Llywodraeth Cymru
Welsh Government

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

Explanatory Memorandum

incorporating the
Regulatory Impact Assessment and
Explanatory Notes

JUNE 2018

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

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

This Explanatory Memorandum has been prepared by the Department for Health and Social Services of the Welsh Government and is laid before the National Assembly for Wales.

It was originally prepared and laid in accordance with Standing Order 26.6 in October 2017**,** and a revised Memorandum is now laid in accordance with Standing Order 26.28.

Member's Declaration

In my view the provisions of the Public Health (Minimum Price for Alcohol) (Wales) Bill, introduced by the then Minister for Social Services and Public Health Rebecca Evans AM, on 23 October 2017, are within the legislative competence of the National Assembly for Wales.

Vaughan Gething AM

Cabinet Secretary for Health and Social Services
Assembly Member in charge of the Bill

5 June 2018

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1. Description

1. The Public Health (Minimum Price for Alcohol) (Wales) Bill (the Bill) gives effect to the Welsh Government's determination to provide a legislative basis for addressing some of the longstanding and specific health concerns around the effect of excess alcohol consumption in Wales. It signifies a firm commitment to further improving and protecting the health of the population of Wales and forms part of a wider and continuing programme of work to tackle alcohol-related harm. The Bill is targeted at protecting the health of hazardous and harmful drinkers who tend to consume greater amounts of low-cost and high-alcohol content products.

2. Evidence demonstrates there is a link between drinking at harmful levels and the availability of cheap alcohol. Legislation is an essential component of the Welsh Government's wider strategy to reduce alcohol-related harm. We will therefore introduce legislation to enable us to specify a minimum unit price (MUP) for alcohol in Wales.

3. Consultation on a draft Public Health (Minimum Price for Alcohol) (Wales) Bill (the draft Bill) in 2015 found considerable support for the introduction of an MUP for alcohol, with the majority of stakeholders recognising the crucial impact it could have on reducing existing levels of hazardous and harmful drinking in Wales and the associated health gains and impact on health inequalities this would bring.

4. The Bill provides for a minimum price for the sale and supply of alcohol in Wales by certain persons and makes it an offence for alcohol to be sold or supplied below that price.

5. The Bill also proposes:

    - The formula for calculating the applicable minimum price for alcohol by multiplying the percentage strength of the alcohol, its volume and the MUP;
    - Powers for Welsh Ministers to make subordinate legislation to specify the MUP;
    - To establish a local authority-led enforcement regime with powers to bring prosecutions;
    - Powers of entry for authorised officers of a local authority, an offence of obstructing an authorised officer and the power to issue fixed penalty notices (FPNs);

- That a report on the operation and effect of the legislation must be laid before the National Assembly and then published at the end of a five-year review period, beginning with the day on which the offence of supplying alcohol below the applicable minimum price comes into force; and
- That the relevant provisions of the Act (and any consequential amendments made by it) will be repealed at the end of a six-year period, unless regulations are made by the Welsh Ministers providing for their continuation.

6. The Bill proposes the MUP would be specified in regulations. However, for the purpose of assessing impacts and the associated costs and benefits, this explanatory memorandum mainly uses a 50p MUP as an example. Where research or analysis has used an alternative MUP (for example, 45p), this is highlighted. The specified MUP may be higher or lower than these amounts. Further analysis of the impacts of different levels of MUP can be found in Annex 3.

7. This explanatory memorandum contains references to the Public Health (Wales) Act 2017 where this provides helpful contextual information.

2. Legislative Competence

8. The National Assembly for Wales (the National Assembly) has the legislative competence to make the provisions in the Bill pursuant to Part 4 of the Government of Wales Act 2006 (GOWA 2006). The relevant provisions of GOWA 2006 are set out in section 108 and Schedule 7.[1]

9. Paragraphs 9, 12 and 15 of Schedule 7 of GOWA 2006 set out the following subjects in relation to which the Assembly may legislate:

Paragraph 9 Health and health services:

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

Paragraph 12 Local government:

…Powers and duties of local authorities and their members and officers…

Paragraph 15 Social welfare:

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

[1] Paragraph 2 of Schedule 7 to the Wales Act 2017 provides that the amendments made by section 3 of and Schedules 1 and 2 of that Act only apply to an Act of the National Assembly if the vote by the Assembly agreeing to the general principles of the Bill for the Act took place on or after the principal appointed day. The General Principles of the Bill were agreed before the principal appointed day, therefore the provisions in section 108 of and Schedule 7 to GOWA 2006 will continue to apply to the Bill.

3. Purpose and intended effect of the legislation

Context

10. The Welsh Government's ambitions are to accelerate the pace of improvement in the health and well-being of people in Wales and for those improvements to be shared more equally. In realising these ambitions, the Welsh Government has signalled its ongoing commitment to take action in a range of ways, including through targeted legislation, to help further improve and protect the health of the people of Wales. This includes using all available policy levers and legislation to reduce hazardous and harmful drinking, where the Welsh Government has the power to do so.

11. Legislation has historically played an important role in helping to tackle public health issues and has proven to be one of the most powerful tools available to governments when responding to the big health challenges. Legislation has been used in Wales to respond to a number of public health challenges, including the introduction of restrictions on smoking in enclosed public places in Wales in 2007; and the Food Hygiene Rating (Wales) Act 2013 – Wales was the first country in the UK to introduce a mandatory food hygiene rating scheme.

12. This Bill, in common with the Public Health (Wales) Act 2017, seeks to build on commitments in the Welsh Government's Programme for Government *Taking Wales Forward* and responds to important public health challenges in Wales. The approach taken in the Bill complements the approach outlined in the Well-being of Future Generations (Wales) Act 2015, which positions principles such as sustainability, integration, prevention and early intervention at the centre of public services in Wales.

13. In bringing forward this Bill, in addition to the Public Health (Wales) Act 2017 and a number of continued non-legislative initiatives, the focus of the Welsh Government is on seeking to shape the social, economic and environmental conditions that are conducive to good health; promote health protection; and prevent health harms which can be avoided. Another feature of this approach is encouraging individuals to take responsibility for their own health and to act in ways which promote their own physical and mental well-being. Such increased emphasis on personal responsibility is at the forefront of a prudent healthcare approach to the long-term sustainability of the NHS.[2]

[2] Welsh Government (2015) *Prudent healthcare – setting out the prudent principles.* http://www.prudenthealthcare.org.uk/principles/

14. The recent Parliamentary Review of Health and Social Care in Wales[3] recognised that "tackling the social determinants of health which result in health inequalities across the country remains a key area for national and local action". The Bill, with its focus on reducing hazardous and harmful drinking, could make an important contribution to this critical agenda.

15. The ultimate objective of the Bill is to tackle alcohol-related harm, including alcohol-attributable hospital admissions and alcohol-related deaths in Wales, by reducing alcohol consumption in hazardous and harmful drinkers. In particular, the Bill is targeted at protecting the health of hazardous and harmful drinkers (including young people) who tend to consume greater quantities of low-cost and high-alcohol content products.

16. The Bill seeks to provide for the introduction of a minimum price for the supply of alcohol in Wales, calculated according to the MUP, the percentage strength of the alcohol and its volume. It would not increase the price of every alcoholic drink, only those currently sold below that price. The proposals will put in place a series of offences and penalties relating to the new system. The Bill also proposes to provide additional powers and duties for local authorities to enable them to enforce the proposed system.

17. While it is anticipated that minimum pricing will mean people will consume less alcohol, they will pay more for products previously sold at below the applicable minimum price. Revenue will go to drinks producers and retailers, not the Welsh Government. Others in the supply chain may also see increased revenues.

18. The Welsh Government commissioned the Sheffield Alcohol Research Group at the University of Sheffield to model the potential impact to Wales of a range of alcohol pricing policies. On 8 December 2014 the report *Model-Based Appraisal of Minimum Unit Pricing for Alcohol in Wales*[4] was published. The model has since been updated with the most recent Welsh data, including alcohol consumption data from the National Survey for Wales and sales data for the Wales and West region. Revised estimates

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[3] The Parliamentary Review of Health and Social Care in Wales (January 2018) – A revolution from Within: Transforming Health and Care in Wales.
http://gov.wales/docs/dhss/publications/180116reviewen.pdf

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

of the impact of different levels of MUP (ranging from 35 pence to 70 pence, in five pence increments) were published on 22 February 2018.[5]

19. As noted, in the main, the explanatory memorandum and regulatory impact assessment uses a 50p MUP as an example – to illustrate the anticipated benefits of introducing minimum pricing to Wales. This 50p figure is used for purely illustrative purposes. The level of the MUP will be specified in regulations, should this legislation be passed by the National Assembly. Annex 3 provides further analysis of the impacts of other minimum unit prices, in order to provide information on the impacts of different levels.

20. The Sheffield model estimates the overall societal cost of alcohol misuse in Wales to be £16.6bn over 20 years. This includes direct health costs, a financial valuation of the health costs measure in terms of quality adjusted life years,[6] costs associated with crime and the cost of workplace absenteeism.[7]

21. The off-trade retail sector is estimated to see increased revenues, as a result of the introduction of a minimum price for alcohol at all modelled levels. The on-trade retail sector is estimated to see increased revenues as a result of the introduction of an MUP of 50p and above, with small reductions being estimated for levels below this.

22. The 2018 analysis by the Sheffield Alcohol Research Group[8] concluded that there are a number of key benefits to introducing an MUP for alcohol in Wales, including:

    - MUP policies would be effective in reducing alcohol consumption, alcohol-related harm (including alcohol-related deaths, hospitalisation, crimes and workplace absences) and the costs associated with those harms.

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[5] Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government

http://gov.wales/docs/caecd/research/2018/180222-comparative-impact-minimum-unit-pricing-taxation-policies-en.pdf

[6] Valued at £60,000 in line with Home Office Guidelines.

[7] Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government. Table 32, page 59.

[8] It should be noted that the model assumes the MUP threshold is updated annually in line with inflation.

- MUP policies would only have a small impact on moderate drinkers,[9] larger impacts would be experienced by hazardous drinkers,[10] with the most substantial effects being experienced by harmful drinkers.[11] These drinkers are more likely to consume the types of alcohol affected by an MUP.

- Introducing an MUP of 50p for alcohol, for example, is estimated to be worth £783m to the Welsh economy, in terms of reductions in illness, crime and workplace absence over a 20-year period. This is an aggregate effect, driven by the greater effect on those drinking at hazardous and harmful levels, whose consumption will fall the most in absolute terms.

23. A more detailed discussion about the impact of excessive alcohol consumption on health and well-being in Wales, including the findings of the University of Sheffield study and other evidence, can be found in Part 2 of the Regulatory Impact Assessment (RIA).

24. The Welsh Government's expert Advisory Panel on Substance Misuse has considered the academic literature on MUP and looked at the key peer-reviewed papers in this field, as well as some non-peer-reviewed publications. The panel's report, published in July 2014, concluded the evidence base is extensive and reliable.[12] The panel specifically advised: "the effects of MUP would be different for different subgroups of the population…MUP enables those drinking alcohol more harmfully or hazardously to be targeted, with smaller effects on moderate drinkers, particularly those with low incomes. Taking into account all the circumstances and evidence before the panel, minimum unit pricing is an effective mechanism through which alcohol-related harm can be addressed."

[9] Moderate drinkers are those who drink less than 14 units per week.

[10] Hazardous drinkers – men who regularly drink between14 and 50 units per week. Women who regularly drink between 14 and 35 units per week. As defined in the Angus et al. (2018) report: Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report.

[11] Harmful drinkers – men who regularly drink more than 50 units of alcohol per week. Women who regularly drink more than 35 units of alcohol per week. As defined in the Angus et al. (2018) report: Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report.

[12] Advisory Panel on Substance Misuse (2014) *Minimum Unit Pricing: A Review of its Potential in a Welsh Context.* Page 10.

25. In summary, the price and affordability of alcohol are considered critical to reducing levels of excess alcohol consumption in Wales. As this explanatory memorandum sets out, there is strong evidence that varying the affordability of alcohol is a legitimate means to address alcohol-related harm. Even the most conservative estimates suggest price policy will have an effect on improving a range of health and social outcomes.

26. Although it is not within the National Assembly's competence (and legislative powers in this area are not being sought), the Welsh Government has considered whether the Bill's objective could be achieved by raising the level of tax on alcohol. However, evidence suggests that taxation alone would not target hazardous and harmful drinking in the same way – and as effectively – as an MUP.

27. The Welsh Government considers the evidence on the extent to which MUP will have an impact on reducing hazardous and harmful drinking is as comprehensive and persuasive as it can be in relation to the UK and Wales – with anticipated impacts estimated through modelling undertaken by the University of Sheffield. However, the Welsh Government acknowledges that the actual impacts of an MUP in Wales will only be known by implementing the policy, together with a full evaluation and review. The Bill therefore proposes that a report on the operation and effect of the legislation will be published at the end of a five-year review period, beginning with the day on which the offence of supplying alcohol at a selling price below the applicable minimum price, comes into force. The Bill also contains a sunset clause. The evaluation will be used to inform whether the Welsh Ministers consider that the provisions of the Bill should (subject to the approval of the National Assembly) continue.

Background to the Bill

28. Although progress is being made to reduce levels of alcohol consumption in Wales (based on self-reported data from the National Survey for Wales), levels of alcohol-related harm and hazardous drinking remain an issue. A key component missing from the Welsh Government's approach to reducing alcohol-related harm to date has been intervention to address the low price of alcohol. The introduction of a minimum price for alcohol through this Bill will address this gap and help to protect the health and well-being of hazardous and harmful drinkers who tend to consume low-cost and high-strength alcohol products.

29. The need to target alcohol pricing is a view shared by other executives and legislatures. The Scottish Parliament for example has passed and the Scottish Government has implemented similar legislation about the price at which alcohol may be sold from certain premises in Scotland.

30. The Welsh Government will be closely monitoring the implementation of the legislation in Scotland.

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

32. The 2003 Act provides that the licensing regime is enforced by licensing authorities. In Wales, a licensing authority is the council of a county or county borough.

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

    - The prevention of crime and disorder
    - Public safety
    - The prevention of public nuisance
    - The protection of children from harm.

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

35. The Licensing Act 2003 (Mandatory Licensing Conditions) Order 2010 (as amended) and the Licensing Act 2003 (Mandatory Conditions) Order 2014 provide numerous mandatory licensing conditions. These include conditions relating to irresponsible drinks promotions, the availability of free tap water and, most recently, the restriction on alcohol being sold at a price below alcohol duty plus VAT.

36. The ban on selling alcohol below the cost of duty plus VAT has been in place since 28 May 2014 and was introduced through the Licensing Act 2003 (Mandatory Conditions) Order 2014.

37. The Welsh Government welcomed this ban on below-cost selling but believes that further measures, such as the introduction of an MUP, are

needed in Wales. In their 2014 report on the analysis of the impacts of MUP in Wales, the Sheffield Alcohol Research Group noted the below-cost selling policy would only affect the very cheapest drinks. It concluded that the average price of alcohol sold by supermarkets would be expected to rise by 0.1% under the ban on below-cost selling policy.[13] In particular, the Sheffield Alcohol Research Group have found that in relation to England: "The ban on below cost selling…is estimated to have small effects on consumption and health harm…a minimum unit price, if set at between 40p and 50p per unit, is estimated to have an approximately 40-50 times greater effect." The proportion of the market affected by below cost selling is a key driver of impact, with just 0.7% of all units estimated to be sold below the duty plus tax threshold implied by a ban on below cost selling, compared with 23.2% of units for a 45p minimum unit price.[14]

38. Furthermore, the ban on below cost selling is likely to only have a small effect on population health, saving an estimated 14 deaths and 500 hospital admissions per annum in England. This is considerably lower than the anticipated impacts of introducing a 45p[15] MUP, which is estimated to save 624 deaths and 23,700 hospital admissions in England. It is also important to note that most of the harm reductions (an estimated 89% of deaths saved per annum) are estimated to occur in the 5.3% of people who are harmful drinkers.

39. The ban on below-cost selling is predicted to have a minimal impact on alcohol consumption and related harms, with a 0.1% reduction in deaths and a total saving of £9m a year on societal costs.

Provisions in the Bill

40. The Bill provides for a minimum price for alcohol supplied in Wales to a person in Wales. It sets out a formula for calculating the relevant minimum price, consisting of the MUP, the percentage strength of the alcohol and its volume in litres (section 1). The MUP for this purpose will be specified by Welsh Ministers in secondary legislation. It will be an offence for an

[13] Meng, Y., Sadler, S., Gell, L., Holmes, J. and Brennan, A. (2014) Model-based appraisal of minimum unit pricing for alcohol in Wales: An adaptation of the Sheffield Alcohol Policy Model Version 3 Sheffield: ScHARR, University of Sheffield. The analysis on the impacts of the ban on below costs selling was not updated as part of the 2018 report and analysis for Wales.

[14] Brennan, A., Meng, Y., Holmes, J., Hill-McManus, D. and Meier, P. (2014) Potential benefits of minimum unit pricing for alcohol versus a ban on below cost selling in England 2014: modelling study. British Medical Journal (BMJ), Volume 349.

[15] In the report by Brennan et al. (2014), an MUP of 45p was used as the reference example.

alcohol retailer to supply alcohol, or to authorise the supply of alcohol, at a selling price below the applicable minimum price (section 2).

41. The requirement for a minimum price will apply to the sale by retail of alcohol to a person in Wales from qualifying premises and similarly to the supply of alcohol by, or on behalf of, a club to a member of the club who is in Wales, where such supplies are from qualifying premises (section 3). Qualifying premises are defined by reference to the 2003 Act. The requirement for a minimum price will also apply to retail sales of alcohol (supplied to a person in Wales) from qualifying premises in Wales which offer online or telephone delivery (sections 2 and 3).

42. The Bill also sets out how the applicable minimum price should be determined when alcohol is supplied in a multi-buy alcohol transaction (section 5), where alcohol is supplied together with goods, other than alcohol or with services (section 6) and where some of the alcohol supplied in a special offer is of a different strength (section 7).

