



The Scottish Parliament
Pàrlamaid na h-Alba

Official Report

HEALTH AND SPORT COMMITTEE

Tuesday 23 March 2010

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HEALTH AND SPORT COMMITTEE
10th Meeting 2010, Session 3

CONVENER

*Christine Grahame (South of Scotland) (SNP)

DEPUTY CONVENER

*Ross Finnie (West of Scotland) (LD)

COMMITTEE MEMBERS

*Helen Eadie (Dunfermline East) (Lab)

*Rhoda Grant (Highlands and Islands) (Lab)

*Michael Matheson (Falkirk West) (SNP)

*Ian McKee (Lothians) (SNP)

*Mary Scanlon (Highlands and Islands) (Con)

*Dr Richard Simpson (Mid Scotland and Fife) (Lab)

COMMITTEE SUBSTITUTES

Joe FitzPatrick (Dundee West) (SNP)

Mr Frank McAveety (Glasgow Shettleston) (Lab)

Jamie McGrigor (Highlands and Islands) (Con)

Jamie Stone (Caithness, Sutherland and Easter Ross) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Ian Faris (Brewers Association of Canada)

Patrick Ford (Liquor Control Board of Ontario)

Ed Gregory (Brewers Association of Canada)

Kathy Klas (Alcohol and Gaming Commission of Ontario)

Elizabeth Kruzel (Liquor Control Board of Ontario)

Jeff Newton (Canada's National Brewers)

Michel Perron (Canadian Centre on Substance Abuse)

CLERK TO THE COMMITTEE

Douglas Thornton

LOCATION

Committee Room 1

Scottish Parliament

Health and Sport Committee

Tuesday 23 March 2010

[The Convener *opened the meeting at 14:04*]

Alcohol etc (Scotland) Bill: Stage 1

The Convener (Christine Grahame): Good afternoon, committee, and good morning, Ottawa. I welcome everyone to the 10th meeting in 2010 of the Scottish Parliament's Health and Sport Committee. I remind everyone to switch off their mobile phones and other electronic equipment.

Our only item of business is an oral evidence-taking session on the Alcohol etc (Scotland) Bill. We are taking evidence from witnesses in Ottawa via an audioconference link and in Toronto via a videoconference link. Committee members have before them written submissions from our witnesses and from other Canadian groups. The purpose of our discussion today is to gain an overview of alcohol policy across Canada and the use of social reference pricing.

We will begin with the panel of three witnesses in Ottawa. Michel Perron is the chief executive officer of the Canadian Centre on Substance Abuse, Ian Faris is the president and chief executive of the Brewers Association of Canada and Ed Gregory is the research and analysis manager of the Brewers Association of Canada.

To ensure that the *Official Report* of this meeting makes readable sense, I ask committee members and witnesses to give their names when they ask or answer questions.

Dr Richard Simpson (Mid Scotland and Fife) (Lab): Good morning, gentlemen. I am Dr Richard Simpson.

The Scottish National Party Government has a proposal for minimum unit pricing, which is a matter of some debate in the committee. The written evidence that we have received from Tim Stockwell and the Canadian national alcohol strategy advisory committee suggests that there is little evidence of minimum unit pricing or social reference pricing—which is the Canadian model—having an effect. If that is the case, why should we be implementing the approach in Scotland?

If I may, I would like to ask a supplementary question. What measures other than minimum unit pricing or social reference pricing would you recommend we try out in Scotland, in light of your experience?

Michel Perron (Canadian Centre on Substance Abuse): I am Michel Perron, the CEO of the Canadian Centre on Substance Abuse and the co-chair of the national alcohol strategy advisory committee, whose submission you referred to.

Although social reference pricing is a recommendation of the national alcohol strategy, it goes without saying that it is part of a comprehensive series of levers and recommendations that we want to put in place to mitigate the acute and chronic consequences of alcohol abuse. Although we consider minimum pricing to be a useful lever, we believe its effect to be limited. However, when it is complemented by other strategies so that there is a triangulation of legislative, regulatory and pricing effects to mitigate the harms of alcohol abuse, we find it to be helpful.

As you say, our submission indicates that there is no direct evidence that supports the use of social reference pricing, but a number of studies suggest that there might be an effective way of mitigating the effects of the abuse of alcohol through the introduction of minimum pricing. We know that there is an elastic relationship between price and consumption—that the lower the price, the greater the consumption and, by extension, the harm. We are aware of egregious examples of alcohol prices being so low that they run contrary to the notion of a culture of moderation, which we have tried to cultivate in Canada.

The Convener: Do Mr Faris and Mr Gregory wish to introduce themselves and speak at this point?

Ian Faris (Brewers Association of Canada): I am Ian Faris. I agree with Mr Perron about the lack of academic evidence that supports the use of social reference pricing in Canada or elsewhere.

We agree with what Michel Perron said about the elastic relationship between price and demand. The national alcohol strategy advisory committee's submission to your committee mentions some good examples of the elasticity issue in studies involving American students.

Do you want us to address the second part of your question now, as well?

The Convener: Yes, please.

Ed Gregory (Brewers Association of Canada): We see minimum pricing as part of what we call the Canadian model. It is supplemented by other legislative and regulatory initiatives or controls on impaired driving, the licensing of retailers and what you call on-trade premises, and advertising. Minimum pricing fits within that system.

Ian Faris: It is a unanimous view from the Canadian perspective and the people around the table here that it is a suite of products—

The Convener: Sorry, but can I halt you? I think that Mr Gregory answered and then we heard from Mr Faris. Is that correct? If you could keep on naming yourselves that would be helpful.

Ian Faris: My apologies. We have fallen down on your initial instructions.

The Convener: That is a dangerous thing to do with me. [*Laughter.*]

Ian Faris: This is Ian Faris. To return to the second part of Dr Simpson's question, there are other measures that can be taken. One that we have embraced in Canada, through the national alcohol strategy and financially supported by the beverage alcohol industry, is the establishment of a screening, brief intervention and referral—SBIR—training programme that physicians and other health professionals can implement at the patient level. The programme gives medical personnel a suite of products that they can use to identify misuse among their patients.

The evidence shows that such approaches have been successful around the world. If the professional deems that a patient is misusing alcohol, they can refer them for counselling or treatment. We are working in co-operation with the College of Family Physicians of Canada on creating the programme, which will be rolled out in the next few months. In answer to Dr Simpson's question, we believe that the SBIR programme is one measure in addition to minimum pricing that has made the Canadian model work well.

Michel Perron: This is Michel Perron. We struggled with alcohol policy in Canada. In my experience the question that countries always face as they dive into the issue of minimum pricing is, "What harm are we trying to redress?" We need to understand that minimum pricing is part of a comprehensive suite of interventions or tools. It might be particularly effective with, for instance, younger drinkers or those who are more price sensitive. It will not necessarily deal with chronic drinkers because they will go and find another type of beverage, but we would have another intervention in place for them.

It is important to be clear about the harm that the Scottish people are experiencing and the most effective provisions—I stress the plural—that can be put in place to mitigate that harm, both on a short-term acute basis and in the long term. Minimum pricing is a fairly inexpensive method by which you can create an immediate threshold of engagement, if you will, between the Government and the people on beverage alcohol. Conversely, our experience in Canada shows that if you set minimum prices at a level beyond that which is

tolerable by the population that you are trying to reach, you might create a spurious effect. We saw that in relation to tobacco prices, which reached such levels that there was a fairly significant underground economy. It is important to strike the right balance. It will be informed by the intent of the intervention, knowledge of the market you are trying to reach and its establishment as part of a broader series of interventions.

Dr Simpson: We have written evidence from Kent Verlik of the Alberta Gaming and Liquor Commission, who states:

"The AGLC views pricing as a strategy to reduce alcohol related harm ... as a blunt measure."

I am somewhat surprised that there is no evidence on the effect of social reference pricing, which I gather from your evidence has been around since the 1980s or 1990s.

The Government here has put a considerable amount of money into establishing brief interventions; they were first tried in the early 1990s, under the chief scientist, and the current Government is making a serious attempt to establish them. It appears that when officials from the Department of Health in England returned from a visit to Canada in September 2008, they said:

"investment in primary care provision/greater prioritisation would deliver greater benefits than ... minimum pricing".

Drawing on work by Jürgen Rehm, who also worked on the Sheffield study, they found that brief interventions

"delivered between 2.5-6 x reduction in consumption that a 25% increase in taxation would."

