its suggestion of the extent of work likely to be required and mapping that rationale onto independent retailers (with off-sale liquor licences), the Financial Memorandum estimated the total cost would be £377,000.

302. The FM suggests the possibility that cost of re-pricing may be offset against the increased revenue estimated from minimum pricing. The same paragraph 51 also states—

“An alternative approach for those that operate on a UK-wide basis would be to use the Scottish pricing regime across the whole of the UK thus minimising the cost of operating different pricing structures.”

303. The Committee heard the concerns of the SGF and the SWA regarding sales and jobs as relayed both to the Finance Committee and itself.

304. The SGF is quoted in the FM as estimating that a minimum price per unit of 50p would reduce sales by 10% and a 70p price would cut them by 25%.

305. The SWA told the Committee—

“I can guarantee that, if Scotland goes ahead with a health-based justification for a minimum price, jurisdictions around the world will use that precedent

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248 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 16.
249 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 51.
250 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 53.
discriminately against Scotch whisky. We calculate that we would lose 14.5% of our exports – £500 million worth – over a number of years."

306. Michael Patten of Diageo also expressed concern at the possible impact on whisky exports and, by dint of that, on the Scottish economy. He said—

“The Scotch whisky industry is a jewel in the crown; its craft, its ruralness, its prestige, its premium and its exports are unsurpassed anywhere in the world...It is a very valuable product that is exported all over the world, contributes to the balance of payments and so forth.”

307. When giving evidence to the Committee, the Cabinet Secretary said—

“I am keen to continue to work with the supermarkets and the wider industry – that comment applies to the entire alcohol industry...None of the motivation behind the policy is an intention to damage legitimate business interests. The alcohol industry is extremely important to Scotland. Our intention is to deal with the health harms that are done by alcohol misuse.”

Conclusion

308. The Committee endorses the view of the Finance Committee that the Scottish Government should continue the dialogue with organisations representative of business to monitor the impact of minimum pricing.

309. The Committee shares the Finance Committee’s concern at “the lack of evidence” presented to support the SWA’s assertion at the impact of the policy on whisky exports.

310. The Committee endorses the recommendation of the Finance Committee that the Scottish Government undertake regular reporting of whisky export volumes and value.

UK Government

311. As the Finance Committee noted, the discussion of the statement of funding policy (“SFP”) contained in the FM for the current Bill differs to that of the earlier Alcohol etc. (Scotland) Bill.

312. The FM for the Alcohol etc. (Scotland) Bill read—

“Under the terms of the Statement of Funding between Scottish Ministers and the UK Government, the reduction in VAT and duty falls as a cost to the Scottish Administration.”

313. The FM for the current Bill states—

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254 Alcohol etc. (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 58. Available at: http://www.scottish.parliament.uk/S3_Bills/Alcohol%20etc.%20(Scotland)%20Bill/b34s3-introd-en.pdf [Accessed 15 February 2012]
“There are no costs to the UK Government which fall within the terms of the Statement of Funding Policy.”

314. There appears to have been no clear explanation of the rationale for that change in position.

315. The view of HM Treasury was put in writing to the Finance Committee, the Economic Secretary to the Treasury, Chloe Smith MP, saying—

“I would expect the Scottish Government to take account of the potential impact on exchequer receipts when setting minimum prices under the legislation.”

316. The Scottish Government’s view, as relayed to the Finance Committee by the Bill team, was given as—

“...the Bill looks to an increase in the productive Scottish economy, some of which will filter back to the Treasury. However, we have not modelled where the balance will eventually lie. The supply side of the industry is very complex...There could be an increase in VAT from other products in the economy as well. It is quite difficult to tease out all the second and third-round impacts.”

317. The Committee notes the Finance Committee’s observation that “the response from the UK Treasury appears to be ambiguous on the application of the SFP to the Bill”. The Committee further notes that the Economic Secretary to the Treasury wrote—

“...ahead of an order specifying the minimum price per unit, it is not possible to determine whether paragraph 3.2.8 [of the SFP] would be applied in relation to this Bill.”