Intended effect of the provisions in the Bill

Enforcement action by local authorities

43. The Bill will establish a local authority-led enforcement regime. It will provide local authorities with the power to bring prosecutions in respect of offences in its area under the Bill; investigate complaints in respect of alleged offences in its area; and take any other steps with a view to reducing the occurrence of such offences (section 10).

44. It will also place a duty on local authorities to consider, at least once every 12 months, the extent to which it is appropriate for it to carry out a programme of enforcement in its area, and if considered appropriate, to carry out such a programme. When it does so, it must have regard to the objectives of improving public health and protecting children from harm (section 10).

45. The Bill also provides that authorised officers may give a person an FPN, offering that person the opportunity to discharge any liability to conviction for an offence under section 2 of the Bill by paying the fixed penalty (section 9).

46. When an alcohol retailer (as defined in section 4 of the Bill) is found to be selling alcohol at less than the applicable minimum price, local authority authorised officers will have the discretion to prosecute as they currently

do within their other enforcement policies. Local authority authorised officers are encouraged to promote compliance by raising awareness of relevant standards and legal requirements in a variety of ways, including by means of face-to-face contact. The local authority could also provide information and guidance to businesses on how to calculate the applicable minimum price for alcohol, building on guidance which will be published by the Welsh Government.

47. The Welsh Government will produce guidance to help support the introduction of a minimum price for alcohol and will work closely with the Welsh Heads of Trading Standards around resourcing and implementation of this aspect.

48. The Welsh Government anticipates that local authorities may, in appropriate cases, wish to exercise their discretion and work with retailers to resolve issues voluntarily.

Fixed penalty notices (FPNs)

49. Section 9 and Schedule 1 to the Bill make provision in relation to FPNs such as that any FPN served in relation to an MUP offence must set out the particulars of the alleged offence. It must also inform the person to whom it is given of his or her right to attend court in relation to the alleged offence and explain how that right may be exercised.

50. The Bill provides the FPN amount will be £200 if payment is made within 29 days or £150 if payment is made within 15 days. Local authorities will be able to retain the FPN receipts and use the amounts received to exercise their functions under the Bill.

51. The Bill permits local authorities to withdraw an FPN which has been issued. If an alcohol retailer is issued an FPN and does not agree with its issue, it is proposed that he or she will be able to request the local authority consider its withdrawal. A local authority will be able to withdraw an FPN if it is clear that it should not have been issued, for example if it was issued to the wrong person; issued in error or the circumstances of the case warrant its withdrawal. This should be a relatively straightforward judgement based on the calculation of the minimum price for the product in question i.e. M x S x V (MUP x strength of alcohol x volume – see section 1 of the Bill).

52. If the FPN is not withdrawn and the applicable penalty is not paid, then in line with the provision made by the Public Health (Wales) Act 2017, after

the 29-day period has expired the local authority may bring a prosecution for the offence (unless a person to whom the FPN was given asked to be tried for the alleged offence).

53. It is anticipated there will be general compliance in the industry. Based on the evidence of implementation of previous measures and legislation, such as charging for carrier bags, it is envisaged a relatively small number of FPNs will be issued and the total receipts are likely to be small.

54. Arrangements for payments will be detailed on the FPN along with details of where representations relating to the notice may be made.

Offences

55. A person found guilty of the offence of supplying alcohol in Wales below the applicable minimum price will be liable to a fine of up to Level 3 (currently £1,000) on the standard scale of fines for summary offences under the Criminal Justice Act 1982 (section 8).

56. It will be a defence for a person charged with an offence of selling alcohol below the applicable minimum price if that person demonstrates that reasonable steps were taken and due diligence exercised to avoid committing it (section 2).

57. It will also be an offence to intentionally obstruct an authorised officer from exercising their enforcement functions under the Bill. A person guilty of such an offence will also be liable to a fine not exceeding level 3 on the standard scale of fines for summary offences under the Criminal Justice Act 1982 (section 18).

58. An offence under the Bill will be included as a relevant offence in Schedule 4 to the 2003 Act (personal licences: relevant offences) – see section 2(6). A relevant offence is an offence which can be taken into consideration by a licensing authority when making decisions on granting, revoking or suspending personal licences. Where the holder of a personal licence is convicted of a relevant offence by or before a court in England and Wales, the court may also order the forfeiture of the licence or its suspension for a period not exceeding six months.

59. A licence holder is under a duty to notify their licensing authority of convictions for relevant offences as soon as reasonably practicable (and commits an offence if they fail to do so without reasonable excuse). The court is also under a duty to notify licensing authorities of convictions for relevant offences.

Appeals

60. A prosecution brought by the local authority will be to the magistrates' court where both the local authority and the alcohol retailer will have an opportunity to present their arguments to the court if they wish.

61. The system of enforcement proposed by the Bill may lead to some cases being brought before the court. However, it is anticipated that the possibility of criminal prosecution will serve as a strong deterrent and consequently there will not be significant numbers of new cases brought before the court.

62. If the magistrates' court finds an alcohol retailer guilty of the offence of selling or supplying alcohol below the applicable minimum price in Wales, the retailer will have a right to appeal through the court system. An appeal must be made within 21 days of the date of being sentenced. A magistrates' court appeal notice form must be sent to the magistrates' court where the case was heard.

Current position – how big a problem is alcohol harm in Wales?

63. While low levels of alcohol consumption may have some benefits in protecting against ischaemic heart disease,[16] ischaemic stroke[17] and type 2 diabetes,[18] there is compelling evidence, collected over many decades, that the excessive[19] intake of alcohol causes harm and the likelihood of harm is proportionate to the amount of alcohol consumed.[20] [21] According

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

[17] Patra, J., Taylor, B., Irving, H., Roerecke, M., Baliunas, D., Mohapatra, S. et al. (2010) Alcohol consumption and the risk of morbidity and mortality for different stroke types - a systematic review and meta-analysis. BMC Public Health, Volume 10.

[18] Baliunas, D.O., Taylor, B.J., Irving, H., Roerecke, M., Patra, J., Mohapatra, S. et al. (2009) Alcohol as a Risk Factor for Type 2 Diabetes, A systematic review and meta-analysis. Diabetes Care Volume 32 (11). Pages 2123-32.

[19] Consumption over the recommended limits of 14 units per week s normally considered to be excessive.

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

to the World Health Organisation, alcohol can damage nearly every organ and system in the body and its use contributes to developing over 60 different diseases and health conditions.[22] This includes certain cancers, liver disease, brain damage, poisoning, high blood pressure, stroke, abdominal disorders, injuries and a variety of mental health conditions.[23]

64. A review of the international evidence by Glyndwr and Bangor Universities in 2011 found the following: "Within the international literature on reducing alcohol consumption and the harm related to alcohol, the finding with the strongest evidence base is that consumption of alcohol is highly sensitive to changes in price (or, to be more accurate, affordability). When the price of alcohol drops, more is consumed; when alcohol becomes more expensive, less is consumed. This effect is seen across the entire population that drinks alcohol".[24]

65. The level of alcohol consumption in Wales has led (and continues to lead) to a range of health and social harms, particularly for those people who drink excessively. In 2016, there were 504 alcohol-related deaths registered in Wales, the majority among men (336 males and 168 females). The figures had increased by 8.9 per cent on the previous year. In Wales (as in the UK), rates of alcohol-specific deaths peaked in 2008 and have since fallen back slightly.[25]

66. Using the wider definition of alcohol-related deaths, the Linked Environment for Alcohol Deaths Research (carried out by Public Health Wales), identified 4,732 cases in which death resulted from an alcohol-

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[21] Kumar, P. and Clark, M. (2012) Kumar and Clark's Clinical Medicine. 8th Edition. Elsevier.

[22] World Health Organisation (2009) Harmful Use of Alcohol. http://www.who.int/nmh/publications/fact_sheet_alcohol_en.pdf. See also: Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies - An Evidence Review. https://www.gov.uk/government/publications/the-public-health-burden-of-alcohol-evidence-review

[23] Sheild, K., Parry, C. and Rehm, J. (2013) Measuring the burden: Alcohol's evolving impact. Alcohol Research: Current Reviews. Vol. 35 (2). Pages 117-8.

[24] Bailey, J. et al. (2011) Achieving positive change in the drinking culture of Wales. Wrexham, Glyndŵr University.

[25] Public Health Wales (2017) Data mining Wales: The annual profile for substance misuse 2016-17. NHS Wales.

http://www.wales.nhs.uk/sitesplus/documents/888/FINAL%20profile%20for%20substance%20misuse%202016-17%20%282%29.pdf

related underlying cause, with a further 3,169 cases in which alcohol was listed as a contributory cause between 2005 to 2014.[26] According to this work, for the 10-year period there were 7,901 alcohol-related deaths.[27]

67. It is also important to highlight other key indicators of alcohol-related harm. In 2016-17, there were just under 55,000 alcohol-attributable hospital admissions in Wales.[28] According to Treatment Data on Substance Misuse in Wales, there were 9,606 alcohol treatment assessments in 2016-17.[29] The 9,606 assessments made up just over half of all substance misuse service assessments in 2016-17.

68. The excessive consumption of alcohol contributes to a number of different health conditions and illnesses. Alcohol-related liver disease accounts for more than a third of liver disease deaths in Wales. In 2015, 807 people died from liver disease in Wales, an increase of 131 deaths (19.4%) over the past five years. Admissions to Welsh hospitals for liver-related conditions have been relatively static over the last five years at around 3,200 people (with some in-year fluctuations), with most of these admissions being unplanned. Just over 30% of hospital admissions for liver disease are related to alcoholic liver disease (1,024). The liver disease mortality rate (per 100,000) for those aged under 75 was above that in England for 2013-15 – with a rate of 21.1 in Wales, compared to 18.0 in England.[30] The costs to the NHS associated with treating liver

[26] Public Health Wales (2017) The Linked Environment for Alcohol Death Research (LEADR) Overview and Initial Findings. January 2017.

http://www.wales.nhs.uk/sitesplus/documents/888/LEADR%20report%20FINAL%20for%20publication%20Jan%202017.pdf

[27] Every death record includes an "underlying" cause of death, which is "the disease or injury which initiated the train of morbid events leading directly to death, or the circumstances of the accident or violence which produced the fatal injury". The record will also contain "contributory" causes which were associated with the death. The ONS routinely reports cases in which an alcohol-related condition was listed as the underlying cause of death. The figures most commonly used to report alcohol-related deaths are those produced by the Office for National Statistics (ONS). The "alcohol-related" codes and conditions used by the ONS are provided in Appendix 1 of the LEADR Report (2017). Data for alcohol specific deaths can be found in the 2017 Public Health Wales Report Data mining Wales: The annual profile for substance misuse 2016-17.

[28] Public Health Wales (2017) Data mining Wales: The annual profile for substance misuse 2016-17. NHS Wales.

[29] Treatment Data Substance Misuse in Wales 2016-17. NHS Wales Informatic Services. Welsh Government.

http://gov.wales/docs/dhss/publications/171025misuseen.pdf

[30] Liver Disease: Annual Statement of Progress (June 2017). Welsh Government: NHS Wales.

disease are also increasing. Spending on gastrointestinal problems (which includes liver disease) increased from £339.3 million in 2014-15 to £362.6 million in 2015-16.[31]

69. Certain data for Wales on liver disease, chronic liver disease, alcoholic liver disease and liver cancer have recently been updated for 2016-17. These data cover deaths, mortality rates and hospital admissions for all liver disease and for alcoholic liver disease. They show that the number of hospital admissions for all liver disease rose slightly in 2016-17 (3,258) from 2015-16 (3,215), while the number of hospital admissions for alcoholic liver disease fell slightly from 1,021 in 2016-17, compared with 1,035 in 2015-16. The mortality rate for all liver disease for those aged under 75 (per 100,000, 3 year rolling periods) rose from 21.1 for 2013-15 to 21.3 for 2014-16. The mortality rate for alcoholic liver disease for those aged under 75 (per 100,000, 3 year rolling periods) remained the same at 10.6 for the period 2013-15, as for 2014-16.[32]

70. Drinking alcohol also increases the risk of causing harm to others. A recent survey of over 1,000 individuals in Wales found that the most common harms experienced from someone else's alcohol consumption in the last 12 months included: feeling anxious at a social occasion; being kept awake due to noise or disruption; having a serious argument; being let down; feeling threatened; and suffering emotional neglect.[33] The study also found that the risk of experiencing any harm in the past 12 months was higher in younger age groups and also varied by socio-demographic factors with greater levels of harm experienced by those living in more deprived areas. The Chief Medical Officer Report for Wales for 2016/17 included similar observations, noting that: "For alcohol consumption, those in the most deprived areas are less likely to be drinking above the alcohol guidelines than those in the least deprived areas; however, harm from

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[31] Liver Disease: Annual Statement of Progress (June 2017). Welsh Government: NHS Wales. See also Local Authority Liver Disease Profiles published by the Foundation for Liver Disease Research, the Lancet Commission, UK Liver Disease.

[32]

https://www.healthmapswales.wales.nhs.uk/IAS/dataviews/tabular?viewId=182&viewName=Hospital+Admissions+due+to+Liver+Disease&geoId=107&subsetId=&instances=

https://www.healthmapswales.wales.nhs.uk/IAS/dataviews/tabular?viewId=184&geoId=107&subsetId=

[33] Quigg, Z., Bellis, M., Grey, H., Ashton, K., Hughes, K. and Webster, J. (2016) Alcohol's Harms to Others: the harms from other people's alcohol consumption in Wales. Public Health Wales and the Public Health Institute (Liverpool John Moores University).

http://www.wales.nhs.uk/sitesplus/documents/888/PHW%20Harms%20to%20Others%20Report%20E%287%29.pdf

alcohol appears to disproportionately affect those in the most deprived areas."[34]

71. In terms of harms to others, domestic violence is also linked to the consumption of alcohol. Data from the 2013/14 Crime Survey for England and Wales, for example, showed that victims perceived the offender(s) to be under the influence of alcohol in 53% of incidents of violence against adults (equivalent to an estimated 704,000 violent incidents).[35]

72. The impact of alcohol on the health of the nation and the pressure this places on our health system has been highlighted in the Public Health Wales Observatory report, *Alcohol in Wales 2014*, which states: "Every week our hospitals handle as many as 1,000 admissions related to alcohol, increasing strains on already stretched services. Such admissions are only the tip of an iceberg which includes many more presentations at emergency departments, ambulance requests and GP appointments, all resulting from alcohol." [36] Overall, we know that alcohol misuse in Wales is estimated to cost the health service around £159m every year.[37]

73. While we are making progress to reduce levels of alcohol consumption,[38] much more needs to be done if we are to reduce the avoidable harms that alcohol causes families, business and communities across Wales.[39]

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[34] CMO Report for Wales (2017) Chief Medical Officer for Wales Annual Report 2016/17. Gambling with our Health. http://gov.wales/docs/phhs/publications/cmo-report2017en.pdf

[35] Office for National Statistics (2015) Chapter 5. Violent crime and sexual offences – alcohol-related violence.

https://www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/compendium/focusonviolentcrimeandsexualoffences/2015-02-12/chapter5violentcrimeandsexualoffencesalcoholrelatedviolence

[36] http://www.publichealthwalesobservatory.wales.nhs.uk/alcohol-file-download

[37] Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government.

[38] Trend data on levels of alcohol consumption in Wales prior to 2016 can be found in the Public Health Wales Report (2016) Piecing the Puzzle – The Annual Profile for Substance Misuse Public Health Wales (October 2016). Alcohol consumption guidelines changed in 2016 and data on average weekly consumption was collected for the first time in the 2016/17 National Survey for Wales. No trend information from the National Survey for Wales is therefore available. Some data on daily consumption was collected through the former National Health Survey and the National Survey for Wales. However, the change in survey methodology for 2016/17 led to a large discontinuity in the results for alcohol rates and therefore these should not be compared.

[39] Public Health Wales Observatory (2014) Alcohol and Health in Wales.

Although there have been declines in alcohol consumption, the National Survey for Wales 2016-17 show that one in five adults (20%) report drinking above weekly guidelines.[40]

74. In one of their most recent reports on the determinants of public health, the Public Health Observatory identified alcohol misuse as one of the top five risk factors for years lived with disability and for years of life lost. In addition, the same report found that alcohol-related mortality rates are much higher in the most deprived fifth compared to the least deprived fifth of Wales, despite the opposite relationship for drinking above guidelines.[41]

75. The 2016-17 National Survey for Wales (published in June 2017) showed:[42]

- 20% of all adults reported drinking above the recommended weekly guidelines. 31% of adults drank more than the former daily guidelines on at least one day the previous week.

- Overall, men were more likely than women to report drinking above the recommended weekly guidelines (27% of men compared with 14% of women).

- Drinking above guidelines was more common in middle aged adults (aged 34-64) and less common in the oldest age group (aged 75 and above): 23-24% compared to 13%, respectively.

- Adults in the most deprived fifth of areas were less likely to drink above guidelines than adults in less deprived areas. Alcohol consumption decreased as deprivation increased with 23% of people in the least deprived communities drinking above weekly guidelines, compared with 14% for the most deprived.

- 31% of adults drank more than 3 units (women) or 4 units (men) on at least 1 day the previous week (these were the former daily guidelines which were replaced by weekly guidelines in 2016).

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[40] http://gov.wales/docs/statistics/2017/170629-national-survey-2016-17-population-health-lifestyle-en.pdf

[41] Public Health Observatory (2018) Health and its determinants in Wales: Informing strategic planning.

[42] http://gov.wales/docs/statistics/2017/170629-national-survey-2016-17-population-health-lifestyle-en.pdf

- 17% of adults reported that they did not drink alcohol and a further 36% reported drinking less than weekly.