Do you get the same feeling from the work that you are doing now on brief interventions? Do you agree with that approach and that view?

14:15

Michel Perron: I cannot speak about the numbers to which you refer, but in Canada screening and brief interventions are seen as an effective way by which we can ramp off early problematic alcohol use. However, a person needs to be in front of a physician, who needs to be trained in delivering that modality. Should there be a determined level of consumption that is beyond what we think is reasonable—again, that speaks for having national drinking guidelines and a population that is aware of those guidelines, which brings in a wraparound of policies—the type of problem drinking pattern must be identified and effective intervention must then be put in place. That is an effective means of mitigating longer-term, chronic harm.

I can speak about Canada in particular. It is a challenge to ensure that primary care physicians

throughout Canada, including allied health care professionals, are trained in that modality and that they have the capacity to implement it and to ensure that there is sufficient follow-through. If we start with the notion of national drinking guidelines and minimum prices that regulate the floor at which beverage alcohol is available, by extension if a person goes to see their physician and the physician asks about their drinking practices, a constellation of factors can be brought in and understood.

We are keen—in fact, we are the lead with our brewer colleagues—on creating the screening, brief intervention and referral initiative, but creating and implementing it and ensuring its application is a long-term project that will be costly. We suggest, despite the perhaps blinding clarity from a scientific perspective, that there is sufficient anecdotal evidence for people such as Jürgen Rehm and Tim Stockwell, who sat on our alcohol strategy group, to agree that minimum pricing would be an appropriate and complementary approach.

Ed Gregory: Dr Simpson may want to pursue his question with Jeff Newton, who is on the next panel. He has considered the impact on strong beer of a minimum pricing system being introduced or revised. That was done in Toronto to deal with problems to do with street people and panhandlers consuming such beer and causing disruption in the city neighbourhood. The end result of introducing a revised minimum pricing system, which essentially brought 10 per cent alcohol beer under the new SRP, was a decline in sales. A number of products were removed from the store shelves. Members might want Jeff Newton to address that issue.

Ian Faris: The example from Ontario shows that social reference pricing can be a good policy instrument, but it is not all-encompassing. Obviously, it was used in that example in the beer category, but it is used at a particular tier—alcohol that is above 5.6 per cent by volume. The Government recalculated the way in which it created the minimum price for that category, basing it entirely on the alcohol level. The pricing for the three tiers below that—beer at lower than 4.1 per cent ABV; between 4.1 and 4.8 per cent ABV; and between 4.9 and 5.5 per cent ABV—is based on the volume of the product. It is a completely new way to calculate minimum price, although it is not an all-encompassing or one-size-fits-all approach. It links in with the Scottish proposition, but I want to make clear that Scotland is moving towards a per-unit charge, which is completely different.

Mary Scanlon (Highlands and Islands) (Con): I found your comments on screening and brief interventions very helpful. I will narrow my

question down to minimum pricing. For the legislation to be competent in the European Union, we have to prove that minimum pricing will reduce alcohol consumption and deliver health benefits. In your written evidence, you state:

“there is no direct evidence anywhere in the world that minimum pricing policies are effective for reducing harmful drinking at the population level.”

That is a given. Has any work been done on the link between rising or falling alcohol consumption and the effect on health in relation to a minimum price?

The Convener: The example that Ian Faris gave does not involve minimum pricing per se; it is very different.

Mary Scanlon: It is social reference pricing.

Michel Perron: Your question is whether there is any evidence that minimum pricing affects consumption and therefore leads to health benefits; is that correct?

Mary Scanlon: Yes, thank you.

Michel Perron: Our written statement contains the specific qualifier that minimum pricing does not necessarily reduce

“harmful drinking at the population level.”

It further indicates that

“a number of studies from different disciplines ... suggest that”

minimum pricing

“may be an effective way of addressing”

problems within specific groups in the population.

I return to the point about drinking guidelines and letting people know the appropriate amount of alcohol for daily consumption. With regard to the impact of daily consumption on health, minimum pricing is predicated on the fact that people know what their daily consumption of alcohol should be.

National guidelines are part and parcel of our strategy here, and they have to reflect the reality of what we know Canadians drink. By the same token, we have to inform people as to the point at which they are exceeding the risk of an abstainer and incurring a risk to their health, to refer to Mary Scanlon's point.

The drinking guidelines, which we are currently finalising, will feature the number of units per day that people can drink. We have included some of the studies on the relationship with price in our submission to the committee. We know that if the price goes up, moderate drinkers will typically reduce the number of drinks they consume, whereas problem drinkers will typically gravitate towards lower-alcohol drinks.

However, a problem drinker will not necessarily adhere to national drinking guidelines, so the availability of lower-alcohol drinks is an incentive for them to drink more heavily. It is a question of striking a balance so that we create a price that is not entirely unsupported by some level of objective evidence against which we can peg daily consumption and inform people what they should or should not be drinking. That ultimately brings us into the realm of SBIR, to which we referred earlier, as it brings everything together.

I do not know whether Mr Faris or Mr Gregory have any comments to add.

Ian Faris: Michel Perron has put it well. He spoke well to the phenomenon of trading down by those who are price sensitive versus reduction in consumption by moderate consumers. Heavy consumers tend to trade down and to change their alcohol preference, either by volume or by switching to a cheaper brand, whereas more moderate consumers reduce their consumption. There may not be academic evidence for a linkage, but there is anecdotal and some research evidence that minimum pricing can have a positive effect on that targeted community, as opposed to the population in general.

Mary Scanlon: I am trying to pin down the relationship between minimum pricing, consumption and effects on health. I have with me a piece of research that states that the provinces in which minimum pricing has been implemented

"have higher levels of alcoholic liver disease deaths and selected crimes"

than the provinces in which it has not been implemented. Is that accurate?

Michel Perron: Can you point us to the piece of research to which you are referring? It is a challenge to establish a causal relationship between any social intervention or taxation policy and a particular behavioural effect. At best, we can look at an attribution of causality, as opposed to a direct conditioned response. The province in Canada that consumes the greatest amount of alcohol—Quebec, our French-speaking province—has the lowest reported harm. The issue is not so much consumption as the manner in which and the purpose for which alcohol is consumed. A level of sophistication is needed in alcohol policy; I know that members are seeking clarity in that area. Unfortunately, some of the evidence will remain equivocal. Despite the strong anecdotal evidence of a relationship, there will not be the level of causality that we would like to see. If there is a specific piece of evidence on which you would like us to comment, it would be helpful if you could point us to that.

The Convener: Mary Scanlon held up the document in question; we could see it but you could not. I ask her to identify it on the record.

Mary Scanlon: The evidence that I cited is on page 27 of the Scottish Parliament information centre briefing on the Alcohol etc (Scotland) Bill, which was published on 18 February.

The Convener: I know that you have the document immediately to hand.

Ian Faris: It is a good thing that we are not on camera.

Michel Perron: It was Mr Faris who said that.

Ian Faris: I did not want that on the record.

The Convener: Would Mr Faris or Mr Gregory like to add to what Mr Perron has said?

Ed Gregory: One challenge is to separate minimum pricing from other initiatives that are in place. How do we deal with the confounding factors that are at play? Alberta, for example, has experienced many social changes and much population influx as a result of the oil sands boom. There are economic considerations. Because there are so many other factors at play, it is difficult to show that a specific initiative is directly linked to the social or health situation.

Ian Faris: I hate to take the Mediterranean diet discussion line, but the Quebec approach to diet and lifestyle is very European. Michel Perron was right to point out that although Quebec has high levels of consumption, its consumption patterns are different from those of other Canadian provinces. Lots of other factors could be taken into account. I have not seen the research to which Mary Scanlon referred, but other lifestyle factors could lead to lesser instances of liver disease or other forms of ill health.

14:30

The Convener: I do not think that the Scottish lifestyle could be called "very European", but I stand to be corrected.

Mary Scanlon: I thank the witnesses for their evidence. A minimum price might or might not be competent in the single market—the free trading market in the European Union. I am sorry if I focused on one issue, but I wanted to examine whether the minimum price and health benefits are connected.

Ian Faris: I want to make one more point clear. I do not want to sound defensive, but we in Canada feel that the system is good for Canada. We certainly would not venture to say that Scotland should implement it. We are happy that you are studying it and that you are doing consultations. We want to make it clear that the measure is part

of a suite of policy tools, products or programmes that we find effective and which we call the Canadian model. However, that is not a one-size-fits-all approach and it might not translate to other jurisdictions.