318. The briefing paper on evaluation plans for minimum pricing provided to the Committee in advance of the Cabinet Secretary’s appearance states—

“In 2010, a MESAS scoping study concluded that a full study of the economic impact of alcohol policy at that time was not feasible or warranted. If MUP is implemented, MESAS [the Monitoring and Evaluating Scotland’s Alcohol Strategy programme] will give further consideration to this.”

255 Alcohol (Minimum Pricing) (Scotland) Bill, Explanatory Notes (and other accompanying documents), paragraph 64.
259 Economic Secretary to the Treasury. Written submission to the Scottish Parliament Finance Committee, 30 January 2012.
260 NHS Health Scotland. Briefing Paper on Evaluation Plans for Minimum Unit Pricing. Available at:
Conclusion

319. The Committee notes the lack of clarity on the not insignificant matter – should there be any impact on exchequer receipts – of the economic impact of the policy and “who pays”. The Committee requests that an analysis be prepared by the Scottish Government when the minimum price is announced prior to Stage 3 and it recommends that the economic impact of the measure feature in the MESAS evaluation programme.

SUBORDINATE LEGISLATION

Background

Subordinate Legislation Committee

320. Under Rule 9.6.2 of Standing Orders, where a bill contains provisions conferring powers to make subordinate legislation, the Subordinate Legislation Committee (“SLC”) must consider and report to the lead committee on those provisions.

321. The SLC reported that it was content with the delegated powers in the following sections: 1(2) and (3), and 3.

322. The SLC reported at greater length on the power to specify the minimum price per unit of alcohol. The conclusions from the SLC report are summarised below.

Section 1 – minimum price of alcohol

323. Following scrutiny of the power to specify the minimum price of alcohol, the SLC accepted in principle that any variation to the MPU should be done by delegated powers. The SLC also accepted arguments advanced by the Cabinet Secretary for the initial price being set through delegated powers. However, this acceptance was predicated on the imposition of robust scrutiny procedures and the SLC therefore sought assurances from the Scottish Government in a number of respects.

324. In order to ensure the robustness of the evidence used to determine the MPU, the SLC called on the Scottish Government to keep the Parliament informed during the passage of the Bill of any developments with regard to the review of the Sheffield model used to set the MPU. It welcomed the Scottish Government’s commitment to provide the Parliament with an indication of what the initial MPU is expected to be before the Bill completes its passage through the Parliament, and the commitment to provide details of the basis on which variations to the MPU will be made and how regularly it is anticipated that these variations will be made.

325. The SLC recommended that the Scottish Government brings forward an amendment at Stage 2 which places an obligation on the Scottish Government to provide detailed accompanying documentation of the modelling carried out and the evidence used to determine the minimum price when bringing forward an instrument to set or vary the MPU.

http://www.scottish.parliament.uk/S4_HealthandSportCommittee/Meeting%20Papers/Papers_2012_01.31.pdf
326. With the caveats set out above, the SLC considered that the delegation of the powers under section 1(2) and (3) to specify the minimum price per unit of alcohol to be acceptable and that affirmative procedure is a suitable level of scrutiny.

Scottish Government

327. In oral evidence on 31 January 2012, the Cabinet Secretary was asked when the Scottish Government would set the minimum unit price. She replied—

“We are getting close to a decision on the price. Like the committee, we have just received the updated Sheffield report, so it will take us a bit of time properly to analyse, digest and reflect on it. However, I am of the view that we will name the price during stage 2, and certainly before stage 3, of the bill.”

328. Commenting on the mechanism by which the minimum price would be reviewed, the Cabinet Secretary said—

“I am happy to give the committee a commitment that before we get to the final stage of the bill we will come to a final view on our approach, because Parliament should have the chance to reflect on and comment on that. As with setting the price initially, it will be a balanced judgment; it is important that we get it right.”

Conclusion

329. The Committee notes the conclusions and recommendations of the SLC on this delegated power and further notes the Cabinet Secretary’s position on the matter. The Committee also commented on the power to set and review the minimum price in paragraphs 163-192.