76. Public Health Wales recently carried out a nationally representative survey of 1,000 residents aged 16 and over in Wales to ask about their perceptions of a range of public health issues. Findings from the *Stay Well in Wales* survey found that behavioural issues including smoking, drug abuse, alcohol misuse, physical inactivity and unhealthy eating habits are considered by the public to be making the greatest contribution to poor health and well-being in Welsh communities.[43]

77. In terms of alcohol consumption among children and young people, the children's rights impact assessment for this Bill shows that whilst some progress is being made to reduce levels of consumption, as with adults, there is still a great deal of work to be done.

78. Young people are particularly vulnerable to the harmful effects of consuming alcohol and are also at risk of harm from other people's drinking.[44]

79. The 2013-14 Health Behaviour in School-aged Children data show drinking among young people remains a concern, with 7% of boys and 5% of girls aged 11 to 16 in Wales drinking alcohol at least once a week. The proportions are higher among the older age groups in the survey, in 2013-14 (most recent data available). Although decreasing, Wales also has the highest alcohol consumption among 11 and 13-year-olds in the UK. Drinking among 15-year olds in Wales is higher than in England.[45]

80. Recent data for Wales from the *Millennium Cohort Study* (MCS)[46] show that "risky behaviours like binge drinking, habitual smoking and anti-social behaviour increase sharply in adolescence, with potential long term

[43] Public Health Wales (2018) Stay Well in Wales: The public's views on public health. Findings from the nationally representative household survey. Catherine A. Sharpe, Karen Hughes and Mark Bellis. Bangor University and Public Health Wales.

http://www.wales.nhs.uk/sitesplus/documents/888/Stay%20Well%20in%20Wales%20Report-Eng-Final.pdf

[44] Public Health Wales(2015) Adverse Childhood Experiences and their Impact on Health Harming Behaviours in the Welsh Adult Population,

[45] http://gov.wales/statistics-and-research/health-behaviour-school-aged-children/?lang=en

[46] Institute of Education (2018) Risky Behaviours: Prevalence in Adolescence. Initial Findings from the Millennium Cohort Study Age 14 Survey. University College London.

consequences for young people's health and well-being". Findings for Wales from the MCS show that compared to the UK average, a slightly higher proportion of teenagers reported binge drinking in Wales and Scotland: 14% and 13% respectively, compared to 11% for the UK and 5% in Northern Ireland. According to the analysis by the Institute of Education, this is largely explained by a higher white ethnic composition in these countries – as white British teenagers are more likely than those from ethnic minorities to report using substances by the age of 14.

81. Comparing teenagers from similar backgrounds, data from the MCS revealed that by age 14, boys were slightly more likely than girls to have experimented with alcohol, smoking and/or drugs and also to have used these substances in a problematic way. Boys also tended to have tried alcohol for the first time at a younger age than girls: At a UK level, 20% of boys had drunk alcohol before they were 12, compared to 14% of girls.

82. Alcohol misuse among parents and associated impacts on children and young people is also a particular issue. In 2012, the Children's Commissioner for England published a rapid evidence assessment which focused on the impacts on children who live with parental substance misuse and, in particular, the number of children affected by alcohol misuse in the family. The assessment found that parental alcohol misuse is a sizeable problem (far greater than parental drug misuse) but "greater attention has been given to the latter despite many more children being affected by parental alcohol misuse".[47]

83. Alcohol and substance misuse can be a contributing factor in relation to children and young people entering care. As at 31 March 2017, there were 5,954 looked-after children in Wales.[48] Of the 2,217 children starting to be looked after in 2016-17, 1,381 (62%) were due to abuse or neglect and 592 (27%) were due to the family being in acute distress or dysfunction. There were 15,930 children receiving care and support included in the Children Receiving Care and Support Census at 31 March 2017, which was a rate of 254 per 10,000 children aged under 18 years. Parental substance or alcohol misuse, domestic abuse and parental mental ill

[47] Adamson, A. and Templeton, L. (2012). Silent Voices: Supporting Children and Young People Affected by Alcohol Misuse. Children's Commissioner for England and the Community Research Company (CRC).

[48] Stats Wales (2017) Welsh Government. Statistical First Release. Experimental Statistics: Children Looked After by Local Authorities – 2016-17.

https://statswales.gov.wales/Catalogue/Health-and-Social-Care/Social-Services/Childrens-Services/Children-Looked-After/childrenlookedafterat31march-by-localauthority-gender-age

health capacity factors were each recorded for about a quarter of children receiving care and support.[49]

84. There is a growing body of evidence and research that shows a strong link between adverse childhood experiences (ACEs) and links with poor physical and mental health, chronic disease, lower educational achievement and lower economic success in adulthood. ACEs are defined as chronic stress on individuals during childhood. Such stress arises from the abuse or neglect of children, but also from growing up in households where children are routinely exposed to issues such as domestic violence or individuals with alcohol or substance misuse issues. Adults in Wales who were brought up in households where there was domestic violence, alcohol or drug abuse are more likely to adopt health-harming and anti-social behaviours in adult life.[50]

85. According to Public Health Wales: "The strong associations between exposure to ACEs and vulnerability to harms including substance use, unintended teenage pregnancy, violence, mental illness and physical health problems, mean the children of those affected by ACEs are at increased risk of exposing their own children to ACEs. This is often referred to as the 'cycle of violence'. Consequently, preventing ACEs in a single generation or reducing their impact on children can benefit not only those individuals but also future generations across Wales."[51] Reducing hazardous and harmful drinking by increasing the price of alcohol through the introduction of an MUP could potentially make an important contribution to addressing this issue.

86. Young people, especially those who drink heavily or frequently, have been shown to be especially sensitive to price changes.[52] In particular, there is

[49] Wales Children Receiving Care and Support Census, 2017. https://gov.wales/statistics-and-research/wales-children-receiving-care-support-census/?lang=en

[50] Public Health Wales (2015) Welsh Adverse Childhood Experiences Study and their Impact on Health Harming Behaviours in the Adult Population. Bellis, M., Ashton, K., Hughes, K., Ford, K., Bishop, J. and Paranjothy. S. NHS Wales.

[51] Public Health Wales (2015) Welsh Adverse Childhood Experiences Study and their Impact on Health Harming Behaviours in the Adult Population. Bellis, M., Ashton, K., Hughes, K., Ford, K., Bishop, J. and Paranjothy. S. NHS Wales.

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

evidence which demonstrates a relationship between drink prices, the prevalence of heavy drinkers and pre-drinking.[53]

87. A more detailed analysis of alcohol consumption in Wales can be found in Part 2, the RIA.

Existing Policy Actions

88. The introduction of a minimum price for alcohol will form part of the Welsh Government's wider strategic approach to promote a healthier relationship with alcohol.

89. MUP is specifically targeted at reducing hazardous and harmful drinking. However, it is not the only policy approach needed to reduce levels of alcohol consumption in Wales – particularly in relation to improving the health outcomes of those groups who are most vulnerable. For example, the impacts of MUP on dependant vulnerable street drinkers and how changes in alcohol price will affect this group, are less well known. As a result, alcohol policy in Wales requires a variety of approaches, which taken together, can generate change.

90. *Taking Wales Forward* re-emphasised the Welsh Government's commitment to reducing the prevalence of problematic alcohol misuse and the number of alcohol-related deaths. It includes a specific commitment to continue to reduce excessive alcohol consumption. The introduction of a minimum price for alcohol will sit alongside other key commitments to deliver a healthier and more prosperous Wales.

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

- Preventing harm;
- Support for substance misusers to improve their health and maintain recovery;
- Supporting and protecting families;

[53] Labhart, F., Ferris, J., Winstock, A. and Kuntsche, E. (2017) The country-level effects of drinking, heavy drinking and drink prices on pre-drinking: An international comparison of 25 countries. Drug and Alcohol Review, 13 March 2017.

- Tackling availability and protecting individuals and communities via enforcement activity.

92. Further actions to reduce excessive alcohol consumption were set out in the *Working Together to Reduce Harm (Substance Misuse) Delivery Plan 2016-18,* which was published in September 2016.

Preventing harm

93. Preventing harm associated with alcohol misuse continues to be a major focus of action. This is in line with the prudent healthcare principles, which underpin NHS delivery and which state that early intervention can lead to the minimum appropriate intervention and improve the life chances of individuals. Examples of work being taken forward include:

Sponsoring Alcohol Concern Cymru

94. The Welsh Government continues to support Alcohol Concern Cymru to raise awareness and to campaign for effective preventative measures and improved services for people whose lives are affected by alcohol-related problems. Its role also includes monitoring and reporting on questionable alcohol labelling, promotions and information campaigns, issuing good practice guidance, undertaking research and raising awareness in the media. Alcohol Concern Cymru's advice on sensible drinking, including discussing alcohol with children, is communicated through its Drink Wise Wales website.[54]

DAN 24/7

95. DAN 24/7[55] is a free bilingual telephone helpline providing a single point of contact for anyone in Wales who needs further information or help about drugs or alcohol. It helps individuals, their families, carers and support workers within the drug and alcohol field to access appropriate local and regional services. The service is developing into a multi-channel contact centre where people can access information, advice and support via telephone, text, the internet and social media. Further developments were made to the DAN 24/7 service for 2017-18 in order to help target groups and areas where there may be particular substance misuse problems.

[54] www.drinkwisewales.org.uk

[55] http://dan247.org.uk/

Working with schools

96. Alcohol consumption by young people continues to be a challenge in Wales and the Welsh Government is addressing this through its *Working Together to Reduce Harms (Substance Misuse) Delivery Plan 2016-18*. The Welsh Government recognises the role schools and education can play in dealing with substance misuse, including alcohol and problems associated with personal safety.

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

Working with employers

98. Reducing alcohol-related harm through effective policies and support can improve business performance and reduce workplace absence. The Welsh Government is supporting employers to manage alcohol-related harm issues in the workplace through its Healthy Working Wales[56] programme, which is delivered by Public Health Wales.

Review of alcohol-related deaths

99. The Linked Environment for Alcohol Deaths Research (LEADR), which was set up in 2015, has been developed by Public Health Wales to support identification of factors that may reduce future non-communicable disease and mortality related to alcohol use in Wales. The LEADR project has linked data from core healthcare datasets, including specialist substance misuse treatment, hospital admissions, emergency care, critical care and outpatients to alcohol-related death data for the 10-year period 2005 to 2014. Further work to bring additional healthcare datasets (including primary care and records) and datasets from non-healthcare organisations (e.g. employment and welfare data) is ongoing.

[56] http://www.healthyworkingwales.wales.nhs.uk/home

100. Findings from the initial analysis by Public Health Wales indicate that over the 10-year period, there were 7,901 alcohol-related deaths, with the majority (67%) amongst men.[57] Almost a third, (31%) of the deaths were in those under 50. Overall, only 24.8% of those who died from an alcohol-related death (underlying or contributory cause) had ever contacted specialist substance misuse services for assessment and treatment.

UK Chief Medical Officer low-risk alcohol guidelines

101. In January 2016, the UK Chief Medical Officers published revised low-risk guidelines for alcohol consumption.[58] The new guidelines follow a detailed review of previous advice published in 1995 and were informed by the latest scientific evidence. Work on the review was led by a panel of experts in public health and behavioural science. The revised low-risk drinking guidelines are designed for people to make informed decisions about their drinking, to make it as easy as possible to make healthy choices and to keep the risk of cancer and liver disease low.

102. The low-risk guidelines include:

- A single guideline for men and women – 14 units a week for both men and women;
- A recommendation not to save up 14 units for one or two days, but instead to spread them over three or more days;
- There is no safe level of alcohol to drink during pregnancy; and
- Advice on single episodes of drinking.

103. Further information about the low risk guidelines is included on the Public Health Wales website.[59]

Alcohol Labelling

104. The Welsh Government is currently in discussions with the UK Government and other Devolved Administrations with the aim of encouraging the Industry to amend the labelling of alcohol products.

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[57] http://www.wales.nhs.uk/sitesplus/documents/888/LEADR%20report%20FINAL%20for%20publication%20Jan%202017.pdf

[58] Alcohol Guidelines Review (January 2016) Report from the Guidelines Development Group to the UK Chief Medical Officers. Department of Health.

http://www.gpone.wales.nhs.uk/sitesplus/documents/1000/Report%20of%20the%20expert%20group-Jan2016.pdf

[59] http://www.wales.nhs.uk/sitesplus/888/news/43432

105. In addition to this, the Welsh Government are also currently considering options on how to regulate low alcohol labelling in the future.

Support for people who misuse alcohol

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

Funding

107. The Welsh Government provides nearly £50m a year to tackle substance misuse. In 2017-18, this included £17.1m allocated to health boards for substance misuse services and the Substance Misuse Action Fund revenue and capital allocations of more than £27m to the seven area planning boards to commission and deliver substance misuse services and other policy interventions. The revenue funding includes specific ring-fenced amounts of £2.75m for children and young people services; £1m for tier 4 treatment services and £300,000 for counselling services.

108. In 2018-19, the Welsh Government increased the ring-fenced substance misuse funding for local health boards by nearly a million pounds, to over £18 million. This funding increase is contained within the core NHS funding allocation. Local Health Boards are required to seek the approval of Substance Misuse Area Planning Boards before the funding is released, ensuring that the funding is safe-guarded for these vital services.

Making Every Contact Count programme

109. The Making Every Contact Count (MECC) approach, led and developed by Public Health Wales, aims to empower staff working particularly in health services, but also partner organisations, to recognise the role they have in promoting healthy lifestyles, supporting behaviour change and contributing to reducing the risk of chronic disease.

110. MECC involves using every opportunity to deliver brief advice to improve health and well-being, through the delivery of consistent and concise healthy lifestyle information to encourage people to stop smoking; eat a healthy diet; maintain a healthy weight; drink alcohol within the

revised guidelines; undertake the recommended amount of physical activity; and improve their mental health and well-being.

111. Further information about Making Every Contact Count is included on the Public Health Wales website.[60]

Tackling availability and protecting individuals and communities via enforcement activity

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

Local alcohol action areas (LAAAs)

113. In February 2014, 20 local alcohol action areas (LAAAs) were set up across the UK, including Pembrokeshire and Swansea, to combat the effects of irresponsible drinking by tackling alcohol-related crime and disorder, reducing the harmful impacts of alcohol on health and promoting diverse night-time economies. Actions include working with industry to resolve issues associated with problem licensed premises and individuals and implementing street drinking controls. Swansea has set up a permanent alcohol treatment centre in the city centre called Help Point, providing first aid, drug and alcohol information and intervention and support for vulnerable or distressed individuals. This builds upon the work already undertaken in Cardiff and demonstrates Wales' commitment, through partnership working, to provide prevention, education and treatment for the worst abuses of alcohol.[61]

114. A second phase of LAAAs was started in 2017 with 33 areas in place, including two in Wales – Swansea and Wrexham. Swansea will build on the work of the Help Point. Wrexham's focus is on improving data sharing between A&E departments, local authorities and the police; how councils, police and businesses can ensure the safe movement of people during nights out; preventing the sale of alcohol to persistent offenders; and considering the re-design of public spaces to make crime more difficult.

[60] http://www.wales.nhs.uk/sitesplus/888/page/65550

[61] Brewster-Liddle, J., Parsons, W. and Moore, S. (2013) Setting up an alcohol treatment centre. Emergency Nurse, Volume 21 (6). Pages 14-18.

115. In addition to the LAAAs, strong partnerships between the police, local authorities and Public Health Wales are helping to improve the quality and frequency of health and crime data reporting and investigate possibilities for using this in licensing decisions and police zoning.[62] These pilots will be able to share best practice with other locations in Wales and contribute to the better use of evidence to promote public health through licensing.

Community Alcohol Partnerships

116. The Welsh Government supports community alcohol partnerships. The most recent are in Newtown, Pontardawe, Porth and Pontypridd. The aim of these is to tackle underage drinking through co-operation between local stakeholders, such as trading standards, the police, licensing, schools and health networks, and alcohol retailers. They support communities in developing their own capacity to deliver a co-ordinated, localised response to underage alcohol misuse. Evaluation of this work is mandatory, allowing the partnerships to continuously review and improve the model whilst at the same time providing evidence of effectiveness.

Responsibility deal

117. The Welsh Government has supported UK Government initiatives to work with the alcohol industry to reduce the strength of alcoholic drinks; improve labelling information; and fund public awareness campaigns and information through Drinkaware.

Evidence relating to alcohol and price

118. The demand for goods and services is strongly influenced by price. This is a relationship which extends to alcohol. The majority of research and analysis about alcohol and price suggests there is a causal relationship between the price of alcohol, the quantity of alcohol consumed

[62] Florence, C., Shepherd, J., Brennan, I. and Simon, T. (2011). Effectiveness of anonymised information sharing and use in health service, police, and local government partnership for preventing violence related injury: experimental study and time series analysis. British Medical Journal. Volume 342.

and adverse health outcomes. Increasing the price of alcohol provides a mechanism through which health improvement can be achieved.[63]

119. The concept of price elasticity describes the relationship between changes in price of a good or service and the demand for that good or service.[64] A good shows negative elasticity if demand decreases as price increases. However, the relationship between price and demand is not uniform across the population. Some groups are less affected by price change than others. The same is true for alcohol; there is evidence that the extent an increase in alcohol price leads to a reduction in demand varies by age, sex, socio-economic status, beverage preference, beverage quality and patterns of drinking, for example, whether an individual is a heavy drinker.[65]

120. The Welsh Government's Advisory Panel on Substance Misuse has estimated a price increase of 10% can result in a corresponding decrease in alcohol consumption of 5%.[66]

121. An independent study for the European Commission[67] found that evidence in Europe supports the link between alcohol price, income, affordability and consumption and the direct link between alcohol price/income and harms. Furthermore, it demonstrated that alcohol became 50% more affordable in the UK between 1996 and 2004, largely as a result of a growth in disposable income.[68] The report concludes that the use of alcohol pricing policies is a potentially effective measure to curb hazardous and harmful drinking in Europe. Similarly, Public Health England reported in 2016 that alcohol was 60% more affordable than in

[63] Hobday, M., Gordon, E., Meuleners, L., Liang, W. and Chikritzhs, T. (2016) The effect of price increases on predicted alcohol purchasing and decision and choice to substitute. Addition Research and Theory. Volume 24.