Michel Perron: I am trying to step back a little, as I am beginning to appreciate more subtly the challenge that is before you because the United Kingdom is a member of the European Union. The first point is that members of the Scottish Parliament should take comfort that a body of evidence speaks to a relationship between price and consumption. That can be demonstrated on a variety of consumer-good products. A well-established cadre of such evidence exists. There is also anecdotal and some scientific—but not academic—evidence of price sensitivity to the price of beverage alcohol among heavy drinkers.

It is true, as our submission says, that

“there is no *direct* evidence anywhere in the world that minimum pricing policies are effective for reducing harmful drinking at the population level”,

but perhaps the question is whether evidence of a causal attribution between minimum price and the population level can really exist when there are so many confounding influences along the way. I am sorry if I am debating our submission but, on the absence of evidence, perhaps the committee could ask itself whether it is reasonable to assume that such a relationship could ever be shown.

In the absence of knowing what could be, it is important to know that a body of evidence exists about the effect of price on consumption, and about heavy-drinking consumption and price. If the committee is interested in mitigating acute heavy-drinking episodes that ultimately harm Scottish people's health, that is a good starting point and provides a basis for making an argument.

Canada's national alcohol strategy was founded on conservatism in the sense of addressing the best evidence. The researchers that we had around the table found the strategy appropriate—I understand Mr Faris's point that this is a different kettle of fish—and thought that it was a reasonable and sufficiently substantiated policy intervention to put in place to help us to mitigate those harms. I hope that that is helpful.

The Convener: Indeed it is.

Michael Matheson (Falkirk West) (SNP): I am interested in your written evidence and your comments today that no systematic evaluation has been undertaken of the effects that social reference pricing has had in Canada. Given the time for which some provinces have had such policies in place, why has no evaluation been undertaken?

Ian Faris: Social reference pricing is a Government policy. As members will appreciate, we in Canada have, like you, competition laws that dictate particular pricing behaviour. The industry has had no hand in setting the prices. We support the Government, but it is the Government that has not analysed its own policy. I respectfully submit that your question is a good one to ask the next panel—the witnesses from the Alcohol and Gaming Commission of Ontario and the Liquor Control Board of Ontario.

Michel Perron: I concur with that to some extent. To be clear, Canada has had a comprehensive national alcohol strategy only since 2007. Prior to that, it was a compilation of different provincial policy interventions, some of which were co-ordinated nationally but were fairly autonomous in many respects.

There is often a paucity of research dollars available to study particular effects. Some of the areas on which we would like to do much more study concern point-of-sale issues, such as whether the required enforcement takes place—some of the alcohol commissions do that—and what the density of drinking establishments really means for drinking patterns. I am sure that a number of researchers would come up with a far more eloquent list of research interests.

Unfortunately, minimum pricing has not attracted great research funding or interest among the research community. Perhaps that goes with the point that I made earlier to Mary Scanlon. We cannot necessarily get there from here in making a sufficiently causal attribution between minimum pricing and the level of harmful drinking, but I revert to my earlier point that it is part of a basket of policies that is seen to be effective.

Michael Matheson: That is helpful, thank you. It is clear from some of your evidence that you believe that you require what you described as “a basket of policies” or a suite of tools. Would it be possible to have an effective national alcohol strategy that did not have some sort of tool in the basket to deal with pricing of alcohol?

Michel Perron: Its inclusion in our strategy was specific to the fact that we think it important. Its absence would have signalled something different to what we are trying to achieve at public health level. If our tobacco products were available for 50p a packet and we were trying to dissuade consumption, that would not work. However, alcohol is an altogether different commodity—it is one that can be enjoyed responsibly and that we know has demonstrated health effects. That said, price is important for us.

Price also allows for expansion into areas such as stimulation through tax relief, which is one of our recommendations. We are talking about

volumetric taxing within beverage categories such that lower-alcohol beverages would attract lower taxation. Price and taxation work well together, particularly when we are trying to effect change. The issue is the alcohol, not so much the beverage; it is how much alcohol a person consumes daily versus how much of the beverage they consume, depending on the alcohol strength, obviously.

It would be difficult to argue that price is so irrelevant that it should not be part of a national suite of policies.

Helen Eadie (Dunfermline East) (Lab): We understand that there have been a number of complaints that social reference pricing is simply a device to protect certain state alcohol producers and that it acts against out-of-state wine producers and value-end producers. Would the witnesses like to comment on that? Have there been any consequences since the North American free trade agreement came into force?

Michel Perron: My knowledge of that is rather anecdotal. I know that the industry makes it a far greater priority in its daily work to deal with those issues. When we talk about this from a public health perspective, we are talking about minimum price at point of sale for an individual. The manner in which that price is constructed through domestic or international trade matters is somewhat secondary to the public health interest, but of course we know that these are real issues. I know that the industry and the Government have to adhere to those parameters. Ours is really a point-of-sale price, which ensures that there is economic competitiveness between our domestic and international producers. We know that we must maintain it and adhere to the rules of NAFTA and the like.

Ian Faris: From our perspective, certainly in the beer sector, we are primarily a domestic industry. We sell upwards of 23 million hectolitres a year, 86 per cent of which is domestically produced. Imports are an important segment of the market, but they are not a large volume. I do not think that that has traditionally been the case. There has not been a up-tick, or a downward trend in the number of imports. Our exports have increased over the years. We have data going back to about 1990 through to 2008, which show increased exports. I think that we took a bit of a dip in the recent recession. I suggest that there has not been a negative effect on the economics of the industry or the trade of the industry with respect to imports. I hope that that answers your question.

Helen Eadie: Thank you for that answer. Another issue that concerns the Scottish Parliament is alcohol smuggling and illegal manufacturing. I understand from a Liquor Control Board of Ontario document that

“Alcohol smuggling and illegal manufacturing, while by no means a new phenomenon, have been growing in recent years and continue to grow exponentially. According to one LCBO document, for example, illegal alcohol seizures from licensees have increased by 3000% during a period of one year recently.”

That is a cause for concern for us here in Scotland. Would you like to comment on that?

Ian Faris: From a brewer's perspective, those numbers are a bit startling to me. That is certainly not my understanding. From a beer perspective, there is very little counterfeit product. I would suggest that it is just not economical to make counterfeit beer overseas and bring it into Canada—it is even less economical to produce it in Canada. We also have a fairly vibrant U-brew and U-vin system, which is within the regulatory control of the Government and is not considered illicit alcohol. I understand that the LCBO is on your next panel, so I respectfully submit that you ask that question of it. Perhaps the problem is in the spirits industry and the wine industry—it is certainly not in the beer industry.

Helen Eadie: The figures came from the department of economics at York University in Toronto. They are from a study by the university, which says that

“the illegal market in spirits and wines accounts for more than half of all the LCBO sales in these two categories”—

which totals something of the order of 1,573 million Canadian dollars.

Clearly, it is significant if illicit and counterfeit products are being sold. The study

“estimates that the decline in alcohol sales in Canada is 60% greater than in the United States, and attributes this disparity to illegal alcohol sales in this country which go unrecorded.”

Ian Faris: Again, those numbers come as a surprise to me. It would be appropriate to raise them with the LCBO to gauge its reaction and to determine what the research was and what it was measuring.

Canada has an issue with the illegal trade in tobacco products; we are certainly familiar with that. However, I am not familiar with the widespread illegal smuggling of alcohol into Canada, and I have not heard evidence of it. That is not to say that it does not occur on some level, but the issue did not surface as a significant factor in all our discussions with the fairly robust array of committee members who sat around the table when we created the alcohol strategy, including the Royal Canadian Mounted Police and other enforcement groups, the liquor control commissions and the liquor licensing authorities.

14:45

The issue of third-party alcohol surfaced as one that we wish to discourage. We have a history of U-brew/U-vin establishments where people can manufacture their own beer or wine, typically for a lower price than would ever be seen as a social reference price. Committee members agree that there should be a reduction in, if not a halt to, any expansion of U-brew/U-vin because it creates a source of alcohol that is not nearly as regulated as is the case through our efficient alcohol monopoly system.

The enforcement component of the alcohol strategy is also important: it covers the bootleg, third-party-type provision of alcohol, typically in remote communities in the north, and interventions on people who are driving impaired and so on.

The report that was mentioned is news to us. I would appreciate it, madam convener, if you would send it to us. I would certainly like to follow up on it.

The Convener: Yes, indeed.