EQUALITIES

330. The Scottish Government prepared an equality impact assessment (EQIA) for the Bill, which was detailed and clear.

331. The Committee notes from the EQIA that the “social cost” of alcohol misuse is given as the equivalent to £900 per annum for every adult living in Scotland. It further states that—

“Minimum pricing is a population level intervention in that it doesn’t specifically target particular groups or sections of society but rather applies equally to all alcohol products and to all individuals.”

332. The EQIA outlines the relevance of the Bill in the context of age, gender, mental health, sexuality, ethnic origin, religion, economic status

263 Scottish Government. Alcohol (Minimum Pricing) (Scotland Bill, Equality Impact Assessment. Unavailable online at time of publication.
The document states that the MESAS evaluation “includes the potential to assess whether minimum pricing will have a differential impact in terms of gender, age, and deprivation through the analysis of mortality and morbidity data”.

334. It goes on to say—

“While the current portfolio does not allow for a full assessment of the various short/intermediate responses individuals in different groups may make to the introduction of minimum pricing, or some of the potential unintended consequences, priority is being given to considering how the portfolio of studies may be expected to fill these potential gaps.”

Conclusion
335. The Committee welcomes the EQIA and appreciates the need to prioritise from what is likely to be an extensive list of themes that could be covered by the MESAS evaluation. The Committee notes the evidence presented to it on the theme of alcohol and health inequalities. The Committee welcomes the assurance from the Cabinet Secretary that the impact of the policy on low income groups will feature in the evaluation.

OVERALL CONCLUSION

336. In arriving at its overall conclusion, the Committee draws on the work of the Sheffield modelling, empirical evidence from Canada (while recognising the host of differences in geography, culture, policy motivations, state ownership of outlets, etc.) and the knowledge, experience and views of a range of experts including health professionals, economists, those in the industry, retailers, licensing authorities, civic society, and beyond.

337. The Committee believes it imperative that Scotland’s negative relationship with alcohol is challenged and that the challenge warrants a range of actions. From this premise, it acknowledges the public health motivation behind the Bill and welcomes the wider programme set out by the Scottish Government in Changing Scotland’s Relationship with Alcohol: A Framework for Action.

338. A majority of the Committee are persuaded by the Scottish Government’s assertion that the Bill will help reduce alcohol consumption in Scotland, because they consider the evidence received to be both overwhelming and compelling, in particular reducing the consumption of alcohol by harmful drinkers, and the impact of alcohol misuse on public health, crime, public services, productivity, and the economy as a whole. They view the Bill as a significant contribution to an overall package of measures to overcome Scotland’s dangerous affinity with alcohol and are in favour of the general principles of the Bill.

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264 Scottish Government. Alcohol (Minimum Pricing) (Scotland Bill, Equality Impact Assessment. Unavailable online at time of publication.
265 Scottish Government. Alcohol (Minimum Pricing) (Scotland Bill, Equality Impact Assessment. Unavailable online at time of publication.
339. A minority of members are sceptical, but hope that the Scottish Government’s assertion that the Bill will help reduce alcohol consumption and lessen the impact of alcohol misuse on public health may come to pass. Some members remain unconvinced by the efficacy of minimum pricing and believe a universal approach may penalise moderate drinkers and also those in lower income groups. They question whether the Bill’s policy aspirations of reducing the harm and social cost associated with alcohol misuse can be achieved to the extent envisaged. They note amongst other additional concerns that the response of the market (retailers, on and off trade and producers) to the substantial windfall from profits from a minimum unit price has not been assessed and may undermine the policy intentions of the Bill. They also draw attention to the lingering issue of the Bill’s legality in a European context and are concerned that any protracted legal proceedings could detract attention or divert resources from wider efforts to challenge our drink culture.

340. The Committee draws to the Parliament’s attention this difference of opinion but – in order to encourage further debate and with the understanding that the Cabinet Secretary will announce prior to the end of Stage 2 or start of Stage 3 the level at which the minimum price is to be set – it recommends that the Bill proceed to Stage 2.
ANNEXE A: EXTRACT FROM MINUTES OF THE HEALTH AND SPORT COMMITTEE

8th Meeting, 2011 (Session 4)
Tuesday 25 October 2011

2. Decision on taking business in private: The Committee agreed to take items 6 and 7 in private.

7. Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee considered its approach to scrutiny of the forthcoming Bill at Stage 1 and agreed to issue a call for written evidence once the Bill is introduced with a deadline of 12 December 2011.