[64] Tellis, G. J. (1988) The price elasticity of selective demand: A meta-analysis of econometric models of sales. Journal of Marketing Research. Pages 331-341.

[65] Sharma, A., Vandenberg, B. and Hollingsworth, B. (2014) Minimum pricing for alcohol versus volumetric taxation: which policy will reduce heavy consumption without adversely affecting light and moderate consumers? PLOS ONE. Volume 9 (1).

[66] Advisory Panel on Substance Misuse (APoSM) (July 2014) Minimum Unit Pricing: A Review of its Potential in a Welsh Context.

[67] Rabinovich, L. et al. (2009) The affordability of alcoholic beverages in the European Union: Understanding the link between alcohol affordability, consumption and harms (conducted by RAND Europe).

[68] Ibid, page 27.

1980[69] and that this increase in affordability was linked with increased alcohol consumption and related health harms.[70]

122. The 2010 WHO Global Strategy specifically highlights that increasing the price of alcohol is one of the most effective ways to reduce harmful use. In particular, the 2010 Global Strategy recommends that to reduce the harmful use of alcohol, Member States establish a system for specific domestic taxation which may take into account the alcohol content of the beverage, accompanied by an effective enforcement system. It also encourages countries to review prices regularly in relation to inflation and income levels; ban or restrict sales below cost and other price promotions; and establish minimum prices for alcohol where applicable.[71] Further consideration of the impacts of taxation is set out on page 50 of the explanatory memorandum.

123. A systematic review by Wagenaar et al. (2009) examined the relationship between measures of beverage alcohol tax or price levels, and alcohol sales or self-reported drinking.[72] This found a total of 112 studies demonstrating alcohol tax or price effects – and specifically highlighted that these effects are large compared to other prevention policies and programmes.

124. Another review of 50 studies by Wagenaar et al. (2010) considered the relationship between alcohol tax and alcohol-related disease and injury. This found that policies that increase the price of alcohol have a significant effect on reducing alcohol-related mortality and morbidity.[73]

125. Similarly, a systematic review carried out by Elder et al. (2010) showed that of 50 studies which assessed alcohol price and alcohol consumption,

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[69] Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-effectiveness of Alcohol Control Policies – An Evidence Review.

https://www.gov.uk/government/publications/the-public-health-burden-of-alcohol-evidence-review

[70] Anderson, P., Chisholm, D and Fuhr, D. (2009) Alcohol and Global Death 2: Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol. Lancet. Vol. 373. Pages 2234-46.

[71] World Health Organisation (2010). Global Strategy to Reduce Harmful Use of Alcohol.

[72] Wagenaar, A., Salois, M., and Komro, K., (2009) Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. Addiction, Volume 104. Pages 179–190.

[73] Wagenaar, A.C., Tobler A.L., and Komro K.A. (2010) Effects of alcohol tax and price policies on morbidity and mortality: a systematic review. American Journal of Public Health, Volume 100 (11). Pages 2270-8.

38 of these reported price elasticities. Almost all of these 38 studies (95%) reported negative price elasticities – with higher prices associated with a lower prevalence of youth drinking; a lower prevalence of excessive alcohol consumption and related harms; lower deaths from liver cirrhosis; and decreased levels of violence.[74] Likewise, Meng et al. (2014) have noted that the majority of cheap alcohol sold in the UK is off-trade beer, cider, wine and spirits and that the "estimated own price elasticities indicate substantial decrease in demand for these beverage types if their prices are increased, for example, through minimum unit pricing and/or target excise duty increase".[75]

Price and alcohol-related harms

126. Increases in price are associated with decreases in demand – and as Meng et al. (2014) have highlighted "the decrease in demand is likely to translate into reduced mortality, morbidity and wider social harms, such as crimes, absence from work and harms to family members".[76]

127. The relationship between alcohol pricing and impacts on consumption and reduced alcohol-related harm has been highlighted across a number of different studies. In particular, evidence from a range of different countries highlights the associated health gains that an increase in price will bring, as a result of its effect on reducing levels of consumption. This includes the USA, Canada, Finland, Australia and Sweden (see next section of the explanatory memorandum).

128. Evidence suggests that in addition to improving health outcomes, there are also wider social benefits. For example, in relation to crime-related outcomes[77] and violence-related injury.[78] One study examined the

[74] Elder, R.W., Lawrence, B., Ferguson, A., Naimi, M.D., Brewer, R.D., Chattopadhyay, S.K., Toomi, T. and Fielding, J. (2010) The effectiveness of tax policy interventions for reducing excessive alcohol consumption and related harms. American Journal of Preventative Medicine, Volume 38 (2). Pages 217-229.

[75] Meng, Y., Brennan, A., Purshouse, R., Hill-McManus, D., Angus, C., Holmes, J. and Meier, P. (2014) Estimation of own and cross price elasticities of alcohol demand in the UK – A pseudo-panel approach using the Living Costs and Food Survey 2001-2009. Journal of Health Economics, Volume 34 (March 2014). Pages 96-103.

[76] Meng, Y., Sadler, S., Gell, L., Holmes, J. and Brennan, A. (2014) Model-based appraisal of minimum unit pricing for alcohol in Wales: An adaptation of the Sheffield Alcohol Policy Model Version 3 Sheffield: ScHARR, University of Sheffield.

[77] Booth, A., Meier, P., Shapland, J., Wong, R. Paisley, S. (2011) Alcohol pricing and criminal harm: a rapid evidence assessment of the published literature. The University of Sheffield.

[78] Sivarajasingam, V., Matthews, K,. and Shepherd, J., (2006) Price of beer and violence-related injury in England and Wales. International Journal of the Care of the Injured.

influence of on-trade and off-trade alcohol prices and socio-economic and environmental factors on rates of violence-related emergency department attendees in England and Wales over an eight-year period. The study found that there was a direct relationship between alcohol price and rates of violence-related emergency department attendance – and suggested that a 1% increase in both on-trade and off-trade alcohol prices above inflation would result in more than 6,000 fewer violence–related emergency department attendances in England and Wales, per year.[79] In 2015, Saar studied the impact of alcohol excise taxes on traffic accidents and found a statistically significant strong negative relationship between the average alcohol excise tax rate and alcohol-related traffic accidents in Estonia, during the period 1999 to 2013.[80]

129. In their review of policies aimed at reducing the harm from alcohol, Geisbrecht et al. (2016) found that precautionary alcohol prices can have substantial harm reduction potential, particularly among youth and high-risk drinkers. The review also found that restrictions on outlet densities and hours/days of sale also impact on the drinking patterns of underage young people and can help to reduce high-risk drinking and alcohol-related harm. Conversely, a reduction in prices or an increase in alcohol availability are associated with an increase in high-risk drinking or alcohol-related harm.[81]

130. While pricing and taxation strategies are considered to have the strongest evidence base for reducing harmful consumption – evidence suggests an MUP is more targeted towards the heaviest drinkers[82] who tend to consume the cheapest alcohol. In 2014, Casswell et al. highlighted that while heavy drinkers pay more for alcohol overall than the general population (because they consume more), they pay less for individual

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[79] Page, N., Sivarajasingam, V., Matthews, K., Heravi, S., Morgan, P., and Shepherd, J. (2017) Preventing violence-related injuries in England and Wales: a panel study examining the impact of on-trade and off-trade alcohol prices. British Medical Journal (BMJ) Injury Prevention, February Volume 23 (1). Pages 33-39.

[80] Saar, I. (2015) Do alcohol excise taxes affect traffic accidents? Evidence from Estonia. Traffic Injury Prevention, Volume 16. Pages 213-218.

[81] Giesbrecht, N., Wettlaufer, A., Cukier, S., Geddie, G., Goncales, A-H. and Reisdorfer, E. (2016) Do alcohol pricing and availability policies have differential effects on sub-populations? A commentary. The International Journal of Alcohol and Drug Research, Volume 5 (3). Pages 89-99.

[82] Public Health England (2016): The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies: An Evidence Review.

drinks as they buy disproportionate quantities of cheap, typically strong, alcohol.[83]

131. It is important to recognise, however, that not all research shows this direct link between price and consumption. In a summary of his own research, Nelson (2016) argues that the consensus view that prices are an effective instrument for addressing issues of alcohol-related harm is overly optimistic and that the results for alcohol prices are "more varied, complex or nuanced". Nelson argues that the reviews he has undertaken suggest that different sub-populations react differently to changes in alcohol prices[84] and that overall, the role that taxes and prices play in deterring adults from heavy drinking is uncertain.[85] Furthermore, Nelson and McNall (2017) have reviewed a range of empirical studies of alcohol policy interventions in Denmark, Finland, Hong Kong, Sweden and Switzerland. Major policy interventions have included the removal of quotas on travellers' tax-free imports and reductions in alcohol taxes. Nelson and McNall (2017) compared cross-country results for three specific outcomes: binge drinking, alcohol consumption by youth and young adults, and heavy consumption by older adults. Overall, the review found a lack of consistent results for consumption both within and across countries, with a general finding that alcohol tax interventions had selective, rather than broad, impacts on subpopulations and drinking patterns.[86]

132. There is also some disagreement over the extent to which hazardous and harmful drinkers are responsive to increases in the price of alcohol. Nelson (2013), for example, in a review of 114 studies highlights that "elasticity estimates exhibit substantial dispersion across drinking patterns, beverages, countries and econometrics models and methods, making precise estimates difficult to obtain". In particular, Nelson (2014) found that

[83] Casswell, S., Huckle, T., Wall, M. and Yeh, L. (2014) International Alcohol Control Study: Pricing Data and Hours of Purchase Predict Heavier Drinking. Alcohol Clinical and Experimental Research, Volume 38. Pages 1425-1431.

[84] Nelson, J.P. (2016) Economic evidence regarding alcohol price elasticities and price responses by heavy drinkers, binge drinkers, and alcohol-related harms: summary of results for metaanalysis, systematic reviews, and natural experiments in alcohol policy. Public Health Open Journal. Volume 1(2). Pages 36- 39.

[85] Nelson, J.P. (2013) Does heavy drinking by adults respond to higher alcohol prices and taxes? A survey and assessment. Economic Analysis and Policy. Volume 43(3). Pages 265-91.

[86] Nelson, J.P. and McNall, A.D. (2017) What happens to drinking when alcohol policy changes? A review of five natural experiments for alcohol taxes, prices, and availability. The European Journal of Health Economics, Volume 18 (4). Pages 417–434.

"in models that correct for selection bias and heterogeneity, the average beer price elasticity is about -0.20, which is less elastic by 50% compared to values commonly used in alcohol tax policy simulations".[87] Furthermore, the Institute of Fiscal Studies has demonstrated that whilst heavy drinkers purchase cheaper alcohol compared with moderate drinkers, in response to a price change, they are more likely to switch to another type of alcohol than choose not to buy alcohol. The IFS suggests that this does not mean that the use of price-based policies to tackle problematic drinking is a bad idea. Rather, it is important that this difference in responsiveness to price changes should be considered in policy design and when assessing the likely impact of policy change.[88]

133. One of the most recent systematic reviews of evidence on the effectiveness of minimum pricing has highlighted that there was "very little evidence that minimum alcohol prices are not associated with consumption or subsequent harms". However, the review also notes that "the overall quality of the evidence was variable, a large proportion of the evidence base has been produced by a small number of research teams, and the quantitative uncertainty in many estimates or forecasts is often poorly communicated outside the academic literature". Nonetheless, the authors conclude that "price-based alcohol policy interventions such as MUP are likely to reduce alcohol consumption, alcohol-related morbidity and mortality."[89]

134. The evidence base on the impact of price on alcohol consumption and associated harm (particularly in terms of health outcomes) comes from several countries (including Switzerland, Sweden, Finland, Australia and Alaska and Florida in the USA). In the majority of cases, this evidence demonstrates that in response to an alcohol price increase, there is a decrease in alcohol consumption and – crucially – a decrease in alcohol-related harm and mortality. Likewise, when there is a decrease in price, alcohol-related harm increases.

[87] Nelson, J.P. (2014) Estimating the price elasticity of beer: Meta-analysis of data with heterogeneity, dependence and publication bias. Journal of Health Economics. Volume 33(1). Pages 180-87.

[88] Griffith, R., O'Connell, M. and Smith, K. (2017) Proposed minimum unit price for alcohol would lead to large price rises. IFS Briefing note BN222 Institute for Fiscal Studies.

[89] Boniface, S., Scannell, J. W. and Marlow, S. (2017) Evidence for the effectiveness of minimum unit pricing of alcohol: a systematic review and assessment using the Bradford Hill criteria for causality. British Medical Journal (BMJ) Open. Volume 7(5).

Alaska and Florida, USA

135. Alcohol harm was shown to be related to alcohol price in Alaska in a time-series analysis of alcohol-related mortality between 1976 and 2004. Increases in alcohol tax rates were associated with immediate and sustained reductions in alcohol-related mortality in Alaska. Reductions in mortality occurred after two tax increases almost 20 years apart, with the authors of the study concluding that taxing alcoholic beverages is an effective public health strategy for reducing the burden of alcohol-related disease[90] – with cirrhosis mortality being particularly responsive to small changes in price.

136. Similarly, a time series analysis and study of the effects of alcohol taxes on alcohol-related mortality in Florida between 1969 and 2004 found that increases in alcohol taxes are associated with significant and sizeable reductions in alcohol-attributable mortality.[91]

Switzerland

137. There is evidence to show this effect also works in the opposite direction – a fall in price leads to an increase in consumption. In Switzerland, a 30% to 50% reduction in taxation on foreign spirits in 1999 led to a 28.6% increase in the consumption of spirits. This finding is based on a longitudinal general-population survey of over 4,000 people, with a baseline survey carried out 3 months before and a follow-up survey carried out three months after the price change. There was no significant change in the consumption of wine or beer, indicating that the price change had a direct effect on consumption levels.[92]

138. In a recent (2017) study, more than half the Swiss population were shown to be affected by someone's drinking, described as a "psychological and physiological burden for persons other than the drinkers themselves". This supports the case for population level public

[90] Wagenaar, A., Maldonado-Molina M. and Wagenaar, B. (2009) Effects of alcohol tax increases on alcohol-related disease mortality in Alaska: Time-series analyses from 1976 to 2004. American Journal of Public Health, Volume 99. Pages 1464-1470.

[91] Maldonado-Molina, M.M. and Wageneer, A.C. (2010) Effects of alcohol taxes on alcohol-related mortality in Florida: Time-series analysis from 1969 to 2004. Alcoholism: Clinical and experimental research, Volume 34 (11). Pages 1915-1921.

[92] Heeb, J-L., Gmel, G., Zurbrügg, C., Kuo, M. and Rehm, J. (2003) Changes in alcohol consumption following a reduction in the price of spirits: a natural experiment in Switzerland. Addiction, Volume 98 (10). Pages 1433-1446.

health policies and strategies on the basis of wider benefit accruing than just to the individual drinkers.[93]

Finland

139. In Finland, a reduction of alcohol prices in 2004 led to a subsequent increase in alcohol-related mortality.[94] In particular, studies have shown that reductions in alcohol taxation and the availability of cheaper alcohol in this country has led to marked and rapid increases in consumption and alcohol-related mortality.[95] As price decreased, alcohol-related harm increased.

140. In 2008, Finland introduced a ban on volume discounts, forbidding the offering of several packages or servings of alcoholic beverages at a reduced joint price. Mass media advertising for short-term discount prices or happy hours was also banned. Both bans applied to shops, markets and restaurants. Finland also raised alcohol excise duties four times in four years – all prices (both normal and discounted) went up; tax income increased by €400m; and the total consumption of alcohol decreased by 8%.[96]

141. In a more recent (2017) study, the associations between affordability of alcohol and alcohol-related mortality were observed as being relatively weak. Increases in the affordability of total alcoholic beverages were only linked to higher rates of alcohol-related mortality among Finnish men with secondary education.[97]

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93 Marmet, S. and Gmel, G. (2017) Alcohol's harm to others in Switzerland in the year 2011/2012. Journal of Substance Use, Volume 22 (4).

94 Herttua, K., Makela, P. and Martikainen, P. (2008) Changes in alcohol-related mortality and its socioecomonic differences after a large reduction in alcohol prices: A natural experiment based on register data. American Journal of Epidemiology, Volume 168, No.10. Pages 1110-1118. See also: Herttua, K., Makela, P. and Martikainen, P. (2009) An evaluation of the impact of a large reduction in alcohol prices on alcohol-related and all-cause mortality: time series analysis of a population-based natural experiment. International Journal of Epidemiology. Volume 40. No. 2. Pages 441-454.

95 Vaaramo, K., Puljula, J., Tetri, S. (2012) Mortality of harmful drinkers increased after reduction of alcohol prices in northern Finland: A 10-year follow-up of head trauma subjects. Neuroepidemiology, Volume 39. Pages 156–162.

96 World Health Organisation (2014) Global Status Report on Alcohol and Health in 35 European Countries.

97 Herttua K, Östergren O, Lundberg O, et al (2017) Influence of affordability of alcohol on educational disparities in alcohol-related mortality in Finland and Sweden: a time-series analysis. Journal of Epidemiology and Community Health, Volume 71. Pages 1168-1176.