Rhoda Grant (Highlands and Islands) (Lab): I am very interested in the answers that were given to Mary Scanlon about culture and patterns of consumption and harm. Could we get some more written information on that rather than going into it in any great depth today?

I also want to ask about discounting and encouraging consumption in that way. In Scotland, we have dealt with that in the on-trade through licensing laws, and the bill will deal with it in the off-trade. Did social reference pricing affect deep discounting in both trades in Canada?

Ian Faris: I am troubled by and trying to understand your comment about deep discounting. In the beer sector, we have a vibrant discount sector, which probably approaches upwards of 40 per cent in Ontario. Even in some of our western provinces, it is probably in the 30 to 40 per cent range. That is a moderately priced beer versus a premium brand that might be an import or a domestic premium. Social reference pricing still allows the market to create a discount segment that is appealing to a good portion of the population. I am not sure whether that is what you are asking about.

Michel Perron: The manner in which we conceived social reference pricing is that it is, indeed, the floor. Discounted products in the on-trade or off-trade should not drop below it. The floor is the floor. If 28 beers are being sold for the price of 24, and the unit price remains above the agreed social reference price, we have no issue with that, per se. If the product container is such that it would encourage the consumption of alcohol far beyond what is a reasonable amount,

particularly with reference to the daily drinking guidelines, we have issues with that.

Minimum pricing was introduced in one of the provinces and a bar owner—I make the point that this was an exception—said that they did not like the minimum prices, so anyone who came in to their premises would receive a \$10 bill. That went against the spirit of minimum pricing. The hospitality industry, the drinks industry and the NASAC firmly and consensually denounced that type of practice. Although there might be some poor examples such as that, for us the social reference price is a floor, and discounted products do not go below the floor. We continue to move in that direction.

Ian Faris: There are differences between off-trade and on-trade sales. In the on-premises environment the minimum price is based on volume calculations, so a minimum drink price in some provinces might be \$2.25 or \$2.50—I think that that is a little more than £1. The price is based on volume, so we might be talking about a 12oz beer, a 5oz glass of wine or a 1.5oz shot of spirits. The approach does not take account of the alcohol level. That is where we maybe fall down a little, in that a 10 per cent alcohol beer or a 5 per cent alcohol beer could both cost \$2.50. There is an implicit discount on the amount of alcohol that someone is getting for the price.

In a retail environment, changes can be made within categories. Mr Gregory gave the example of the strong beer case in Ontario, where a higher-alcohol beverage can be priced differently, to achieve a different goal.

Michel Perron: That said, the intent and recommendation of the national alcohol strategy advisory committee is that we adjust for that through volume after taxation within the beverage category, for retail and for on-premises sales. That is more difficult to implement, but we do not seek a situation in which someone can buy a beer that has twice the alcohol content for the same price.

The minimum price has to be constructed on the basis of a common understanding of what is a standard drink in the particular country, which is to do with the number of grams of alcohol per drink. That has to do with the number of drinks per day that a country wants to recommend in its drinking guidelines, which in turn links to people being asked how much they drink by their primary care physician. All that comes into play.

Rhoda Grant: The evidence has clarified the position a little. Here, there is deep discounting for people who buy in quantities. For instance, if someone buys two bottles of wine they might get another one free. They can buy one can of beer at a certain price, but the price per can is much lower if they buy 24 cans. Such deep discounting

encourages people to buy in volume. Has your pricing mechanism dealt with that problem?

Ian Faris: I am not sure that what I will say will help you. I was looking at some of the provincial liquor boards' and retailers' websites recently, which showed the opposite situation to be the case. If someone buys a single can of beer, it will cost less than one twenty-fourth of the cost of a 24-pack of beer, or less than one twelfth of the cost of a 12-pack. We do not have the practice of deep discounting or giving away free products through "buy two, get one free", although there is at least one jurisdiction in Canada in which the liquor board was giving away a small bottle of whisky with a 12-pack of beer, which was found to be below the minimum price—so a Government body was going against the spirit of its own rules.

We have no history of deep discounting and giveaways. That is something that we just do not have, because of the social reference price. As Michel Perron said, there is a floor, and people must do the math and the calculations to ensure that their prices do not drop below the floor.

Michel Perron: I should underscore the fact that our alcohol strategy, which was created in 2007, is still very much in its implementation phase. I would not want members of the Scottish Parliament to think that everything is perfectly rosy in Canada or that it would not be possible to find examples that go outside our recommendations. Our alcohol strategy attempted to bring together very disparate entities—from public health bodies to industry to different orders of Government—in common alignment. The strategy is a long-term exercise that needs to be vigilantly managed, if I may use that term, over a long period. Some of our recommendations remain recommendations at this point and are not necessarily reality, but we are working our way towards implementing them. An important aspect in formulating any plan is in creating a sense of where we need to be. Ultimately, we then need to get ourselves there as soon as possible, but we should also understand that it will not necessarily all happen tomorrow.

Rhoda Grant: Let me move on to another issue. Our committee has received evidence that minimum pricing might be a regressive policy, in that people on lower incomes will be affected in a much harder way than those on median and high incomes. Has there been a similar experience with social reference pricing? If so, how has that been dealt with?

Michel Perron: Our paper speaks to that somewhat, but I am not qualified to answer whether there is any evidence on that question. I am happy to take a note of that and to revert back to the committee with any other information that we might have.

Notwithstanding the effect on people who are economically or socially disadvantaged and marginalised populations, the social reference price should be based at a point that we think is an appropriate price for that product. For socially disadvantaged populations that might be driven to different types of consumption or even to different types of products, there must be different types of outreach. Again, that brings us back to the point that no single intervention will effect the type of result that we all want. Only a multiplicity or convergence of well-organised and cohesive strategies will produce that result.

However, I will take note of the question and see whether I can come back with something a bit more eloquent and specific.

The Convener: There is no need to worry about your eloquence, which has been given very high marks here in Scotland. Feel free to provide any additional information once you have seen our *Official Report*. Indeed, given that we are using this very artificial form of communication—with which I think we are all coping rather well—if committee members have any additional questions, our clerks might send those via e-mail for answer. Would that be satisfactory to you?

Michel Perron: We would be happy to do that. I will note that you have attributed eloquence to Michel Perron. Thank you.

The Convener: I wish you were over here. You sound lovely. Perhaps we will get to Canada one of these days.

Michel Perron: We would love you to come. You have a wonderful country and city there.

Ian McKee (Lothians) (SNP): This question is initially for Michel Perron. The CCSA submission mentions two things that the Scottish Parliament cannot really alter: the level of alcohol taxation and the Government's interest in the distribution and retailing of alcohol, which I presume means that it is possible to prevent those who sell alcohol from using it as a loss leader for other goods. The submission states:

"Canada has some of the highest alcohol taxes and prices in the world".

Why, in that case, are you not happy with just raising the alcohol tax to a level that brings about health benefits? Why do you feel the need to introduce social reference pricing as well?

Michel Perron: That is an excellent question. I could give you the political answer or the real answer. In the spirit of candour and of hoping to move the debate forward, I will choose to give what I believe to be the real answer.

15:00

We considered this specific example when we were creating the alcohol strategy. If, as a backdrop to the debate, we assume with Jürgen Rehm and others that the lower the price, the higher the consumption and the greater the harm, the objective of the policy should be to create a price that establishes a floor that will militate against unhealthy consumption. Everybody agreed to that. When we came around the table to discuss how to construct the price, many public health advocates were incensed by the thought that it would have to be by way of taxation—it would be by way of profit for Government or industry. That is the point at which you will see a quick ceding of consensus around the table. In Canada, the Government accrues tremendous benefit from alcohol taxation and yet, with all due consideration, we do not see a return on investment for public health interests on the revenue that is accrued. It is often the case that public health interests and others think that any price adjustment should be reflected in taxation; they do not want the industry to earn more money.

I am by no means a representative of the industry; I am a representative of the strategy. If price is the issue, the manner in which it is constructed is secondary to me. That said, albeit that taxation is a favoured Government lever, it is a double-edged sword.

Also, there is a tremendous lobby industry and it can prevent taxation moving forward from becoming a reality and yet, with the flick of a pen, through our liquor distribution systems and monopolies, we can establish a social reference price. We agreed that a social reference price would be the floor, given that price is the denominator, but we also indicated that we should ensure that our taxes remain constant to the consumer price index so that taxes do not decrease over time.