18th Meeting, 2011 (Session 4)
Tuesday 13 December 2011

1. Decision on taking business in private: The Committee agreed to take items 6 and 7 in private.

6 Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee considered and agreed its approach to the scrutiny of the Bill at Stage 1.

1st Meeting, 2012 (Session 4)
Tuesday 10 January 2012

2. Decision on taking business in private: The Committee agreed to take item 4 in private.

3. Alcohol (Minimum Pricing) (Scotland) Bill: The Committee took evidence on the Bill at Stage 1 from—

Professor Anne Ludbrook, Professor of Health Economics, University of Aberdeen;
Benjamin Williamson, Senior Economist, Centre for Economics and Business Research;
Dr Evelyn Gillan, Chief Executive, Alcohol Focus Scotland;
Dr Jan S Gill, Reader at Queen Margaret University;
Dr Peter Rice, Chair, Royal College of Psychiatrists in Scotland and Consultant Addictions Psychiatrist, NHS Tayside.
4. **Alcohol (Minimum Pricing) (Scotland) Bill (in private):** The Committee considered the evidence heard earlier in the meeting.

**2nd Meeting, 2012 (Session 4)**

**Tuesday 10 January 2012**

**Alcohol (Minimum Pricing) (Scotland) Bill:** The Committee took evidence, via video conference, on the Bill at Stage 1 from—

Professor Timothy Stockwell, University of Victoria, British Columbia.

**3rd Meeting, 2012 (Session 4)**

**Tuesday 17 January 2012**

1. **Decision on taking business in private:** The Committee agreed to take item 8 in private, and to consider oral evidence heard by the Committee on the Alcohol (Minimum Pricing) (Scotland) Bill in private at future meetings.

5. **Alcohol (Minimum Pricing) (Scotland) Bill - witness expenses:** The Committee agreed to delegate to the Convener responsibility for arranging for the SPCB to pay, under Rule 12.4.3, any expenses of witnesses on the Bill.

6. **Alcohol (Minimum Pricing) (Scotland) Bill:** The Committee took evidence on the Bill at Stage 1 from—

   Gavin Hewitt, Chief Executive, Scotch Whisky Association;
   Michael Patten, Global Public Affairs Director, Diageo;
   George Kyle, Head of Sponsorship and PR, Tennent Caledonian Breweries (UK) Limited;
   Bob Price, Director General and Policy Adviser, National Association of Cider Makers;
   Patrick Browne, Chief Executive, Scottish Beer and Pub Association;
   Paul Waterson, Chief Executive, Scottish Licensed Trade Association;
   Emma Reynolds, Government Affairs Director, Tesco;
   David Paterson, Head of Regional Affairs, Asda;
   Kate Higgins, Policy Manager, CHILDREN 1ST;
Major Dean Logan, Addiction Services Officer, Salvation Army;
Sarah O’Neill, Director of Policy, Consumer Focus Scotland;
Andrew Deans, Convener of the Health and Wellbeing Committee,
Scottish Youth Parliament.

8. Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee agreed to defer consideration of the evidence heard to a future meeting.

4th Meeting, 2012 (Session 4)
Tuesday 24 January 2012

Alcohol (Minimum Pricing) (Scotland) Bill: The Committee took evidence on the Bill at Stage 1 from—

Professor Jonathan Chick, Honorary Professor, Queen Margaret University;
Dr John Holmes, Public Health Research Fellow, and Professor Alan Brennan, Professor of Health Economics and Decision Modelling, University of Sheffield;
Andrew Leicester, Senior Research Economist, Institute for Fiscal Studies.

Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee agreed to defer consideration of the evidence heard to a later meeting.