Australia

142. Research on changes in alcohol price and affordability has shown that alcohol consumption in Australia between 1974 and 2012 was negatively associated with alcohol price and positively associated with the affordability of alcohol. Specifically, analysis suggests that a 10% increase in the alcohol price was associated with a 2% decrease in population-level alcohol consumption in the following year, with further diminishing effects up to year eight, leading to an overall 6% reduction in total consumption. This research also found that pricing policies need to consider increases in income to ensure effectiveness and that alcohol policy "should only cautiously focus on individual beverage types, because increasing the price of one beverage generally leads to an increase in consumption of substitutes".[98]

143. In a study about who purchases low-cost alcohol in Australia, Callinan et al. (2015) found that based on absolute units of alcohol, minimum unit pricing could be differentially effective for heavier drinkers compared to other drinkers, and particularly for young males.[99]

144. A recent large telephone survey of off licence purchasing found that those buying volume or of low income were most influenced by price. The study concluded that the introduction of a minimum unit price for alcohol, or the use of alcohol tax increases, may be an effective measure in reducing alcohol purchasing for lower income heavy alcohol purchasers as well as older age groups from off-licence premise sources; although may be less effective on younger age groups.[100]

145. In a study of attitudes and beliefs towards alcohol minimum pricing in Western Australia, three major themes emerged: Firstly, negative attitudes were expressed towards the policy and participants suggested that increased levels of crime, drug use and financial strain could be the result. Secondly, the policy was viewed as being unfair on disadvantaged groups,

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[98] Jiang, H. and Livingston, M. (2015) The Dynamic Effect of Changes in Prices and Affordability on Alcohol Consumption: An Impulse Response Analysis. Oxford University Press, Alcohol Alcohol, Volume 50 (6). Pages 631-638.

[99] Callinnan, S., Room, R., Livingston, M. and Jiang, H. (2015) Who purchases low-cost alcohol in Australia? Alcohol Alcohol, Volume 50 (6). Pages 647-653.

[100] Jiang, H., Callinan, S., Livingston, M and Room, R. (2017) Off-premise alcohol purchasing in Australia: Variations by age group, income level and annual amount purchased. Drug and Alcohol Review 36, 210–219. DOI: 10.1111/dar.12402

and participants suggested that individuals would find a way to procure alcohol regardless of minimum pricing policies. Thirdly, increasing alcohol education and directing increased revenue towards alcohol reduction programmes were suggested as ways to increase the acceptability of any minimum pricing policy. These themes reflect similar research conducted in the UK.[101]

146. A 2016 study provided a comparison estimate between the effect of taxation and pricing of alcohol. It found that (1) both an MUP and specific taxation will have some regressive effects, but the effects are limited, as they are greatest for the heaviest consumers, irrespective of income; and (2) among the policy alternatives, an MUP is more effective in reducing consumption than specific taxation, especially for consumers in the lowest-income quintile. The conclusion of the study is that any policy which focuses on increasing the cost of the cheapest alcohol can be effective in reducing alcohol consumption, without having highly regressive effects.[102]

147. A further 2016 study exploring the effect of introducing MUP on the distribution of alcohol purchase, concluded that 'at-risk' drinkers purchases would be significantly reduced (with modelling based on a $2 minimum price).[103]

Sweden

148. Research using data from Sweden suggests that in response to alcohol price increases, consumers reduced their total consumption but also altered their brand choices. This meant that although there were significant reductions in sales in response to price increases, these effects were attenuated by substitution of different products.

149. Consumers who wish to drink heavily are able to substitute more expensive forms of alcohol with cheaper beverages that have higher

101 Keatley, D.A., Hardcastle, S., Carragher, T.N., Chikritzhs, N., Daube, M., Lonsdale, A., and Hagger, M.S. (2016) Attitudes and beliefs towards alcohol minimum pricing in Western Australia Health Promotion International, 1–10 doi: 10.1093/heapro/daw092

102 Vandenberg, B. and Sharma, A. (2016) Are Alcohol Taxation and Pricing Policies Regressive? Product-Level Effects of a Specific Tax and a Minimum Unit Price for Alcohol. Alcohol and Alcoholism, 51(4) 493–502 doi: 10.1093/alcalc/agv133.

103 Sharma, A., Etile, F. and Sinha, K. (2016) The effect of introducing a minimum price on the distribution of alcohol purchase: a counterfactual analysis. Health Economics 25: 1182–1200 DOI: 10.1002/hec.3388.

alcohol content.[104] In this way, "consumers are able to mitigate the effects of average price increases through quality substitutions" and change their beverage choice "in response to price increases to maintain consumption".

150. Consumers of cheap alcohol were found to be more price sensitive than others as they were unable to substitute downwards to even cheaper drinks when prices went up and therefore their level of alcohol consumption reduced the most.[105] There is an important link to other research here which has highlighted that "those who drink at levels which put them at high risk of short-term harms may be more likely to circumvent price increases by switching to a cheaper product".[106] Introducing an MUP prevents this shift, as cheaper products would not be available.

Minimum pricing – introduction elsewhere

151. Given the link between consumption and harm and the evidence that affordability is one of the drivers of increased consumption,[107] the Welsh Government's view is that introducing an MUP for alcohol is a key policy proposal for tackling the health harms associated with alcohol misuse. Specifically, introducing an MUP for alcohol will help to protect the health of hazardous and harmful drinkers, who tend to consume low-cost and high-alcohol content products.

152. The targeted approach of minimum pricing policies has been at the centre of the alcohol debate in several OECD countries, with specific evidence on the effect of minimum pricing coming from its implementation in Canada. Further detail is set out below.

[104] Gruenewald, P.J., Ponicki, W.R., Holder H.D. and Romelsjo, A. (2006) Alcohol prices, beverage quality, and the demand for alcohol: Quality substitutions and price elasticities. Alcoholism: Clinical and Experimental Research, Volume 30 (1). Pages 96-105.

[105] Gruenewald, Paul J., Ponicki, W.R., Holder, H.D. and Romelsjo, A. (2006) Alcohol prices, beverage quality, and the demand for alcohol: Quality substitutions and price elasticities. Alcoholism: Clinical and Experimental Research, January.

[106] Hobday, M., Gordon, E., Meuleners, L., Liang, W. and Chikritzhs, T. (2016) The effect of price increases on predicted alcohol purchasing and decision and choice to substitute. Addition Research and Theory, Volume 24.

[107] Independent Review of the Effects of Alcohol Pricing and Promotion, Part A. https://www.sheffield.ac.uk/polopoly_fs/1.95617!/file/PartA.pdf

Scotland

153. In May 2012, the Scottish Parliament passed the Alcohol (Minimum Pricing) (Scotland) Act 2012 making provision about the minimum price at which alcohol may be sold from licensed premises in Scotland.

154. Since 2012, the Scottish legislation had been referred and considered by the Scottish courts; by the European Court of Justice before returning to the Scottish courts and most recently to the Supreme Court of the United Kingdom. On 15 November 2017, the Supreme Court delivered its unanimous judgment upholding the 2012 Act and finding that minimum pricing is a proportionate means of achieving a legitimate aim.

155. An MUP of 50 pence was subsequently introduced in Scotland on 1 May 2018.[108]

156. Modelling by the University of Sheffield on the impact of an MUP in Scotland suggests that it will be particularly effective in targeting hazardous and harmful drinking, with significant anticipated reductions in consumption and alcohol-related harm. Other qualitative studies carried out in Scotland have similar findings. For example, the recent study by Alcohol Research UK which assessed the likely impact of the Scottish Government's proposed MUP for alcohol policy on community off-sales outlets (convenience stores or corner shops) and on the local people who purchase drinks at such premises. The study found that shopkeepers were divided in their support for an MUP, although more were in favour than against.[109]

157. A 2015 study exploring alcohol pricing and purchasing amongst heavy drinkers in Glasgow and Edinburgh found that cheap vodka and cider accounted for the majority of alcohol consumed by this population. As alcohol becomes less affordable then cheaper alcohol is sought by this group of drinkers and thus the study concluded that very heavy drinkers would be directly impacted by the introduction of an MUP.[110]

158. A more recent study into heavy drinkers' perspectives on MUP in Scotland noted mixed views regarding the impact of increased alcohol

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[108] By virtue of the Alcohol (Minimum Pricing) (Scotland) Act 2012 and the Alcohol (Minimum Price per Unit) (Scotland) Order 2018.

[109] Alcohol Research UK (2015) Shop servers' experience of alcohol-related issues and interventions in socially contrasting neighbourhoods. Alcohol Insight. Number 93. Authors: Davidson, N., Forsyth, A. and Ellaway, A.

[110] Chick, J and Gill, J (2015) Alcohol pricing and purchasing among heavy drinkers in Edinburgh and Glasgow. Current trends and implications for pricing policies. Report for ARUK.

prices, through MUP. While some drinkers indicated potential reduction in intake, thus possibly reducing alcohol harms in the long term, the expected, or even desired effects on consumption and associated harms (from a public health perspective) might not be fully realised in this group. To mitigate possible unintended short-term detrimental effects of MUP on the most vulnerable, the authors concluded that careful planning and appropriate resourcing may be required prior to implementation.[111]

Northern Ireland

159. While the former Health Minister agreed in principle to bring forward a public consultation on the introduction of Minimum Unit Pricing for Alcohol in Northern Ireland, this could not be finalised or receive approval from the Northern Ireland Executive prior to the fall of the Assembly.

160. A decision on the way forward on this issue in Northern Ireland will now be for an incoming Minister and Executive to consider.

Ireland

161. The Public Health (Alcohol) Bill in Ireland contains a suite of measures to reduce the level of harmful consumption of alcohol in Ireland including minimum unit pricing for alcohol products. The Bill completed its passage through all stages in the Seanad on the 15th of December 2017. The Minister in charge intends to bring the Bill into the Dail in 2018.

162. The Public Health (Alcohol) Bill, in its current form, would make it illegal to sell or advertise alcohol products below a set minimum price (10 cent per gram of alcohol in product). This equates to a minimum price of €1 per standard drink. Ministers will have powers to increase the minimum price three years after commencement and every 18 months thereafter, following a review.

163. Like the Bill, this is a measure designed to prevent the sale of alcohol at very cheap prices. It is aimed at those who drink in a hazardous and harmful manner (considered by the Irish Government to be the heaviest drinkers and young people).

164. A 2016 survey in Ireland of 3,000 plus individuals (involving a representative population sample) established that high risk drinkers, men,

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111 O'May, F., Gill, J., Black, H., Rees, C., Chick, J and McPake, B. (2016) Heavy Drinkers' Perspectives on Minimum Unit Pricing for Alcohol in Scotland: A Qualitative Interview Study SAGE Open July-September 1–10 © The Author(s) DOI: 10.1177/2158244016657141.

those on low income and purchasing from off licences correlated most with the purchase of cheaper alcohol, suggesting minimum unit pricing would target those most at risk.[112]

Canada

165. In April 2010, Saskatchewan province, in Canada, introduced a comprehensive set of new and increased minimum prices on alcohol with higher-alcohol content beverages receiving a higher price. The effect of this increase was assessed using sales data (both off and on-sales). Research into its effects reported a 10% increase in the minimum price reduced consumption of alcoholic beverages by 8.43%, with larger effects in off-sales (the sale of alcoholic drink for consumption elsewhere) than on-sales (the sale of alcoholic drink for consumption on site). Sales of high-strength beer and wine declined the most – with consumers shifting to lower strength beer and wine.[113]

166. An analysis of time series data of alcohol sales for different beverage types across 89 local areas of British Columbia found measurable downward impacts on consumption every time the minimum price for alcohol was increased in real terms. On average a 10% change in minimum price was associated with an opposite effect on per capita consumption of 3.4%.[114] Further research in the 89 local areas of British Columbia found a relationship between an increase in minimum prices for alcohol and associated reductions in consumption, outlet densities and alcohol-related deaths. A delayed impact after three or four years was also detected on alcohol-related diseases following changes in minimum price rates.[115]

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112 Cousins G., Mongan D., Barry, J,. Smythe, B., Rackard, M and Long, J. (2016) Potential impact of minimum unit pricing for alcohol in Ireland: evidence from the national alcohol diary survey. Alcohol and Alcoholism 51(6):734–40.

[113] Stockwell, T., Zhao, J., Giesbrecht, N., MacDonald, S., Thomas, G. and Wettlaufer, A. (2012) The Raising of Minimum Alcohol Prices in Saskatchewan, Canada: Impacts on Consumption and Implications for Public Health. American Journal of Public Health. Volume 102 (12). See also: Stockwell T., Auld, M.C., Zhao, J.H. and Martin, G. (2012) Does minimum pricing reduce alcohol consumption? The experience of a Canadian province. Addiction, Volume 107 (5). Pages 912-20.

[114] Stockwell, T. Auld, M.C., Zhao, J.H., Martin, G. (2012) Does minimum pricing reduce alcohol consumption? The experience of a Canadian Province. Addiction. 107(5). Pages 912-20. See also advice submitted to the Health, Social Care and Sport Committee in December 2017 by the Canadian Institute for Substance Use Research.

[115] Zhao, J., Stockwell, T., Martin, G., MacDonald, S., Vallance, K. , Treno, A., Ponicki, W., Tu, A. and Buxton, J. (2012) The relationship between minimum changes to alcohol price , outlet densities and alcohol-related deaths in British Columbia 2002-2009. Addiction 108(6). Pages 1059-1069.

167. Research from Canada also concluded that minimum pricing for alcohol is an effective policy for reducing health inequalities, as more significant associations between increases in the price of alcohol and associated reductions in harms have been found for lower income regions.[116] In particular, Zhao and Stockwell (2017) have shown that in Canada, minimum price increases for alcohol are associated with reductions in alcohol-attributable hospitalisations, especially for populations with lower income, both for immediate effects on acute hospitalisations and delayed effects on chronic hospitalisations.[117]

168. Furthermore, studies of the effect of minimum pricing on alcohol-related harm in British Columbia found that a 10% increase in average minimum alcohol prices was significantly associated with a 32% reduction in wholly alcohol-attributable deaths, a 20% reduction in partially alcohol-attributable deaths and a 9% reduction in alcohol-related hospital admissions.[118] The main conclusion of these studies in Canada was that increases in the minimum prices of alcohol beverages can substantially reduce alcohol consumption.[119] One study also found that the 10% increase in provincial minimum alcohol prices was associated with an 18.1% reduction in alcohol-related traffic violations; a 9.17% reduction in crimes against persons and a 9.39% reduction in total rates of crime.[120] Similarly, Stockwell et al. (2016) reported that a 9.1% average minimum price increase in Saskatchewan was associated with "an abrupt decrease in night-time alcohol-related traffic offences for men… but not for women" and that "significant monthly lagged effects were observed for violent offences (-19.7% at month four to -18.2% at month six), which broadly

[116] Zhao, J. and Stockwell, T. (2017) The impacts of minimum alcohol pricing on alcohol attributable morbidity in regions of British Columbia, Canada with low, medium and high mean family income. Addiction. Vol. 112. Pages 1942-1951.

[117] Zhao, J and Stockwell, T (2017) The impacts of minimum alcohol pricing on alcohol attributable morbidity in regions of British Colombia, Canada with low, medium and high mean family income. Addiction 112. Pages 1942-1951.

[118] Stockwell, T. and Thomas, G. (2013) Is alcohol too cheap in the UK? The case for setting a Minimum Unit Price for alcohol. Institute of Alcohol Studies Report.

[119] Stockwell, T., Zhao, J., Giesbrecht, N., MacDonald, S., Thomas, G. and Wettlaufer, A. (2012) The Raising of Minimum Alcohol Prices in Saskatchewan, Canada: Impacts on Consumption and Implications for Public Health. American Journal of Public Health. Volume 102 (12). See also Stockwell, T. Auld, M., Zhao, J. and Martin, G. (2012) Does minimum pricing reduce alcohol consumption? The experience of a Canadian province. Addiction, Volume 107 (5).

[120] Stockwell, T., Zhao, J., Marzell, M., Gruenewald, P., Macdonald, S., Ponicki, W. and Martin, G. (2015) Relationships between minimum alcohol pricing and crime during the partial privatisation of a Canadian Government Alcohol Monopoly. Journal of Studies on Alcohol and Drugs, Volume 76 (4). Pages 628-634.

corresponded to lagged effects in on-premise alcohol sales".[121] The authors attributed these observed lagged effects to a delay in bars passing on increased prices to their customers and inventory stockpiling.

169. It is also important to note that in relation to the introduction and implementation of minimum pricing in Canada, Thompson et al. (2017) have found that the full harm-reduction potential of minimum pricing is not being realised in some jurisdictions due to incomplete implementation, and in particular, the exclusion of minimum pricing for some beverages and the fact that prices are not regularly adjusted for inflation.[122] Similarly Giesbrecht et al. (2015) found that while alcohol pricing is an effective prevention policy, there is significant "inter-provincial variation" which "leaves substantial unrealised potential for further reducing alcohol-related harm and costs" in Canada.[123] A further study by Giesbrecht et al. (2016) found that precautionary alcohol prices have substantial harm reduction potential, particularly among youth and high-risk drinkers.[124]

170. A very recent (2018) study, which explored coping strategies for homeless dependent drinkers when alcohol is unaffordable, suggested that there would be a reduction in alcohol consumption amongst this population, rather than the adoption of other harmful coping mechanisms.[125]

171. The University of Sheffield worked with the Centre for Addictions Research in British Columbia to generate estimates of the potential benefits of introducing minimum unit pricing into Canadian provinces – and found that their estimates are highly conservative in comparison with the

[121] Stockwell, T., Zhao, J., Sherk, A., Callaghan, R., Macdonald, S. and Gatley, J. (2016) Assessing the impacts of Saskatchewan's minimum pricing regulations on alcohol-related crime. Drug and Alcohol Review.

[122] Thompson, K., Stockwell, T., Wettlaufer, A., Giesbrecht, N. and Thomas, G. (2017) Minimum alcohol pricing policies in practice: A critical examination of implementation in Canada. Journal of Public Health Policy, Volume 38 (1). Pages 39-57.

[123] Giesbrecht, N., Wettlaufer, A., Thomas, G., Stockwell, T., Thompson, K., April, N., Asbridge, M., Culier, S., Mann, R., McAllister, J., Murie, A., Pauley, C., Plamondon, L. and Vallance, K. (2016) Pricing of alcohol in Canada: A comparison of provincial policies and harm-reducing opportunities. Drug and Alcohol Review, Volume 35 (3). Pages 289-297.