If all this is done on the basis of tax and to the detriment of industry, I suspect that the industry's argument will be that it is a licit industry with a licit product. If things are done in that way, I suspect that you will get a whole lot of infighting. That will not help to move things forward. I apologise for the candour of my remarks, but that is my personal view; it is my experience.

Ian McKee: So, you are saying that the alcohol industry is fighting for social reference pricing because it does not like the vast increase in Government taxation.

Michel Perron: It is always helpful to find a win-win situation. It is not accurate to say that the alcohol industry is fighting for social reference pricing; rather, the public health industry and ourselves deem social reference pricing to be an

appropriate intervention to reduce alcohol abuse. I will not speak for the industry—it is represented at the table, so it can defend itself—other than to say that it agreed that social reference pricing is an effective means by which to mitigate harmful alcohol consumption.

The manner in which the price was constructed was a secondary discussion. I think that the industry would not say that it woke up one morning and said that it advocates social reference pricing. One unique aspect of the alcohol strategy is that we tried to find the quid pro quo or the win-win situation without capitulating on public health policy. We wanted to create an environment in which industry saw that it would not lose, public health got the type of intervention that it wanted and Government accrued the level of revenue that it needed. In other words, everybody got an appropriate portion of the pie.

I want to make it clear that the industry is not driving the issue; this is very much a public health matter. If the truth be known, the public health industry in Canada is much more likely to say that it wants to see social reference pricing done more by taxation than by any accrual of, or increase in, revenue by industry or Government, including the LCBO. In fact, the LCBO is de facto Government. Mr Faris may want to comment, given that I have been talking about his industry.

Ian Faris: The average tax rate for the beer sector across the various provinces and territories in Canada is about 50 per cent, which is the second highest in the world. I think that Norway is close to 65 per cent, but the rate in Canada is more than anywhere else; it is fairly high.

As Mr Perron said, we are not strong advocates of the Government's social reference pricing but we are strong supporters. It meets social needs and aims. It is also a financial situation that keeps taxation reasonable and certain. We have structured ourselves so that we can live in a high-tax environment. That said, certainty is important. It speaks to one goal of the national alcohol strategy, which is to index social reference pricing to the consumer price index as opposed to taxation. We feel that it makes much more sense to index to price and not to tax level.

Ed Gregory: We have found that a tax increase does not necessarily make its way to price as it works through the supply chain. The advantage of social reference pricing is that the increase is immediate at the cash register or bar. The consumer sees the change right away, while with taxation they do not see the same 1:1 ratio of impact.

Ian Faris: Yes, it has much more of an impact.

The Convener: We move to our last witness—sorry, I am losing my thread. I should have said

that we move to our last set of questions, with Ross Finnie.

Ross Finnie (West of Scotland) (LD): Good morning. I am not sure whether being a witness is a promotion or demotion, but I will take it as a promotion.

I take you back to the interesting point that my colleague Richard Simpson made at the outset. You may recall that he referred to a United Kingdom Department of Health report on Canada. He quoted it accurately as stating that brief interventions

“delivered between 2.5-6 x reduction in consumption that a 25 per cent increase in taxation would.”

However, the next paragraph of the same report states:

“All the projected savings arising from brief interventions would be wiped out in Canada if the State alcohol monopoly were abolished (ie. resulting in alcohol availability and pricing that compares more closely with the UK).”

Reading the whole of that section, it struck me, differently from my colleague, that brief interventions are more effective if they play out against the background of a monopoly and some form of social reference pricing. In the light of that additional paragraph, would you care to comment on those points?

Michel Perron: Hearing you reread the first section, I would like to make the first comment.

The entire premise of SBIR—screening, brief intervention and referral—is to detect drinking patterns that exceed the nationally recommended consumption levels. It follows that, if SBIR is implemented, it is an effective means of identifying who is drinking above those levels and of providing strategies and encouraging them to reduce their consumption. There is an understanding of who the consumer is, whereas taxation is a blunt instrument that applies to the consumption levels of all Canadians, including those who are the heaviest drinkers and those who are the most moderate. It is difficult to bring down taxation to an acute, singular level, which is why there is that differentiation—they are different instruments with different effects.

We have some experience in Canada of the monopoly system at the retail level having changed—in Alberta compared with other provinces, although it retains a monopoly system at the wholesale level. I am not sure on what basis the statement could be made that, if monopolies were abolished, something in particular would occur. However, we certainly believe that having monopolies provides the type of defences and regulatory control that are consistent with the good public health policy of ensuring that there is socially responsible marketing, advertising, pricing

and delivery of alcohol beverage products in Canada.

I agree anecdotally that the liquor control boards are instrumental in that policy. In fact, we recommend the continuance of liquor control boards in Canada, in spite of the fact that many have challenged them as being out of step with the deregulation of other monopolistic or oligopolistic enterprises.

Ian Faris: I am a bit troubled by the language that is used in the Government report. I echo what Michel Perron said: I see SBIR as being more targeted than a population-based measure. Time and again, in dealing with public policy issues, our industry keeps asserting the need to have targeted interventions—not just SBIR, but targeted programming, too. We see social reference pricing as a targeted intervention that primarily targets the bad behaviour of groups of alcohol misusers.

Is the proposed abolition of a monopoly in the Government report an abolition of the retail monopoly or an abolition of the regulatory authority? In Canada, there is no debate about the Government stepping back from regulating the industry. In Alberta, we now have a vibrant private retail sales environment; to some extent, we have that in Quebec, too. Certainly, we have beer and some wines on sale in our corner stores and grocery stores, much as you have in the United Kingdom, although spirits are still sold only in the Government liquor stores. I am troubled about what the report is referring to in proposing to abolish a monopoly.

Michel Perron: What Mr Faris says is entirely accurate. That said, any further liberalisation or deregulation would not be received favourably by the alcohol strategy group. In fact, we would prefer to keep the system as closed as possible while allowing optimal customer interaction, as is deemed appropriate in a culture of moderation—which is what we are trying to create in Canada, hence the subtitle of our strategy.

The Convener: Thank you very much for giving evidence to us. Any supplementary questions that committee members have will be passed to our clerks and forwarded to you for responses, if that is satisfactory to you. It is a great pity that we cannot see you. If you are desperate to know what we look like, you will find us on a website somewhere.

Ian Faris: Thank you, convener. We have your photos in front of us, so we can see what you look like.

The Convener: Good grief. Rather you than me. I suspend the meeting for five minutes.

15:13

Meeting suspended.

15:20

On resuming—

The Convener: Good morning to Toronto. This is our second panel, which consists of four witnesses. The purpose of our discussion with them is to examine alcohol policy in the province of Ontario, which operates social reference pricing for alcohol sales.

Joining us are Elizabeth Kruzel and Patrick Ford. Patrick is senior director for policy and Government relations at the Liquor Control Board of Ontario. Elizabeth will tell me her role when we get to her. Kathy Klas is director of the sector liaison branch at the Alcohol and Gaming Commission of Ontario. Jeff Newton is president of Canada's National Brewers.

Good morning, ladies and gentlemen. We have already established that you can hear and see me.

Patrick Ford (Liquor Control Board of Ontario): Yes, we can.

The Convener: Excellent. I will introduce my committee members. Starting from my right and your left are Ian McKee, Richard Simpson, Rhoda Grant, Ross Finnie, myself, Helen Eadie and Mary Scanlon.

I intend to move straight to questions from members, starting with Richard Simpson.

Dr Simpson: Good morning to you. We have established that social reference pricing is quite different from minimum unit pricing, but I want to understand a bit better how you approach the problem of creating a floor price for different products. How does that differ from taxation? Is your taxation in Canada based on the units of alcohol, irrespective of the category of drink? Does social reference pricing distinguish between different categories of drink, or is some other mechanism involved? I want to get a basic understanding of the system.

Patrick Ford: In the province of Ontario, both the mark-up structure for different categories of beverage alcohol and the minimum price for those various categories are established under powers that are granted by the Liquor Control Act to the board of directors of the Liquor Control Board of Ontario. Those are established separately, depending on the product category. We have different mark-up structures for distilled spirits, wine and beer products. Similarly, different minimum prices are established on a unit or volume basis for distilled spirits, wine and beer.

Dr Simpson: What is the purpose of having those different elements? In relation to the proposed minimum unit pricing for Scotland, we have been discussing the fact that the price would apply to the unit of ethanol—alcohol—irrespective

of the type of drink. Why have you opted to make a distinction? What is the objective of that? What effect does that have?