5th Meeting, 2012 (Session 4)
Tuesday 31 January 2012

Alcohol (Minimum Pricing) (Scotland) Bill: The Committee took evidence on the Bill at Stage 1 from—

Alan McCreadie, Deputy Director of Law Reform, and Jim McLean, Consultant at Balfour-Manson, The Law Society of Scotland;
Nicola Sturgeon, Cabinet Secretary for Health, Wellbeing and Cities Strategy, Scottish Government.

Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee considered the evidence heard earlier in the meeting and agreed to write to stakeholders seeking views on the mechanism by which a minimum price for a unit of alcohol could be adjusted periodically.
7th Meeting, 2012 (Session 4)
Tuesday 21 February 2012

1. Decisions on taking business in private: The Committee agreed to take item 4 in private and to consider any revised draft reports on the Alcohol (Minimum Pricing) (Scotland) Bill in private at future meetings. The Committee also agreed to consider its approach to scrutiny of the forthcoming Social Care (Self-directed Support) (Scotland) Bill in private at future meetings.

4. Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee considered a draft Stage 1 report. Various changes were agreed to, and the Committee agreed to consider a revised draft, in private, at its next meeting.

8th Meeting, 2012 (Session 4)
Tuesday 28 February 2012

Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee considered a revised draft Stage 1 report. Various changes were agreed to, and the Committee agreed to consider a further revised draft, in private, at a future meeting.

9th Meeting, 2012 (Session 4)
Tuesday 6 March 2012

Alcohol (Minimum Pricing) (Scotland) Bill (in private): The Committee considered a revised draft Stage 1 report. Various changes were agreed to, and the report was agreed for publication.
ANNEXE B: ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

1st Meeting 2012 (Session 4), 10 January 2012

Written Evidence

University of Aberdeen
Alcohol Focus Scotland
Royal College of Psychiatrists in Scotland

Oral Evidence

University of Aberdeen
Centre for Economics and Business Research
Alcohol Focus Scotland
Queen Margaret University
Royal College of Psychiatrists in Scotland

Supplementary Written Evidence

Ludbrook Prof A (University of Aberdeen)
Gill Dr J (Queen Margaret University)
Rice Dr P (Royal College of Psychiatrists in Scotland)

2nd Meeting 2012 (Session 4), 10 January 2012

Written Evidence

University of Victoria, British Columbia

Oral Evidence

University of Victoria, British Columbia

Supplementary Written Evidence

Stockwell Prof T (University of Victoria, British Columbia)

3rd Meeting 2012 (Session 4), 17 January 2012

Written Evidence

Scotch Whisky Association
Diageo
Tennent Caledonian Breweries UK
National Association of Cider Makers
Scottish Beer and Pub Association
Scottish Licensed Trade Association
Salvation Army
Consumer Focus Scotland
Oral Evidence

Scotch Whisky Association
Diageo
Tennent Caledonian Breweries (UK) Limited
National Association of Cider Makers
Scottish Beer and Pub Association
Scottish Licensed Trade Association
Tesco
Asda
CHILDREN 1ST
Salvation Army
Consumer Focus Scotland
Scottish Youth Parliament

Supplementary Written Evidence

Scotch Whisky Association
Scottish Beer and Pub Association (Part 1)
Scottish Beer and Pub Association (Part 2)
Scottish Licensed Trade Association
Consumer Focus Scotland

4th Meeting 2012 (Session 4), 24 January 2012

Written Evidence

Queen Margaret University
University of Sheffield

Oral Evidence

Queen Margaret University
University of Sheffield
Institute for Fiscal Studies

Supplementary Written Evidence

Chick Prof J (Queen Margaret University)
Leicester A (Institute for Fiscal Studies)

5th Meeting 2012 (Session 4), 31 January 2012

Written Evidence

Law Society of Scotland

Oral Evidence
Law Society of Scotland
Scottish Government

Supplementary Written Evidence

Law Society of Scotland
Scottish Government
ANNEXE C: LIST OF OTHER WRITTEN EVIDENCE