124 Giesbrecht, N., Wettlaufer, A., Cukier, S., Geddie, G., Gonçalves, A., & Reisdorfer, E. (2016). Do alcohol pricing and availability policies have differential effects on sub-populations? A commentary. The International Journal Of Alcohol And Drug Research, 5(3), 89-99. doi:http://dx.doi.org/10.7895/ijadr.v5i3.227.

125 Erickson, R. A., Stockwell, T., Pauly, B., Chow, C., Roemer, A., Zhao, J., Vallance, K. and Wettlaufer, A. (2018), How do people with homelessness and alcohol dependence cope when alcohol is unaffordable? A comparison of residents of Canadian managed alcohol programs and locally recruited controls. Drug and Alcohol Review. doi:10.1111/dar.12649.

empirically derived estimates of actual impacts each time minimum price rates have been adjusted in British Columbia.[126]

Other countries

172. There are an increasing number of academic publications utilising systematic review and meta-analysis to make comparative studies of pricing policies and effects.[127,128,129]

173. Literature evidencing policy debate and implementation associated with pricing can be found with regards to other countries; Denmark, England, Hong Kong, Iceland, New Zealand and Russia.[130,131,132,133,134]

174. In 2014 the Ministry of Justice in New Zealand published an extensive report modelling price and costs, concluding and advocating for

[126] Hill-McManus, D., Brennan, A., Stockwell, T., Giesbrecht, N., Thomas, G., Zhao, J., Martin, G. and Wettlaufer, A. (2012) Model-based appraisal of alcohol minimum pricing in Ontario and British Columbia: A Canadian adaptation of the Sheffield Alcohol Policy Model Version 2. Technical Report, Centre for Addictions Research of BC, University of Victoria, British Columbia, Canada. See also advice submitted to the Health, Social Care and Sport Committee in December 2017 by the Canadian Institute for Substance Use Research.

[127] Boniface, S, .Scannell J,W and Marlow S. (2017) Evidence for the effectiveness of minimum pricing of alcohol: a systematic review and assessment using the Bradford Hill criteria for causality. BMJ Open 2017;7:e013497. doi:10.1136/bmjopen-2016.

[128] Nelson, J. P and McNall, A.D. (2016) Alcohol prices, taxes, and alcohol-related harms: A critical review of natural experiments in alcohol policy for nine countries. Health Policy. 120(3):264-72. doi: 10.1016/j.healthpol.2016.01.018.

[129] Sharma, A., Sinha, K and Vandenberg, B. (2017) Pricing as a means of controlling alcohol consumption British Medical Bulletin, 123(1): 149–158, https://doi.org/10.1093/bmb/ldx020.

[130] Nelson, J. P and McNall, A.D. (2016) Alcohol prices, taxes, and alcohol-related harms: A critical review of natural experiments in alcohol policy for nine countries. Health Policy. 120(3):264-72. doi: 10.1016/j.healthpol.2016.01.018.

[131] Burton, R., Henn, C., Lavoie, D., O'Connor, R., Perkins, C., Sweeney, K. and Sheron, N. (2017) A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective. Lancet, 389(10078), 1558-1580. DOI: 10.1016/S0140-6736(16)32420-5.

[132] Ministry of Justice (2014) The effectiveness of Alcohol Pricing Policies Reducing harmful alcohol consumption and alcohol-related harm. Wellington (New Zealand), Ministry of Justice.

[133] Falkner, C., Christie, C., Zhou, L. and King (2015) The effect of alcohol price on dependent drinkers' alcohol consumption The New Zealand Medical Journal 128 (1427): 18 December 2015 | 6761 https://www.nzma.org.nz/journal/read-the-journal/all-issues/2010-2019/2015/vol-128-no-1427-18-december-2015/6761.

[134] Public Health England (2016) The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies An evidence review. London Public Health England https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/583047/alcohol_public_health_burden_evidence_review.pdf.

introduction of minimum pricing and a marked effect especially on young people.[135]

175. An analysis of policy control measures focused on England concluded that increased taxation combined with minimum pricing would result in substantive harm reduction[136] and the combination of the two would produce greater change than either one alone.

176. A synthesis of the recent submissions to a UK Parliament Health Committee hearing on minimum pricing (which took place in January 2018) draws on much of the available evidence. The majority of submissions support minimum unit pricing and cite reduction in harms, the targeting of at risk populations and its role alongside other price control measures. There is also industry related notes of caution.[137]

Taxation

177. Increasing the price of alcohol through taxation is not a policy option open to the Welsh Government. The taxation of alcohol is not devolved to the National Assembly and legislative powers in this area have not been sought. Considering the specific anticipated impacts of taxation is nonetheless useful as it demonstrates why an MUP is a more effective and proportionate policy approach to reducing hazardous and harmful drinking.

178. Evidence cited in this explanatory memorandum highlights the relationship between increasing the price of alcohol and reducing levels of consumption. Alcohol price can be increased in different ways, including through taxation and by setting an MUP.

179. However, in seeking to achieve the Bill's objective, the Welsh Government has concluded that taxation is not an effective alternative to an MUP in Wales. Taxation alone will not target and reduce levels of hazardous and harmful drinking in the same way as introducing an MUP for alcohol. Minimum unit pricing aims to increase the price of very cheap alcohol, therefore limiting its affordability and hence consumption among

135 Ministry of Justice (2014) The effectiveness of Alcohol Pricing Policies Reducing harmful alcohol consumption and alcohol-related harm. Wellington (New Zealand), Ministry of Justice.

136 Burton, R., Henn, C., Lavoie, D., O'Connor, R., Perkins, C., Sweeney, K. and Sheron, N. (2017). A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective. Lancet, 389(10078), 1558-1580. DOI: 10.1016/S0140-6736(16)32420-5.

137 http://www.parliament.uk/business/committees/committees-a-z/commons-select/health-committee/inquiries/parliament-2017/alcohol-minimum-unit-pricing-inquiry-17-19/

hazardous and harmful drinkers, who tend to purchase the cheapest alcohol.[138]

180. While the ban on below cost selling provides a floor price, this varies across products and is relatively low. An MUP can be specified at a higher level, enabling and delivering change across a range of different health outcomes among hazardous and harmful drinkers. This includes reducing consumption, alcohol-related deaths and hospital admissions.

Why taxation can be important

181. Taxes on alcoholic beverages are based on influencing consumer demand by increasing the cost relative to incomes and alternative spending choices.[139] A rapid review of the evidence, undertaken by Public Health Wales in 2014, specifically highlights the significant relationship between tax policies and a reduction in excessive alcohol consumption and related harms.[140]

182. Tax increases for alcohol are similarly a recommended action by the World Health Organisation and the World Economic Forum in their joint report *From Burden to Best Buys* in the context of reducing premature mortality from non-communicable diseases.[141]

183. It is acknowledged that taxation may also create an important source of public revenue that could be used to finance healthcare and other services which promote and protect health.[142] This means that welfare could be increased overall, should the revenue be spent by the UK Government on either supporting activities or on other programmes which are focused on reducing alcohol consumption and addressing health inequalities.

[138] OECD (2015) Tackling Harmful Alcohol Misuse: Economics and Public Health Policy. Franco Sassi (Editor).

[139] World Health Organisation (2009) Evidence for the effectiveness and cost-effectiveness of interventions to reduce alcohol-related harm. October 2009.

[140] Public Health Wales (2014) What is the effectiveness of alcohol and food taxation on improving health? A Rapid Evidence Review. Kathryn Ashton and Mark Bellis, Policy Research and Development Division.

[141] World Health Organisation and World Economic Forum (2011) From Burden to "Best Buys": Reducing the Economic Impact of Non-Communicable Diseases.

[142] Mccoy, D., Chigudu, S. and Tillmann, T. (2017) Framing the tax and health nexus: a neglected aspect of public health concern. Health Economics, Policy and Law, 12(2). Pages 179-194.

184. The WHO suggests that elasticity and affordability data should guide the magnitude of tax increases. For taxation to be effective at reducing alcohol consumption, the policy would need to ensure that alcohol becomes less affordable, including regular tax adjustments to account for changes in income and the relative price of other goods. [143]

185. The WHO, in its 2010 *WHO Global Strategy*, called on Member States to establish a system for specific domestic taxation which takes into account the alcohol content of the beverage, accompanied by an effective enforcement system. The WHO also encourages countries to review prices regularly in relation to inflation and income levels; ban or restrict sales below cost and other price promotions; and establish minimum prices for alcohol where applicable.[144]

Existing approaches to taxation

186. In its 2016 evidence review on the *Public Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies*, Public Health England set out that alcohol is subject to consumption taxes which fall broadly into three different categories:

1) Excise duties: taxes on specific goods and services;
2) Value added taxes (VAT): taxes on general consumption;
3) Custom taxes: taxes on imported goods.[145]

187. The most common approach is based on a combination of excise duties and value added taxes. Excise duties are applied on alcoholic beverages in two main ways – either or both of which are used in different countries. The excise duty may be specific to the alcohol content (for example, percentage of alcohol in the drink) or volume of the product, or calculated as a proportion of the value of the product (*ad valorem* excise).

188. Excise duties are currently regulated at the European Union level by EU Directives which detail the methods by which duty must be charged and define the minimum rates which member states must apply. Similarly, VAT is also regulated at the EU level and alcohol is among the products at which VAT is levied at standard rate. As a result, the Public Health England (2016) review notes that whilst member states have the freedom

[143] World Health Organisation (2009) Handbook for Action to Reduce Alcohol-Related Harm.

[144] World Health Organisation (2010) Global Strategy to Reduce Harmful Use of Alcohol.

[145] Public Health England (2016): The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies: An Evidence Review.

to set their own rates, provided these are higher than the minimum rates, they cannot change the structures of excise duties or change the type of VAT rate.[146]

189. The Institute of Fiscal Studies (2013) has commented the existing structure of excise taxes is poorly designed to target stronger alcohol products and is therefore poorly targeted to address problem drinking behaviour. In this regard, the IFS also note the structure of alcohol excise taxes is partly restricted at EU level and acknowledges that this acts as a legal constraint on the ability of governments to implement the sort of reform to excise taxes that are likely to make a difference to alcohol prices.[147] The Institute of Fiscal Studies (2017) demonstrate that varying tax rates on different products can lead to welfare gains, with the gains being higher the more concentrated the negative externalities of alcohol consumption are amongst heavy drinkers.[148]

190. The UK currently has two bands for still cider and perry: a main band from 1.2% to 7.5% alcohol by volume (ABV) and a higher strength band from 7.5% to 8.5% ABV. This means a 1.3% still cider attracts the same amount of duty as 7.5% cider, creating incentives to produce drinks towards the top of the band. Cheap, high strength 'white' ciders are produced at 7.5% ABV. In 2017, the UK Government consulted on the potential introduction of a new band to target cheap, high-strength white ciders, below 7.5% ABV. It also consulted on the impacts of a new lower-strength still wine band, with the view to encouraging the production and consumption of lower strength wines.

191. Subsequently, in the Autumn Budget, published on 22 November 2017, the Chancellor announced that to **"**tackle dependent, street and underage drinking cheap and high strength 'white' ciders will be targeted by a new, higher duty band on cider between 6.9% and 7.5% alcohol by volume from 1 February 2019". The UK Government consider that the new band will encourage reformulation to lower alcohol levels and help to reduce the harm associated with these drinks adding that around 88% of the cider market, including the smallest producers, will be unaffected.[149]

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[146] Public Health England (2016): The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies: An Evidence Review.

[147] Institute of Fiscal Studies (2013) Briefing Note: Price-based measures to reduce alcohol consumption. Authors: Rachel Griffith, Andrew Leicester and Martin O'Connell. Institute for Fiscal Studies, March 2013.

[148] Institute of Fiscal Studies (2017) Tax design in the alcohol market. IFS Working Paper W17/28. Authors: Rachel Griffith, Martin O'Connell and Kate Smith. Institute for Fiscal Studies September 2017

[149] HM Treasury Autumn Budget 2017 Duty on High Strength Ciders.

192. The Welsh Government views UK Government plans to introduce a new band to target cheap, high-strength white ciders as a complementary measure to the introduction of a minimum price for alcohol.

193. A new duty band would only deal with a limited type of alcoholic beverage. Furthermore, it would not guarantee a minimum price as retailers would not necessarily pass on the increase in tax to consumers.

194. Crucially, an MUP would increase the price of all alcohol being sold below the applicable minimum price and is not just limited to certain products. The introduction of a minimum unit price also guarantees that the increase in the cost of the alcohol is passed on to the consumer – and cannot be absorbed by retailers.

Taxation and pricing strategies and how they differ in their impact on health inequalities

195. Heavy drinkers buy a different mix of products to lighter drinkers, with heavy drinkers preferring stronger alcohol products. That is, those with more ethanol per 100ml, measured as alcohol by volume (ABV). Griffith et al. (2017) have argued that this variation in consumers' preferences for different products can be exploited – in order to improve the design of corrective taxes.[150]

196. Meier et al. (2016)[151] tested whether four common alcohol taxation and pricing strategies differ in their impact on health inequalities. These were: a current tax increase (a 13.4% all-product duty increase under the current UK system); a value-based tax (a 4.0% ad valorem tax based on product price); a strength-based tax (a volumetric tax of £0.22 per UK alcohol unit (= 8g of ethanol); and minimum unit pricing (a minimum price threshold of £0.50 per unit, below which alcohol cannot be sold). The study uses data from representative household surveys on alcohol purchasing and

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https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661438/duty_on_high_strength_ciders.pdf

[150] Griffith, A., O'Connell, M. and Smith, K. (2017) Designing Alcohol Taxes: Evidence from the UK Market. Institute of Fiscal Studies. See also: Griffith, R., O'Connell, M. and Smith , K. (2017) Tax design in the alcohol market. IFS Working Paper W17/28. Institute of Fiscal Studies September 2017

[151] Meier, P. S., Holmes, J., Angus, C., Ally, A.K., Meng, Y. and Brennan, A. (2016) Estimated Effects of Different Alcohol Taxation and Price Policies on Health Inequalities: A Mathematical Modelling Study. Plos Medicine.

consumption, administrative and healthcare data on 43 alcohol-attributable diseases, and published price elasticities and relative risk functions to model associated impacts.

197. Meier et al. (2016) found that pricing strategies differ as to how effects are distributed across the population. The authors note that from a public health perspective, heavy drinkers in routine/manual occupations are a key group, as they are at greatest risk of health harm from their drinking. The study found that strength-based taxation and minimum unit pricing would have greater effects on mortality among drinkers in routine/manual occupations – especially for heavy drinkers, where the estimated policy effects on mortality rates are as follows: current tax increase (−3.2%); value-based tax (−2.9%); strength-based tax (−6.1%); and minimum unit pricing (−7.8%).

198. In particular, Meier et al. (2016) found that the impacts of price changes on moderate drinkers were small regardless of income or socioeconomic group and that "volumetric taxation and minimum unit pricing consistently outperform increasing the current tax or adding an ad valorem tax in terms of reducing mortality among the heaviest drinkers and reducing alcohol-related health inequalities". The study specifically found that minimum unit pricing and strength-based taxation would have the largest impact on harmful drinking, with minimal effects on those drinking in moderation.

199. While volumetric tax systems have received a lot of attention in some places,[152] as previously noted a scheme of taxation that was levied on a unit of alcohol would not comply with the current system of excise duty required by EU law. EU directives limit the ability to align duty with alcoholic content. Directives 92/83/EEC and 92/84/EEC make provision for minimum rates of excise duty on alcohol and specify methods for calculating the rate of duty. As an example, under these EU directives, wines of strength 8.5% to 15% would attract the same duty rate.

200. Indeed, Meier et al. (2016) acknowledge that strength based taxation or "volumetric taxation is not currently possible in the EU as taxation of wine and cider by ethanol content is prohibited".

201. Even if this were an option open to the UK Government, another study has found that "while both an MUP and a uniform volumetric tax have the

[152] For example – in Australia. See Byrnes, J., Petrie, D., Doran, C. and Shakeshaft, A. (2012) The efficiency of a volumetric tax in Australia. Applied Health Economics and Health Policy. January 2012. Volume 10 (1). Pages 37-49.

potential to reduce heavy consumption of wine and beer without adversely affecting light and moderate consumers, an MUP offers the potential to achieve greater reductions in heavy consumption and a lower overall cost to consumers".[153] Meier et al. (2014) reached similar conclusions in their study of different alcohol pricing and taxation strategies, using the Sheffield Alcohol Policy Model.[154]

MUP versus Taxation

202. While taxation does increase the price of alcohol, it does not therefore provide the same opportunity to reduce levels of hazardous and harmful drinking as an MUP.

203. Higher taxation alone will not necessarily achieve a minimum price for alcohol since retailers can absorb tax increases by off-setting them against the cost of other products. Increased taxes do not necessarily mean increased prices.[155] Indeed, the situation where an increase in taxes does not necessarily result in an increase in prices has been specifically highlighted in a study by Ally et al. (2014) on alcohol tax "pass-through".[156] In particular, it has been noted that when alcohol taxes go up, leading supermarkets increase the price of cheap alcohol by less than would be expected and increase the price of expensive alcohol by more than would be expected.[157]

204. An MUP, on the other hand, will guarantee that alcohol is not sold below a certain level. This is because: "A minimum price per unit (unlike a tax increase) would prevent retailers from passing on any increase to producers, or absorbing it themselves. It would also encourage producers to reduce the strength of products".[158]

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[153] Sharma, A., Vandenberg, B. and Hollingsworth, B. (2014) Minimum pricing for alcohol versus volumetric taxation: which policy will reduce heavy consumption without adversely affecting light and moderate consumers? PLOS ONE, Volume 9 (1).

[154] Meier, P., Holmes, J., Yang, M. and Brennan, A. (2014) Choosing between different alcohol pricing and taxation strategies: a comparative policy appraisal using the Sheffield Alcohol Policy Model. The Lancet. Supplement 2. London 384: S51.