Patrick Ford: It is partly historical. The mark-up structures and minimum prices are long standing, having been based on different product categories. In the case of beer, as Mr Newton from the National Brewers has just noted down for me, there is a per-litre-of-absolute-alcohol basis to the minimum price structure. Products in other categories, including the majority of the distilled spirits that are sold in the marketplace here, are sold at the 40 per cent alcohol level, and the minimum price is consistent across those products.

In the case of wine, I believe that we have a single minimum price structure, which, again, varies by volume. A single, per-litre value, based on some assumptions, is placed on wine with an alcohol content greater than 7 per cent and a lower value is placed on wines with an alcohol content of 7 per cent or lower.

Jeff Newton (Canada's National Brewers): The approach that is taken for beer, for which the minimum price is based on alcohol content, is different from the approach used in the pricing of wines and spirits. The vast majority of spirits have an alcohol content of 40 per cent. There is some variation in the alcohol content in the spirit and wine categories, but not the same variation as there is in the beer category. The vast majority of wines have an alcohol content of 11, 12 or 13 per cent, whereas the alcohol content in the beer category ranges from 3 per cent all the way up to 10 per cent; hence, in the beer category, a banded approach is taken. The first band is for products with an alcohol content of below 4 per cent; the second band is for products with an alcohol content of between 4 and 5 per cent; and the third band is for products with an alcohol content of 5 to 5.5 per cent. Products with an alcohol content of above 5.5 per cent get into the high-alcohol minimum price category, which is tied to litres of absolute alcohol. As the alcohol concentration rises, so does the minimum price. So, the different approaches that are taken in setting the minimum price on the basis of alcohol concentration are largely due to the unique characteristics of each category and the distribution of products of different alcohol concentrations within the wine, spirit and beer categories. There tends to be a lot more variation of alcohol concentration in the beer category than there is in the wine and spirit categories.

Patrick Ford: The written submission that the Brewers Association of Canada provided to the committee in advance profiles specifically the decision by the Liquor Control Board of Ontario to

implement the high-alcohol beer category that Mr Newton has just described.

Dr Simpson: I have read that submission. The minimum price for a beer with an alcohol content of 6 per cent is not twice that for a beer with an alcohol content of 3 per cent; the price increases as the alcohol concentration increases—is that generally correct?

Jeff Newton: No, there are three bands for products with an alcohol content of below 5.6 per cent. A minimum price is set for products with an alcohol content of less than 4 per cent; there is a slightly higher minimum price for products with an alcohol content of between 4 and 5 per cent; and there is a third band for products with an alcohol content of between 5 and 5.5 per cent. The progressive increase in the minimum price in those three categories is not related to the alcohol concentration. Only beers with an alcohol content of above 5.5 per cent get into the high-alcohol minimum price category. In that category, of beers with an alcohol content of 5.6 per cent or more, the minimum price increases as the alcohol concentration rises. It is set at \$1 per litre of absolute alcohol and, as the alcohol concentration rises, so does the minimum selling price.

Dr Simpson: But that happens only for beers with an alcohol content of above 5.6 per cent.

Jeff Newton: Yes. There are minimum price increases between the lower categories—between, for example, the categories of 4 to 5 per cent and 5 to 5.5 per cent. However, those increases are not linked to the rise in alcohol concentration. It is only in the category of beers with an alcohol content of above 5.6 per cent that the increase in the minimum price is directly linked to the alcohol content of the product.

Dr Simpson: That is fine, thank you.

15:30

Mary Scanlon: My first question is for Jeff Newton of Canada's National Brewers. In your written submission, you said that beer products must meet minimum sales quotas in each store. When a minimum price was imposed and brands that were known to be cheaper became similar or equivalent in price to premium brands, did you find that some of the cheaper brands fell off the shelf? In Scotland, we are looking at perhaps a 37 per cent increase in the price of a blended whisky, which will bring it closer to the price of a malt whisky. There is an assumption that, given the small difference in price, people will go for the premium product rather than for the blended, own-brand products. Did that kind of thing happen in your outlets?

Jeff Newton: Probably the best example of that was when the high-alcohol minimum price was introduced here about four or five years ago for brand leaders in the category of beer that is 5.6 per cent alcohol and above. The minimum price for that category was introduced because in certain downtown neighbourhoods of the city of Toronto we were experiencing a surge in sales of beers with high concentrations of alcohol—7, 8, 9 and 10 per cent alcohol beers—which were selling at a cheap price point.

Prior to the introduction of the high-alcohol minimum price, a 10 per cent beer was subject to the same minimum price as a 5 per cent beer. So, even though it had twice the amount of alcohol, it could sell for the same minimum price as a 5 per cent alcohol beer. Some products became recognised by certain at-risk populations as the cheapest source of alcohol in the market. Sales of those products surged dramatically over about a year and a half from less than 1 per cent to about 10 per cent of the market share in some downtown Toronto stores. That created issues in the local community, and community groups complained to the police. We had a lot of dialogue with the police, who were dealing with the fallout of crime-related issues that were related to the high-alcohol products.

The high-alcohol minimum price was introduced to try to remedy that problem. The intent was to eliminate the situation whereby a 10 per cent beer could sell for the same price as a 5 per cent beer. The Liquor Control Board of Ontario introduced the high-alcohol minimum price for beers of 5.6 per cent and above. The price of a number of those products was forced to go up significantly—it doubled and tripled in some cases. Very quickly, in some downtown Toronto stores, sales of those products dropped dramatically from 10 per cent to less than 2 per cent of the market share. A number of the products failed to meet the Beer Store's sales quotas for maintaining a listing and were withdrawn from the system. A number of the manufacturers of the products reformulated their alcohol concentrations, reducing them from 7, 8 or 9 per cent to around 6 or 7 per cent in order to have a selling price that was still relatively low so that they could maintain sales.

To answer your question, the measure certainly had the effect of forcing products out of the market and suppressing sales of beers with high alcohol concentrations; it also caused manufacturers to reformulate their products so that they had lower alcohol concentrations.

Elizabeth Kruzel (Liquor Control Board of Ontario): It also dealt with the community and neighbourhood issues that had been experienced because the higher alcohol beers had been available at a lower price.

Jeff Newton: The concerns that we heard expressed from the local community groups prior to the introduction of the high-alcohol minimum price for beers of 5.6 per cent and above were virtually eliminated. We have not had any significant concerns expressed about those products since the introduction of the minimum price.

Mary Scanlon: What I am really trying to get at is what happens when there is little difference in price between a cheaper brand and a premium product that has the same alcohol concentration—in other words, when a blended whisky becomes similar in price to a single malt with the same alcohol concentration. Is the discerning customer not likely to go for the known premium brand with the same alcohol concentration? Is what is recognised as the cheap blend not likely to fall off the shelves?

The Convener: I do not know whether the witnesses can answer that question for Scotland or whether it is relevant to them. If they think that it is, they can answer it.

Patrick Ford: The question has some relevance from the perspective of the Liquor Control Board of Ontario, partly because we sell distilled spirits. Our general experience has been that, whenever there has been an increase in the minimum price of products that we refer to as having a floor price, there have commonly been corresponding price increases in what we refer to as our deluxe and premium class spirits. The effect has been to encourage price increases in other products. Our experience is that such price increases do not seem to cause a shift towards more premium products, because the differential is maintained.

As a commercial practice, typically the LCBO will provide additional promotional opportunities for more premium products. Therefore, minimum price products will not be placed on end-aisle displays or at more premium shelf locations at the consumer's sight level; rather, they will be on the lower shelves. A number of factors influence consumer behaviour, but, generally speaking, the market responds to increases in minimum prices with corresponding increases across the price bands.

Mary Scanlon: That is helpful.

My second question is for Kathy Klas, who is looking very lonely. The submission from the Alcohol and Gaming Commission of Ontario states:

"The legal drinking age ... in the province of Ontario is 19."

In relation to the bill that we are scrutinising, we are asking local authorities to determine whether the legal drinking age in establishments should be

18 or 21, depending on whether they cause problems. Why was the age of 19 decided on in Ontario?

The Convener: Ms Klas does not look lonely at all to me.

Kathy Klas (Alcohol and Gaming Commission of Ontario): I have lovely people around me and am not lonely, but thank you for asking.

The drinking age in Ontario was raised from 18 to 19 in 1979. There was concern that some high school students going into grade 13 would be afforded the opportunity to purchase alcohol on turning 18 whereas others would not. It was decided that the legal drinking age should be raised to 19, in essence to make drinking illegal for most individuals in high school. There has been a great debate about whether the legal drinking age should go up to 21 or back down to 18. Several provinces in Canada have legal drinking ages of 18 and 19. In most cases, our neighbours to the south—the Americans—have a legal drinking age of 21.