Academy of Medical Royal Colleges and Faculties in Scotland
Action for Children Scotland
Addiction Recovery Training Services
Alberta Gaming and Liquor Commission
Alcohol Health Alliance UK
Angus Council
Association of Chief Police Officers in Scotland
Association of Directors of Social Work
Baptist Union of Scotland
Barnardo’s Scotland
Bremner D (indiv.)
Brewers Association of Canada
British Medical Association Scotland
British Psychological Society in Scotland
Campaign for Real Ale (CAMRA)
Central Aberdeenshire Licensing Board
Chest Heart and Stroke Scotland
ChildLine in Scotland
Children in Scotland
Chivas Brothers and Pernod Ricard UK
Church and Society Council of the Church of Scotland
City of Edinburgh Licensing Board
City of Glasgow Licensing Board
Cockburn F (indiv.)
Community Pharmacy Scotland
Co-operative Group
Dumfries and Galloway Alcohol and Drugs Partnership
Dundee City Licensing Board
Dundee Licensing Forum
East Ayrshire Licensing Board and East Ayrshire Local Licensing Forum
East Renfrewshire Alcohol and Drug Partnership
Edinburgh Alcohol and Drug Partnership
Edrington Group
Faculty of Liaison Psychiatry of the Royal College of Psychiatrists in Scotland
Federation of Small Businesses
Fife Partnership
Forensic Learning Disabilities Service
Glasgow Caledonian University
Highland Alcohol and Drugs Partnership
Highland Council
Highland Licensing Board
Institute of Alcohol Studies
Methodist Church in Scotland
Midlothian and East Lothian Drugs and Alcohol Partnership
Molson Coors Brewing Company UK
Murray C (indiv.)
NHS Ayrshire & Arran
NHS Grampian
NHS Greater Glasgow and Clyde
NHS Health Scotland
NHS Lanarkshire and Lanarkshire Alcohol and Drugs Partnership
NHS Lothian
North Ayrshire Alcohol and Drug Partnership
North Ayrshire Council
North Ayrshire Licensing Board
North Lanarkshire Licensing Board
Office of Fair Trading
Presbytery of Edinburgh (Church of Scotland)
Quarriers
Rimell G (Highland Councillor)
Royal College of General Practitioners Scotland
Royal College of Physicians of Edinburgh
Royal College of Surgeons of Edinburgh
Royal Society for the Prevention of Accidents
Royal Society of Edinburgh
SABMiller
Sawkins J (indiv.)
Scottish Ambulance Service
Scottish Association for Mental Health (SAMH)
Scottish Episcopal Church
Scottish Grocers’ Federation
Scottish Health Action on Alcohol Problems (SHAAP)
Scottish Medical and Scientific Advisory Committee
Scottish Police Federation
Scottish Retail Consortium
Scottish Women’s Convention
Silverton and Overtoun Community Council
South Ayrshire Alcohol and Drug Partnership
South Ayrshire Council
South Ayrshire Local Licensing Forum
South Lanarkshire Council
South West Scotland Community Justice Authority
Stewart J (indiv.)
Stroud N (indiv.)
The International Coalition Against Prohibition (TICAP)
United Free Church of Scotland
University of the West of Scotland
West Dunbartonshire Alcohol and Drug Partnership
West Dunbartonshire Licensing Board et al
West Lothian Council et al
West Lothian Licensing Forum
Whyte and Mackay
Wine and Spirit Trade Association
Wine and Spirit Trade Association (supplementary)
Wm Morrison Supermarkets
YouthLink Scotland
ANNEXE D: REPORT BY THE FINANCE COMMITTEE

The Finance Committee Alcohol (Minimum Pricing) (Scotland) Bill can be found on the Scottish Parliament’s website at the following webpage: http://www.scottish.parliament.uk/S4_FinanceCommittee/Reports/fir12-AlcoholBill.pdf
ANNEXE E: REPORT BY THE SUBORDINATE LEGISLATION COMMITTEE

The Subordinate Legislation Committee Alcohol (Minimum Pricing) (Scotland) Bill can be found on the Scottish Parliament's website at the following webpage: http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/46289.aspx
Members who would like a printed copy of this *Numbered Report* to be forwarded to them should give notice at the Document Supply Centre.