[155] World Health Organisation (2009) Handbook for Action to Reduce Alcohol-Related Harm.

[156] Ally, A.K., Meng, Y., Chakraborty, R., Dobson, P., Seaton, J.S., Holmes, J., Angus, C., Guo, Y., Hill-McManus, D., Brennan, A. and Meier, P.S. (2014) Alcohol tax pass-through across the product and price range: do retailers treat cheap alcohol differently? Addition: 109.

[157] Ally, A.K., Meng, Y., Chakraborty, R., Dobson, P., Seaton, J.S., Holmes, J., Angus, C., Guo, Y., Hill-McManus, D., Brennan, A. and Meier, P.S. (2014) Alcohol tax pass-through across the product and price range: do retailers treat cheap alcohol differently? Addition: 109.

[158] National Institute for Health and Care Excellence (2010) Guideline on Alcohol-use Disorders: Prevention.

205. Taxation is also less targeted than MUP, in terms of a focus on hazardous and harmful drinkers. While overall alcohol consumption could be reduced by increasing taxation, a uniform tax would be less effective at targeting problem drinkers as the tax would apply across all products rather than those high-strength, cheap products.

206. Without an MUP for alcohol, consumers may make substitutions between purchases of different beverage types and brands in response to price increases. Consumers who wish to drink heavily could substitute more expensive forms of alcohol with cheaper beverages that have higher alcohol content.[159] In this way "consumers are able to mitigate the effects of average price increases through quality substitutions" and change their beverage choice "in response to price increases to maintain consumption" (Gruenewald et al. 2006; see also Moore 2010).[160]

207. It is also important to highlight that the National Institute for Health and Care Excellence (NICE) has noted that "a large increase in duty would be needed to raise the price of the cheapest products to a level that would reduce alcohol harm" and that "unlike a minimum price per unit, this would affect all products equally rather than focusing on cheaper and stronger goods".[161]

208. In this regard, the University of Sheffield has explored the level of taxation needed in Wales to deliver the same level of change in consumption and alcohol-attributable deaths among hazardous and harmful drinkers as an illustrative MUP level. This suggests that a 34% tax increase would be needed to deliver the same reduction in alcohol attributable deaths as a 50p MUP.

209. The effects of the modelled tax increases would be distributed differently across the population to a 50p MUP. The tax increases all lead to larger reductions in alcohol consumption and larger increases in alcohol spending among moderate drinkers and less deprived drinkers. For more deprived drinkers, the tax increases still lead to large increases in alcohol

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[159] Gruenewald, P.J., Ponicki, W.R., Holder, H.D., Romelsjö, A. (2006) Alcohol prices, beverage quality, and the demand for alcohol: quality substitutions and price elasticities. Alcoholism: Clinical and Experimental Research, Volume 30 (1). Pages 96-105.

[160] Moore, S.C. (2010) Substitution and complementarity in the face of alcohol-specific policy interventions. Alcohol and Alcoholism, 45 (5). Pages 403-408.

[161] National Institute for Health and Care Excellence (2010) Guideline on Alcohol-use Disorders: Prevention.

spending, but lead to smaller reductions in this group's alcohol consumption. This pattern of consumption changes means reductions in alcohol-related harm are less concentrated in deprived groups than would be the case under a 50p MUP.

210. Whilst reductions in alcohol-attributable mortality and hospital admissions arising from the above tax increases would still be concentrated among the most deprived and harmful drinkers, this would be to a lesser extent than under a 50p MUP. The inequality gap in alcohol-attributable mortality between the most and least deprived group would fall from 46.4 extra deaths per 100,000 drinkers in the most deprived group per year at baseline, to 34.2 extra deaths under a 50p MUP. but would only fall to between 39.3 and 41.5 extra deaths under the tax increases.

211. The modelling also addresses the issues of the differential impact on tax take and retailers of introducing an MUP versus uniform tax. The Sheffield modelling estimated the increase in total tax take for a 34% increase in alcohol taxes to be £104.3m per year. For retailers, a 34% increase in tax would reduce revenue by £29.7m per year. It is also worth noting that given that the power to raise taxation on alcohol is not devolved to the National Assembly any revenues raised would accrue to the UK Government and so would not be directly available to the Welsh NHS to combat alcohol-related harm in Wales.

In conclusion

212. The power to increase or vary taxation on alcohol is not devolved to the National Assembly. Furthermore, taxation is not considered to be as effective a measure to target hazardous and harmful drinking in Wales as an MUP, which is specifically targeted at increasing the cost of low-cost and high-strength alcoholic products and also guarantees that any price increase is passed directly to the consumer.

213. Broadly, the analysis undertaken demonstrated that a rise in alcohol taxation of 34% would be needed to bring about the same reduction in alcohol-attributable deaths.

214. If the Welsh Government lobbied the UK Government for an increase in alcohol duties, there would be an increase in cost to all consumers, whether moderate or heavy drinkers, as any price increase would affect all alcoholic drinks (both off and on-trade). The only exception would be if retailers chose to absorb the increased cost themselves rather than pass on to the consumer (as long as they could do so without violating the ban on below-cost sales). For retailers of higher-cost products, which would not be affected by the below-cost ban (for example, in the on- trade), or

where alcohol is used as a loss-leader[162] (for example in supermarkets), this could result in higher costs to retailers, without the desired impact on consumption levels.

215. Subject to the will of the Assembly, it is proposed that the Bill will be passed prior to the UK exiting the EU in 2019. Following this, powers to reform the alcohol duty regime will rest with the UK Government. At this point, it is not yet known whether the UK Government would reform alcohol tax and duty as a public health measure. Action must be taken now to address existing levels of hazardous and harmful drinking in Wales and reduce the number of preventable and avoidable deaths caused by the excessive consumption of alcohol.

Summary: Rationale for legislation on MUP

216. The Welsh Government continues to take extensive policy actions to address the problems associated with alcohol use in Wales and while there has been a small decline in alcohol consumption in recent years, the Welsh Government believes there is more to be done to reduce the avoidable harms alcohol causes individuals, their families and wider society. This legislation is particularly targeted at protecting the health of hazardous and harmful drinkers who tend to consume greater amounts of low cost and high alcohol content products.

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

- The affordability of alcohol is a key driver in relation to the amount of alcohol consumed and alcohol harms. Although there has been a slight decline in affordability in the past five years, perhaps due to the effects of the recession, the affordability of alcohol has increased significantly in the past two decades.[163]

- One of the most effective means of impacting on alcohol harms is by increasing price. Price elasticity is a strong feature of consumer behaviour and there is evidence that alcohol is subject to this

[162] The ban on below-cost selling prohibits the selling of alcohol at a price that is below the cost of the duty plus the VAT payable on that duty. For products where the total cost of the alcohol is higher than the tax element therefore, it is still possible to sell at a loss.

[163] Institute of Alcohol Studies (2014) Alcohol Pricing Factsheet. http://www.ias.org.uk/uploads/pdf/Factsheets/Alcohol%20pricing%20factsheet%20April%202014.pdf

principle. There is also evidence that in Wales, alcohol price policy could substantially improve health outcomes.

- Most European countries routinely tax alcoholic drinks or use other means to discourage unhealthy drinking behaviours. While the revenue from raising taxes can be used to invest in services which support those with poorer health outcomes, there is no guarantee that an increase in taxation will mean an automatic increase in price for consumers.[164]

- Minimum prices have to be consistently applied by retailers in alcohol sales, while tax increases may not translate into higher prices at the point of consumption. This means that price promotions remain possible with taxation, while they are severely restricted by minimum prices.[165]

- The latest analysis from the University of Sheffield shows that an illustrative MUP of 50p would reduce the inequality gap in alcohol-attributable mortality between the most and least deprived groups more than the modelled tax rises.

- Large alcohol tax increases would be required to achieve the same effects as a 50p illustrative MUP.

- Whilst MUP operates at a population level to reduce the aggregate level of alcohol consumed and therefore lower the whole population's risk of alcohol-related harm,[166] MUP specifically targets hazardous and harmful drinkers who are causing most harm to themselves and society, as they tend to consume alcohol products which are cheap relative to strength.

- The Scottish Parliament has legislated so as to introduce a minimum price for alcohol in relation to Scotland, and forms of minimum pricing have been successfully introduced in Canada. It is being adopted as a policy option in other countries and would,

[164] Ally, A.K., Meng, Y., Chakraborty, R., Dobson, P., Seaton, J.S., Holmes, J., Angus, C., Guo, Y., Hill-McManus D., Brennan, A. and Meier, P.S. (2014) Alcohol tax pass-through across the product and price range: do retailers treat cheap alcohol differently? Addition: 109.

[165] OECD (2015) Tackling Harmful Alcohol Misuse: Economics and Public Health Policy. Franco Sassi (Editor).

[166] NICE Public Health Guidance 24 (June 2010) Alcohol-use disorders: preventing harmful drinking.

according to both the Advisory Panel on Substance Misuse and the modelling work of the Sheffield Alcohol Research Group, bring health benefits to Wales.

- The modelling of the impacts of an MUP in Wales are based on relatively small fluctuations in alcohol price and so there are some uncertainties about its potential effects (and also how the industry will respond). Nonetheless, even conservative estimates of the impacts of an MUP suggest a positive and worthwhile effect on reducing alcohol-related harm.

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

4. Consultation

219. The Welsh Government's proposals for introducing a minimum price for alcohol were first consulted on as part of the Public Health White Paper *Listening to you: Your Health Matters*[167] in April 2014. A total of 713 responses to the White Paper were received and a consultation summary report was published in November 2014.[168] The consultation responses included 145 relating to MUP. These were received from a range of stakeholders and members of the public, with the vast majority in favour of introducing legislation. The MUP proposal attracted broad support from health organisations, local government and voluntary sector organisations, while respondents from the alcohol industry and representatives of retailers were generally opposed to the proposal.

220. A subsequent consultation exercise took place between July and December 2015 on the draft Public Health (Minimum Price for Alcohol) (Wales) Bill.[169] This sought views about the Welsh Government's proposal to reduce alcohol-related harm through the introduction of legislation for a minimum price for alcohol in Wales.

221. A total of 194 responses were received in 2015, with 68% in favour of the legislative proposal. A summary of these consultation responses was published on the Welsh Government website in March 2016.[170]

222. The main reasons for supporting the proposal were as follows:

- 45% believed an MUP would help reduce the health harms associated with alcohol abuse;
- 40% felt an MUP would reduce the cost to the health service and society as a whole;
- 35% felt an MUP would help address the problem of anti-social behaviour;
- 23% felt there was a problem with increased availability and affordability of alcohol in recent years.

[167] Welsh Government White Paper, Listening to you: Your Health Matters, April 2014 http://gov.wales/docs/phhs/consultation/140402consultationen.pdf

[168] Welsh Government, Listening to you: Your Health Matters, Summary of Responses, November 2014 http://gov.wales/docs/dhss/consultation/141127responsesen.pdf

[169] Welsh Government, Draft Public Health (Minimum Price for Alcohol) (Wales) Bill and Explanatory Memorandum, July 2015.

[170] https://consultations.gov.wales/consultations/draft-public-health-minimum-price-alcohol-bill

223. 20% of respondents were against the proposal to introduce an MUP in Wales. These mostly came from the alcohol retail and manufacturing industry and members of the public.

224. Of the 12% of respondents that were neither supportive nor against, some felt that MUP could work in conjunction with other measures, but others felt that this area needed further research and analysis before any decision was made to legislate.

225. Welsh Government officials invited key stakeholders with a direct interest in the legislation to express their views on the proposal both prior to and during the consultation stage. This provided various stakeholder engagement opportunities, in particular with local government, the Welsh alcohol industry, retail and manufacturing networks, children and young people, and older people's forums.

226. Table 4.1 sets out the changes made to the draft Bill following consultation, prior to its introduction to the National Assembly and the reasons for those changes. The section numbers below refer to the sections of the Bill as introduced, unless otherwise stated.

Table 4.1 – Issues raised during the consultation period and associated changes

Change Made	**Reason**
Provision has been made in section 1 of the Bill to clarify that where the applicable minimum price for alcohol (as calculated according to the formula set out in the Bill) would not be a whole number of pennies, it is to be rounded to the nearest whole penny (taking half a penny as being nearest to the next whole penny above).	**Identified during drafting process.** **To assist users of the legislation in calculating the applicable minimum price.**
A minor amendment has been made to the order (but not the content) of the provision which was contained within the draft Bill. Namely, what was previously section 17 in the draft Bill (amendment to the Licensing Act 2003) is now found in section 2(6) of the Bill.	**Identified during drafting process.** To assist users of the legislation by grouping relevant provisions together.

Certain amendments have been made to what was section 5 (Supply of alcohol and other goods and services for a single price). Provision concerning special offers involving multi-buys of alcohol are now found in section 5 of the Bill. Special offers involving the supply of alcohol with other goods and services are now dealt with in section 6. Finally, section 7 of the Bill contains some supplementary provision in relation to special offers to clarify the meaning of certain terms used in sections 5 and 6.	**Identified during drafting process.** To assist users of the legislation. Further detail has been provided in order to make the application of the minimum pricing regime to special offers easier to understand and apply. These changes include a change in terminology in that section 5 now deals with 'multi-buy alcohol transactions' as opposed to 'composite alcohol transactions'. They also and primarily include the use of additional examples in the Bill to illustrate how a selling price would be identified in different scenarios. These have been made to assist users of the legislation in understanding its application.
Minor amendments have been made to the enforcement provisions in: • section 14 (warrant to enter a dwelling); • section 15 (warrant to enter other premises); • section 16 (supplementary provision about powers of entry); and • Section 17 (powers of inspection, etc.).	**Identified during drafting process.** Certain amendments have been made to these enforcement provisions within the Bill to ensure consistency with the enforcement provisions in the Public Health (Wales) Act 2017.
A new section 19 (retained property: appeals) has been inserted into the Bill.	**Identified during drafting process.** This section provides an additional safeguard relating to the powers of entry and inspection provisions within the Bill. It enables a person with an interest in anything taken away from premises by an authorised officer under the Bill to apply to a magistrates' court for an order requesting the release of the property. Depending on the court's consideration of an application, it may

	make an order requiring the release of the retained property. The insertion of this provision is consistent with equivalent provision in the Public Health (Wales) Act 2017.
A new section 20 (appropriated property: compensation) has been inserted into the Bill.	**Identified during drafting process.** This section provides a right for a person affected by the taking possession of property under the Bill to apply to a magistrates' court for compensation. Where the circumstances set out in subsection (2) are satisfied – that the person has suffered loss or damage as a consequence of the property being taken or retained where doing so was not necessary for ascertaining whether an offence had been committed and the loss or damage is not due to their neglect or failure to act – the court may order the local authority to pay compensation to the applicant. The insertion of this provision is consistent with equivalent provision in the Public Health (Wales) Act 2017.
Section 21 of the Bill (report on operation and effect of this Act) now places a duty on the Welsh Ministers to lay before the National Assembly a report on the operation and effect of the Act during that period, as soon as practicable after the end of the period of five years beginning with the day on which section 2 comes into force.	**Raised during consultation.** The consultation on the draft Bill asked respondents whether the Welsh Government should review the initial level of MUP set to maintain its effectiveness. The vast majority of those who responded to this question, whether they supported or opposed the proposal, said that if legislation was introduced then the level of the MUP set should be reviewed. A number of respondents both for and

	against said that consideration should be given to an appropriate audit mechanism with clearly defined economic modelling to provide good data. Respondents also commented on the importance of reviewing the impacts of the legislation – again particularly in relation to whether the MUP was set at the right level in order to have maximum affect on reducing hazardous and harmful drinking. Any review should not just take into account inflation and economic conditions, but also changes in consumption, attitudes and legislation. A five-year review point is considered the earliest point which would allow the policy to embed itself and for there to be sufficient data to assess its effectiveness. Laying a report before the National Assembly on the operation and effect of the Bill and consulting on the content of this report is therefore considered critical to demonstrating impacts and consequences of the legislation.
Section 22 (duration of minimum pricing provisions) now provides that the relevant provisions of the Act (and any consequential amendments made by it) will be repealed at the end of a six-year period, beginning with the day on which section 2 comes into force unless regulations are made by the Welsh Ministers providing for their continuation.	**Raised in consultation.** One respondent to the consultation on the draft Bill noted that the Bill should include a 'sunset' clause to allow that after a period of time and following detailed evaluation, if the legislation was found to be ineffective or other methods found to be more effective, the legislation should cease to have effect.

Section 23 (crown application) now provides that the Crown is bound by the provisions of the Bill in the same way as it is bound under section 195 of the 2003 Act. This means that the provisions of the Bill will apply to the Crown and to Crown property. They will also apply to land of the Duchies of Lancaster and Cornwall (except to the extent that they are occupied by the Queen or the Prince of Wales).	**Identified during drafting process**

5. Power to make subordinate legislation

The Bill contains provisions to make subordinate legislation. Table 5.1 (Summary of powers to make subordinate legislation in the provisions of the Public Health (Minimum Price for Alcohol) (Wales) Bill sets out in relation to these:

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

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

(iii). the appropriateness of the delegated power;

(iv). the applied procedure; that is, whether it is “affirmative”, “negative”, or “no procedure”, together with reasons why it is considered appropriate.

The Welsh Government will consult on the content of the subordinate legislation where it is considered appropriate to do so. The precise nature of consultation will be decided when the proposals have been formalised.

Table 5.1: Summary of powers to make subordinate legislation in the provisions of the Public Health (Minimum Price for Alcohol) (Wales) Bill

Section	Power conferred on	Form	Appropriateness of delegated power	Procedure	Reason for procedure
Section 1(1)(a)	Welsh Ministers	Regulations	It is considered appropriate to delegate the power to specify the MUP for which alcohol is to be supplied in Wales to the Welsh Ministers for reasons of flexibility, timeliness and accuracy. Doing so will ensure that Welsh Ministers are able to review and set the price considered most appropriate at the relevant time, subject to the approval of the National Assembly. The Welsh Government believes that this strikes a correct and proportionate balance between the acknowledged significance of the issue and the ability and flexibility to most effectively respond to any relevant change in economic and social circumstances.	Affirmative	Given its impact on stakeholders and the wider public, it is considered appropriate that the MUP for alcohol to be supplied in Wales will not be set or amended without full consideration and the opportunity for debate.