Consumers have migrated across borders when legal drinking ages have varied. There are often influxes into Ontario locations of young drinkers and inexperienced drinkers from jurisdictions with higher legal drinking ages. Some might say that that encourages excessive or irresponsible consumption. In turn, we have found that people have migrated outside Ontario to bordering jurisdictions in which the legal drinking age is 18. However, we have found that 19 is the appropriate age, and no change to that is being considered at the moment.

Elizabeth Kruzel: An additional point is that in Ontario we have a graduated licensing programme. When people start to learn to drive at the age of 16, they go through a fairly rigid programme and have different entitlements as they move through graduated licensing. There is a requirement that they have a zero blood alcohol concentration while they are in the programme. So those policy measures have acted in concert.

The Convener: Before we move on, I ask Ms Kruzel to move a bit closer to the microphone. You do not look lonely now either.

Mary Scanlon: I have a very brief final question. I quote from the Centre of Addictions Research in British Columbia, which states:

"In Canada, residential hostels have been established in some cities for homeless alcoholics in which alcohol is provided free of charge in a controlled manner."

Will you give me some background on that? Is it because those people simply cannot afford alcohol and the state has decided to provide it free of charge? It seems unusual.

Elizabeth Kruzel: I would be glad to provide you with some information on a few programmes that have happened in Canada. Previously, homeless and underhoused people who wanted to go into a hostel could not consume any alcoholic beverage while they were in the hostel so, because they were alcohol-dependent, they would consume as much and as quickly as possible before they went into the hostel. They had very high levels of intoxication while they were in the hostel overnight and hostel staff would have to deal with them detoxing and other potential life-threatening conditions. Therefore, some pilot programmes were introduced in major centres in Canada in which small quantities of alcohol were administered to people while they were staying in the hostel so that they would not detox or experience delirium tremens, and they could then deal with not having high levels of intoxication. The hostels made the choice to provide the product to individuals. Some do a small cost recovery, depending on whether the person has any cash while they are in the hostel.

There are two notable programmes in Ontario—one in Toronto and one in Ottawa—and I would be glad to provide you with the reports and evaluations that have been done on them.

The Convener: That is an extremely useful description of what is happening with people who are bevvying up before they go into hostels; it is just the same in Scotland. That information would be useful to us.

Mary Scanlon has concluded, so we are whizzing along. I now call Helen Eadie and Rhoda Grant.

Helen Eadie: Thank you, convener, and good afternoon ladies and gentlemen—

The Convener: Good morning.

Helen Eadie: I am sorry, convener. That is me put in my place.

I note from my papers that the Liquor Control Board of Ontario is one of the largest single purchasers of beverage alcohol products in the world. I also note that its original dual mandates were to make money for the Government and the regulatory control of the use of alcohol in society. Over the years, has there been a conflict of interest that has influenced policy determination in Ontario?

Patrick Ford: The material that we have shared also identifies that the province appoints a board of directors made up of citizens from around the province and from various fields of expertise to guide the direction of the LCBO. The board's objective is to ensure that an appropriate balance is achieved between ensuring the socially responsible and controlled sale of beverage

alcohol to discourage immoderate consumption—policies such as minimum pricing that prevent deep price discounting—and generating revenue. We report to the Minister of Finance and are expected to generate revenue to help to fund various programmes that are delivered by the province, including health and education services. In the past fiscal year, we generated approximately 1.4 billion Canadian dollars in revenues that the province then used to fund its various services and programmes.

15:45

Helen Eadie: I note that something like 4.3 billion Canadian dollars comes from the LCBO each year. That is some amount of money.

In Scotland, we are also concerned about our borders, which are different from yours. Not only do we have borders with England, but we have borders with Ireland and borders in the North sea. Being surrounded by water, we are concerned about alcohol smuggling as well as illegal alcohol manufacturing, with people building their own stills. Of course, that is by no means a new phenomenon. The paper that I quoted earlier from Nuri T Jazairi of the department of economics at York University in Ontario also says:

"According to one LCBO document, for example, illegal alcohol seizures from licensees have increased by 3000% during a period of one year ... Hardly a week passes by without thousands of cases of smuggled liquor being confiscated in Ontario."

We have similar concerns because, as the paper points out, such activity can result in

"black market products whose alcohol content reaches lethal levels, or which is in sub-standard storage and containers."

We also have to consider the cost of police enforcement and so on. I do not know whether that is a question for Kathy Klas of the Alcohol and Gaming Commission of Ontario.

Kathy Klas: I will try to respond somewhat to that question.

The LCBO has been very proactively involved in investigating illegal alcohol in Ontario. That happened primarily back in the early 1980s, when a lot of product was being brought across the border from areas where it could be accessed at a lower price by people who, in an entrepreneurial spirit, felt that it was economically feasible to sell it illegally here. That did not happen to the same extent with distilled spirits—people were not setting up illegal stills in Ontario; rather they were bringing the product over the border. However, wine was being manufactured and sold illegally in the province and was making its way to home consumers and licensed establishments for on-premise sales. As a result, the police, the LCBO

and the commission's predecessor body, the Liquor Licensing Board of Ontario, made a concerted effort to enforce the laws, which has greatly reduced the amount of illegal beverage alcohol in Ontario.

Patrick Ford: Smuggling activity has been influenced as much as anything by changing exchange rates between Canada and the United States. Ontario has border crossings not only with the adjoining provinces of Manitoba and Quebec but with the states of Michigan, at Detroit, and New York, at Niagara Falls. Given the large volume of traffic on those border crossings and the fair degree of cross-border commerce, there will always be some volume of smuggling activity but, as Kathy Klas noted, it has come down in recent years.

Helen Eadie: Has the internet affected the situation in Canada? After all, from my armchair at home, I can purchase things from outwith Scotland and have them delivered directly to my door, often at no additional cost. Are you able to comment on the Canadian experience in that respect?

Patrick Ford: Certainly. Under the Importation of Intoxicating Liquors Act, which is a Canadian federal statute, each provincial liquor authority, including the LCBO, has delegated authority and serves as the sole legal importer of beverage alcohol into the marketplace in its jurisdiction. There is some internet-based sales activity in Ontario. For example, we have close to 150 wineries based in the province, many of them close to Niagara Falls, which commonly make sales to home consumers via the internet. That activity can occur under the authority of the Alcohol and Gaming Commission of Ontario. However, outside that jurisdiction, it is not legal to make a sale into Ontario—for example, from the United States or another province—unless the goods are first consigned to the Liquor Control Board of Ontario.

Helen Eadie: Is that policed or enforced in any way? To what extent are irregularities discovered in the process?

Elizabeth Kruzel: We work closely with the Canada Border Services Agency, which is the federal agency that looks after all matters relating to customs. The LCBO will also collect amounts on any beverage alcohol shipments that come into the province as what are known as direct shipments.

The Convener: I am intrigued to know what is being ordered door to door on the internet, but we will leave that for a less public session. We do not want the whole of Canada to know.

Rhoda Grant: Our previous panel of witnesses said that very little research has been done into the impact of social reference pricing. We were

told that you would probably have more information on that. Has that impact been tracked through national statistics on consumption?

Patrick Ford: I have not seen a lot of research specifically on the influence of social reference pricing or minimum pricing on consumption levels. We have a great case study, however, in the introduction of the high-alcohol minimum price in Ontario a number of years ago. That provided a good laboratory to assess the effect of minimum pricing in redirecting consumption from higher-risk, higher-concentration products to products with a lower alcohol content. The introduction of the minimum price for high-alcohol beer resulted in the market share of that product in a number of at-risk neighbourhoods declining from 10 to 2 per cent, which indicates that minimum pricing can work if it is properly employed. Although that was not an academic or empirical study—the information basically came from the Beer Store analysing its sales pre and post the introduction of the minimum price—that is one example of how the policy can work.

Beyond that, a lot of academic research points to the role of price as a demand driver, especially among youths and people on modest incomes. The research shows that as the price drops, consumption levels increase. Although that research is not focused exclusively on the effect of minimum pricing, it establishes the link between price and consumption. There is a litany of such research out there in the academic community. Elizabeth Kruzel may want to comment on that.

Elizabeth Kruzel: Over the past four decades, a number of seminal studies have been carried out by health policy researchers and economists into the relationship between price and consumption, which show a clear correlation. Although the level of price sensitivity varies within the population and may be a bit lower within dependent populations, those populations will be at least as price sensitive as the general population. We have some excellent research on the relationship between price and consumption. It may not specifically evaluate Ontario's experience of minimum pricing, but it is useful and I encourage the committee to read some of the most important research in the area if it has not yet had an opportunity to do so. A robust meta-analysis of more than 100 epidemiological studies on the relationship between alcohol consumption and price was released just last year. The principal investigator was Dr Alex Wagenaar of the University of Florida. I would be glad to forward references to his work and that of others. In turn, the committee may wish to have such individuals as witnesses to help it consider policy measures for Scotland.

The Convener: Thank you. We have already had some academics before us, but we will

certainly follow up on those references if we have not already considered them.

Rhoda Grant: One of our concerns is that while there is a lot of evidence showing a link between consumption and price, it relates to a falling price, not a rising price. That is where we have some difficulties. It would have been interesting to see the difference in consumption. You seem to be saying that people have changed their consumption pattern but perhaps not their consumption level.

Jeff Newton: Here in Ontario we saw changing consumption patterns in the case of high-alcohol beer. High-alcohol beer products, with alcohol in the range of 7 to 10 per cent, were a new phenomenon, and initially had little representation in the marketplace, but their sales grew quickly, driven by the high alcohol content and cheap price, such that in about six to eight months, in a number of downtown Toronto stores, their market share went from zero per cent of all beer sold to 10 per cent. When the high-alcohol minimum price came into effect, their share dropped from 10 to 2 per cent, and, as I noted earlier, many of the manufacturers started reformulating their products to lower alcohol concentrations.

Patrick Ford: As Jeff Newton noted, that was the experience in the Beer Store system that we represents. However, in the case of the LCBO, although we sell a much smaller quantity of beer, we are also a retailer of that high-alcohol product, and our experience—as another large sales channel—was very similar.

Elizabeth Kruzel: We have fairly recently begun to see more analysis in population health research. Rather than just considering litres of absolute alcohol for the population 15 and over, based on recorded beverage alcohol sales, national organisations and health expert organisations are starting to look more at understanding drinking patterns. As with many jurisdictions, we are at an early stage of gaining a more sophisticated understanding beyond just gross sales data. The issue is not just the total amount that is consumed; the drinking pattern is critical to understanding the effect on morbidity and mortality.

Ontario has been relatively stable in terms of litres of absolute alcohol. The committee may have heard about other provinces in which there have been larger increases. Their retail marketplaces have changed more dramatically than Ontario's. We have been quite stable at about 7.7l or 7.8l of absolute alcohol.

Rhoda Grant: Okay, but that has not been effected by your pricing mechanism.

Elizabeth Kruzel: No. We have not seen changes that correlate directly with the increases

in floor prices, for example for spirits. A proper analysis is required.

Rhoda Grant: My next question is on the regressive nature of minimum pricing, in that it impacts more on people on low incomes than on people on medium or high incomes. For example, in a family in which someone is alcohol dependent, an increase in price could affect the amount of money that is available for food and clothing. What steps have been taken to mitigate that?

16:00

Patrick Ford: Such steps are not within the purview of the organisations that we represent. That said, as I highlighted earlier, when a floor price is increased, the typical commercial activity that we see in the marketplace is not only an increase in the lowest-priced products but a corresponding lift in more expensive, premium products. That seems counter to the notion that the effects are regressive in some way.

Jeff Newton: Minimum prices are typically adjusted according to the inflation rate, such that they are kept constant in terms of absolute, or inflation-adjusted, dollars. It is not as if the increases in the minimum price exceed the inflation rate and therefore effectively reduce people's purchasing power.

The Convener: Thank you. The last question is from Ian McKee, although there may be time for supplementaries.

Ian McKee: My questions are on the increase in the price of 10 per cent beer, after which sales fell considerably. I have a simple example for your consideration. Did people who previously drank 10 per cent beer simply drink two bottles of 5 per cent beer for every bottle of 10 per cent beer that they previously drank or was the increase in sales of cheaper beer not in proportion to the alcohol differential?

Jeff Newton: We have not done that analysis. That said, while sales of higher-strength beers at the Beer Store declined following the introduction of the high-alcohol minimum price, there was a slight and modest increase in sales of lower-alcohol beers in the 5 to 6 per cent range. As I said, we have not done the analysis to determine whether people are consuming less alcohol overall, but the clear indication is that people shifted to lower-alcohol products.

Elizabeth Kruzel: Anecdotally, we know that the community issues such as public intoxication and vandalism that focused attention on the matter were eliminated. That is a good indication that consumption was less.

Jeff Newton: After the high-alcohol minimum price was introduced, we did not experience the same level of dialogue with local community groups or the police about alcohol consumption in public places. The measure is not a panacea, but it seems to have had a notable effect. It has reduced many of the problems related to alcohol consumption in public places that local citizens complained about.

Ian McKee: Obviously, the measure reduced alcohol consumption. If it had not, the problems would have remained after the change.

Jeff Newton: Yes.

Ian McKee: What is the favourite beverage of really heavy drinkers at the high-alcohol end of the scale? Is it lots of beer or lots of spirits?

Patrick Ford: It depends on the community and area. In some segments of the population, fortified wine tends to be heavily consumed. In some cases distilled spirits are consumed, and in other cases beer. The least common beverage is regular-strength wine and lower-alcohol products.

Elizabeth Kruzel: The situation varies greatly. In Ontario, as in many jurisdictions, alcohol dependence covers all socioeconomic groups. What people choose to consume to support their dependence varies greatly. It is certainly not unusual for it to be one type of product. For the homeless or underhoused population—certainly in Ontario—the choice is fortified wine. As part of a self-harm reduction strategy, some people choose to purchase distilled spirit in a smaller format with a correspondingly lower floor price. They maintain their dependency but using a smaller format. In that way, they also try to control the extent to which they experience intoxication and corresponding harm.

Ian McKee: In your experience, is that group of people price sensitive in terms of the amount that they consume or are they so addicted to alcohol that they will pay any price?

Elizabeth Kruzel: The research supports the former. Individuals who are dealing with alcohol dependence are as price sensitive as the general population.

Ian McKee: As price sensitive?

Elizabeth Kruzel: Yes.

Ian McKee: You have very high levels of alcohol taxation in Ontario and in Canada. Why do you not just use that as the mechanism? Why mix the two systems of social reference pricing and alcohol taxation? Surely just by increasing alcohol taxation pro rata to the amount of alcohol in the product, you would achieve the same aim.

Patrick Ford: It has been our experience that the two components work well in union together.

The LCBO sources beverage alcohol to bring into this market from approximately 80 countries. Manufacturers in domestic and other jurisdictions can make choices for competitive purposes to achieve greater market share. They might employ practices such as predatory pricing, providing deep discounts to grow market share. We can moderate or mitigate those factors by having a minimum price component alongside the tax structure element.

The tax structure stems from a long-standing policy in this province, and serves as a component in ensuring reasonable minimum prices. The tax structure also aids the generation of revenue in support of Government programmes to offset, in part, some of the impacts that are associated with beverage alcohol.

Jeff Newton: I have a couple comments on the choice between tax or minimum price to achieve what is really a price outcome in the marketplace. The advantage of minimum pricing is that, if it is established as a regulation and a law, it is virtually guaranteed that you will achieve the policy outcome that you want. On the other hand, taxation is a very blunt instrument for achieving that outcome. There is no guarantee that if you increase tax that will pass through the supply chain of manufacturers and retailers into the marketplace and affect the price outcome that you wish to achieve. You can increase taxes and still not have price rises, because if someone in the supply chain is looking to maintain market share, they will simply absorb the tax increase. That would mean increasing the tax load—potentially increasing taxes on consumers who are not part of the problem that you want to address—yet never achieving the price outcome that ultimately is your policy objective. The beauty of minimum pricing is that it is a direct mechanism to set a floor price in the marketplace, whereas tax does not guarantee that outcome.

The Convener: I will do the same thing that I did previously, because I do not want everybody to ask supplementaries, given the time. Members should e-mail any supplementaries that they have to the clerks, and we will send them over to our witnesses, if that is all right. We will ask them to respond as soon as practicable.

Thank you very much for giving us your evidence. Ms Eadie, it is now indeed the afternoon there, so good afternoon to the witnesses and thank you very much for your evidence, which has been very helpful.

Meeting closed at 16:09.

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