Section	Power conferred on	Form	Appropriateness of delegated power	Procedure	Reason for procedure
Section 22(1) and (2)	Welsh Ministers	Regulations	Section 22(1) of the Bill provides that the minimum pricing provisions will be repealed after a period of six years from the commencement of section 2 (which will introduce the offence of the sale and supply of alcohol below the applicable minimum price in Wales), unless regulations are made by the Welsh Ministers providing otherwise. If Welsh Ministers wish the minimum pricing provisions to continue, the power in section 22(1) and (2) enables them, with the Assembly's approval to make regulations providing for their continuation.	Affirmative	The minimum pricing provisions will be introduced by an Assembly Act. For this reason as well as the significance of allowing them to continue, the affirmative procedure and the opportunity it provides for consideration and debate by the Assembly, is considered appropriate.
Section 22(3)	Welsh Ministers	Regulations	If the minimum pricing provisions are repealed at the end of the six year period, Welsh Ministers may make provision which they consider to be necessary or expedient as a result of that repeal.	Affirmative	The affirmative procedure is considered appropriate because this power includes the power to amend enactments including Acts of Parliament and Measures or Acts of the

Section	Power conferred on	Form	Appropriateness of delegated power	Procedure	Reason for procedure
			Delegated powers are suitable for giving Welsh Ministers the flexibility of making any supplementary, incidental or consequential provision and any transitory, transitional or saving provision, if they consider it necessary or expedient in this context.		National Assembly.
Section 28(2)	Welsh Ministers	Order	The Bill provides that the majority of its provisions will come into force on a day appointed by Welsh Ministers in an order. This delegated power is both necessary and appropriate as it will ensure that commencement can align with the transition and implementation arrangements which will also be made by Welsh Ministers to accompany the Bill, and vice versa.	No procedure	An order made under this provision will be technical in nature.
Paragraph 4 of	Welsh Ministers	Regulations	Provision as to what a fixed penalty notice must contain is set out on the	Negative	

Section	Power conferred on	Form	Appropriateness of delegated power	Procedure	Reason for procedure
Schedule 1			face of the Bill. However, Welsh Ministers may also make supplementary provision in relation to the content or form of a notice, by regulations. Changing circumstances or evidence based practice might mean that additional or different content or form of a notice is required. Therefore, supplementary delegated powers are appropriate.		Provides for ancillary provision or matters which may need to be updated from time to time.
Paragraph 5(2) of Schedule 1	Welsh Ministers	Regulations	The Bill specifies the amount of a fixed penalty which may be given in respect of an offence committed under section 2. It also provides that regulations may amend that amount. The penalty amount may need to be amended from time to time to reflect changing circumstances. It is, therefore, suitable for delegated powers.	Affirmative	Given the potential impact of fixed penalty notices on retailers, the amount set for these will require full consideration and the opportunity for debate.

Section	Power conferred on	Form	Appropriateness of delegated power	Procedure	Reason for procedure
Paragraph 9 of Schedule 1	Welsh Ministers	Regulations	The Bill specifies a discounted amount which is payable, instead of the full amount of the penalty if payment is made before the end of a specified period. Consistently with the provision made in relation to the full amount, it also provides that regulations may amend the discounted amount. This amount may need to be amended from time to time to reflect changing circumstances. It is, therefore, suitable for delegated powers.	Affirmative	Similarly, given the potential impact of FPNs on retailers the discounted amount set for fixed penalty notices will require full consideration and the opportunity for debate.

6. Regulatory Impact Assessment (RIA)

A Regulatory Impact Assessment has been completed for the Bill and it follows below.

There are no specific provisions in the Bill which charge expenditure on the Welsh Consolidated Fund.

PART 2 – REGULATORY IMPACT ASSESSMENT

Table A

SUMMARY – REGULATORY IMPACT ASSESSMENT (RIA)

Public Health (Minimum Price for Alcohol) (Wales) Bill		
Preferred option: Option 3: Introduce a minimum price for alcohol in Wales (pages 114-134).		
Stage: Introduction	**Appraisal period:** 2019/20 - 2039/40	**Price base year:** 2017/18
Total Cost **Total: £2.9m** **Present value: £2.5m**	**Total Benefits** **Total: £NA** **Present value: £783m**	**Net Present Value (NPV): £780.5m (net benefit)**

Administrative cost

Costs: Total Welsh Government costs (over a five year implementation period) include: £6,900 for developing guidance; £1,800 for the design of guidance; £100,000 for communications; £6,000 for training for enforcement officers; and £350,000 for the evaluation. Discussions have also taken place around funding for additional inspections and enforcement – over and above activity taking place under existing local government-led inspection regimes. The Welsh Government has allocated £300,000 in the first three years of implementation. See Option 3 in the RIA – pages 114 to 134 and Table 9.			
Transitional: £0.8m	**Recurrent: £NA**	**Total: £0.8m**	**PV: £0.7m**
Cost-savings: NA			

Transitional: £NA	**Recurrent: £NA**	**Total: £NA**	**PV: £NA**
Net administrative cost: £0.8m			

Compliance costs

Compliance costs for retailers include: £756,400 in the first year to fully familiarise with the requirements of the legislation and changing prices, plus £75,000 annually for ongoing compliance and familiarisation. Total costs are calculated over a twenty year period to be consistent with the timeframe taken for benefits. See pages – 118 to 121 and Table 9.

Transitional: £0.8m	**Recurrent: £0.1m**	**Total: £2.2m**	**PV: £1.8m**

Other costs

UK reduction in alcohol duty revenue from fewer alcohol sales: Reduction of £1.9m per year (-£27m over twenty years), but this is a transfer payment. See Table 9.

Costs to consumers: £17.8m per year. This £17.8m is the gain to retailers caused by consumers paying more than they would have done without MUP. In terms of the calculation of net costs and benefits this transfer payment has no effect because it is a cost to consumers but a benefit to retailers. See page 132 and Table 9.

Enforcement costs – courts. Anticipated to be low – however, these costs are unknown.

Transitional: £0	**Recurrent: £0**	**Total: £0**	**PV: £0**

Unquantified costs and disbenefits

There is a possible reduction in consumer utility (consumer satisfaction) resulting from reduced consumption of alcohol. It is not possible to quantify this. It is assumed that it will be offset by an increase in utility (satisfaction) from the health benefits accruing as a result of lower consumption. See pages 117-118.

All social benefits (relating to health gains, crime reduction and workplace absence) are all quantified, over a twenty year appraisal period. No unquantified environment benefits / disbenefits have been identified.

Benefits

Over a 20 year appraisal period: A 50p MUP is associated with a total societal reduction in health harms, crime and workplace absence estimated at £783m (in 2016 prices) over the 20-year period modelled.[171] This figure includes reduced direct healthcare costs (£91m); savings from reduced crime (£188m); savings from reduced workplace absence (£14m); and a financial valuation of the health benefits (£490m), measured in terms of quality adjusted life years (QALYs), which are valued at £60,000 in line with Home Office guidelines. See page 126.

Transitional: £NA	Recurrent: £NA	Total: £NA	PV: £783m

Key Evidence, Assumptions and Uncertainties

- There is a strong evidence base about the link between the price of alcohol and consumption and about the link between alcohol price and health harms. As alcohol becomes more affordable, consumption increases; as consumption increases, harm increases.

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

- People who are drinking at potentially harmful levels are more likely to experience long-term health benefits from the effects of an MUP for alcohol, through anticipated reduced levels of consumption. The Bill introduces a minimum price for alcohol to deliver change and reduce hazardous and harmful drinking in Wales.

- The damage that alcohol can cause not only affects the individual but society as a whole. There are costs linked to increased pressure on health services and the criminal justice system. Introducing an MUP could help to reduce these costs, as well as support employers – who lose productivity due to the effects of alcohol on their employees.

- MUP policies would only have a small impact on moderate drinkers. Larger impacts would be experienced by those drinking at hazardous levels, with the most substantial effects being experienced by high-risk (harmful) drinkers.

- People living in poverty who abstain from alcohol or who are moderate drinkers will be minimally affected. However, people living in poverty tend to have worse health outcomes than others, when alcohol consumption is the same – suffering a disproportionate amount of alcohol-related harm. For hazardous and harmful drinkers, research shows that people living in the most deprived areas are more likely to suffer from an alcohol-related long-term illness and are also more likely to die from an alcohol-related death, than those in the least deprived areas. Minimum pricing can potentially reduce levels of hazardous and harmful drinking in these groups, meaning the risk of alcohol-related harm would be reduced.

Alcohol Consumption in Wales

227. The level of alcohol use in a country is best estimated from national sales, as survey data is known to underestimate consumption in the population, usually capturing approximately 60% of the true figures. Sales data are derived from HM Revenue and Customs duty charged on alcohol produced or processed in the UK or brought into the UK for consumption but not necessarily consumed.

228. Sales data for the UK show that consumption has more than doubled since the 1950s. Figure 1 shows the population level of drinking in the UK since 1900.[172] However, it has been reported that there has been a slight decline in consumption since 2004, which may be at least partially related to declining affordability.[173] Figure two demonstrates the link between affordability and consumption (sometimes with a time lag) and shows in recent years how consumption has declined sharply, which the Institute for Alcohol Studies suggests could be related to the effects of the general economic climate.[174]

[172] British Medical Association Board of Science (2008) Alcohol Misuse: Tackling the UK Epidemic. BMA Feb 2008.

[173] Public Health Wales (2014) Alcohol and Health in Wales 2014. Page 18.

[174] Institute of Alcohol Studies (April 2014) Alcohol Pricing Factsheet.

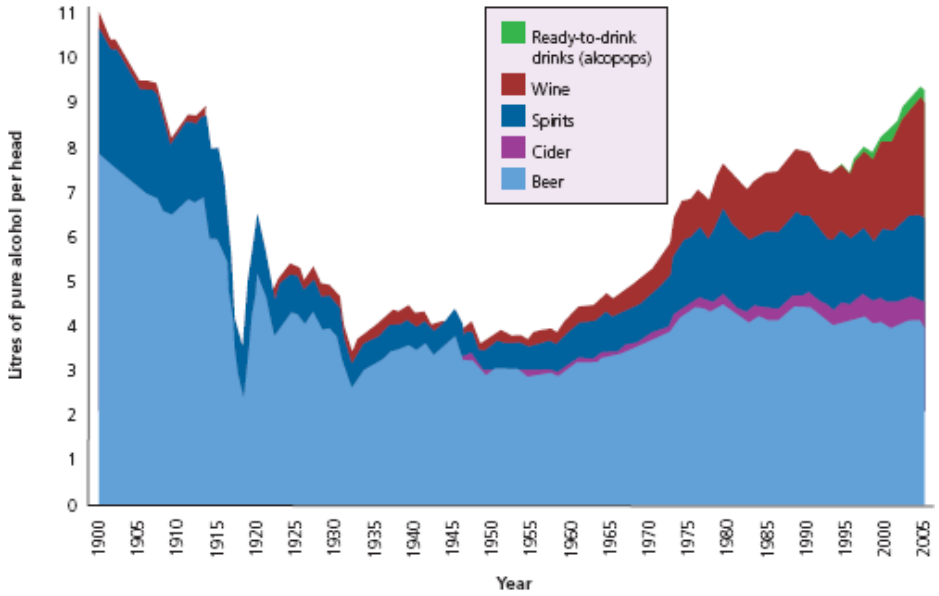

Figure one: Population level of drinking in the UK since 1900[175]

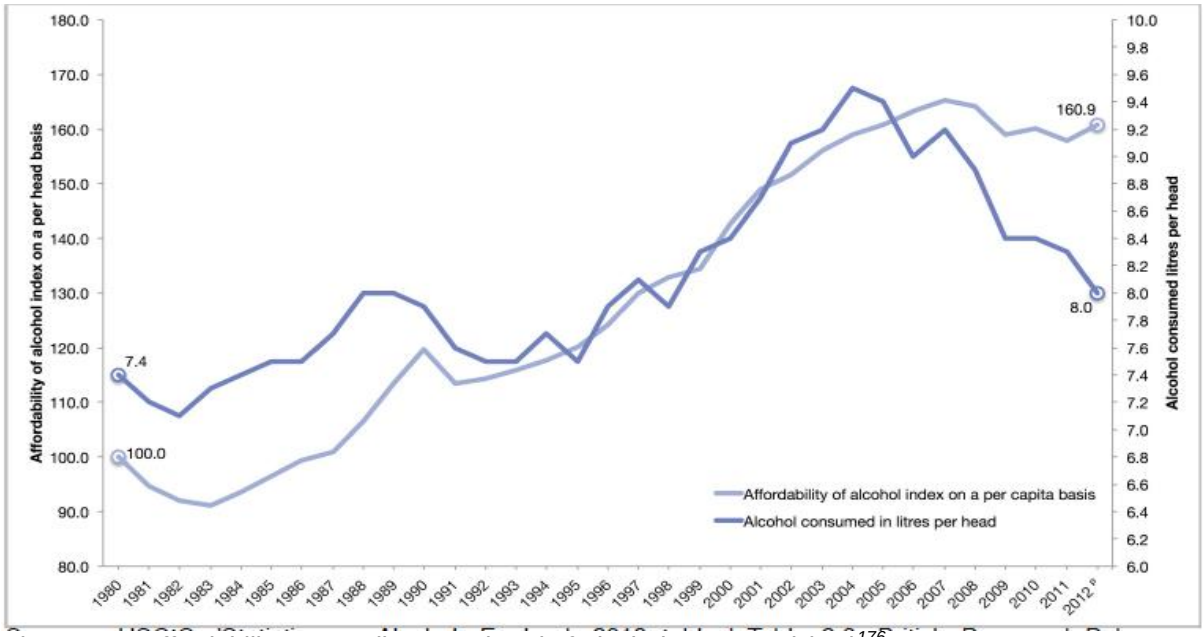

Figure two: Affordability versus litres per head of alcohol consumed (UK)[176]

229. Overall progress in reducing alcohol consumption over the past few years is likely to be driven by a number of causes, cultural and economic as well as political, including actions taken by the Welsh Government, the UK Government and the alcohol industry. For example, data indicates the responsibility deal between the UK Government and the alcohol industry

[175] British Medical Association Board of Science (February 2008) Alcohol Misuse: Tackling the UK Epidemic. BMA Feb 2008.

[176] Institute of Alcohol Studies (April 2014) Alcohol Pricing Factsheet.

has helped to reduce overall consumption of units of alcohol by decreasing the strength of drinks on the market, especially the average strength of beer. This has resulted in a 3.7% reduction in the number of units of alcohol released for consumption between 2011 and 2013.[177]

230. However, it is important to note that although progress has been made to reduce levels of alcohol consumption in Wales, there is still a need for policies to encourage behavioural change, as persistently high levels of drinking, and especially binge drinking, present an ongoing risk to health.

231. Overall, excessive consumption of alcohol persists in Wales across the age groups and the National Survey for Wales data show that in 2016, 20% of adults reported drinking above the weekly guidelines, with 31% reporting that they drank above the former daily guidelines on at least one day the previous week.[178]

232. Drinking levels have recently fallen among young people. This is a positive sign and may be a result of a number of factors, including improved legal enforcement as well as cultural factors. However, Health Behaviour in School-aged Children (HBSC) data show that drinking among young people remains a concern, with 7% of boys and 5% of girls aged 11 to 16 in Wales drinking alcohol at least once a week in 2013-14 (the most recent data available). Although decreasing, Wales has the highest alcohol consumption among 11 and 13-year-olds in the UK. Drinking among 15-year olds in Wales is higher than in England.

233. Data across all participating HBSC countries in Europe and North America show that Welsh adolescents are in a cluster of countries where reported frequency of drunkenness is relatively high.[179] Drinking at a young age is associated with high risks of later alcohol misuse, as well as risky behaviour and impacts on brain and physical development.[180] These data therefore show that more needs to be done to accelerate the decline

[177] Department of Health (December 2014) Responsibility Deal: Monitoring the Number of Units Sold 2013 Data.

[178] http://gov.wales/docs/statistics/2017/170629-national-survey-2016-17-population-health-lifestyle-en.pdf

[179] Inchley, J., Currie, D., Young, T., Samdal, O., Torsheim, T., Augustson, L., Mathison, L., Aleman-Diaz, A., Molcho, M., Weber, M. and Barnekow, V. (2016). Growing up unequal: gender and socioeconomic differences in young people's health and well-being. Health Behaviour in School-aged Children (HBSC) study: International report from the 2013/14 survey. WHO Regional Office for Europe.

[180] UK Department of Health (2009). Guidance on the Consumption of Alcohol by Children and Young People. Chapter 5 reviews the evidence.

in consumption among children and young adults, as these levels of drinking still present a very significant risk to health.

Patterns of hazardous and harmful drinking

234. People who drink at hazardous and harmful levels in Wales make up over a fifth of the population, as shown in table two below:[181]

	Proportion of population	Average consumption (units / week)	Average spend (£ / year)
Abstainers[a]	20%	0	n/a
Moderate drinkers	58%	4.1 units	£276
Hazardous drinkers (increasing risk)	19%	23.8 units	£1,209
Harmful drinkers (high-risk)	3%	75.5 units	£2,882

Table two: Average consumption and spend on alcohol in Wales

[a] In the National Survey for Wales 2016-17 17% of adults reported that they were non-drinkers.

235. An MUP would only have a small impact on moderate drinkers – those who drink less 14 units per week. Larger impacts would be experienced by 'hazardous and harmful drinkers'. Hazardous drinkers are defined as men who regularly drink between 14 and 50 units of alcohol per week and women who regularly drink between 14 and 35 units of alcohol per week. Harmful drinkers are defined as men who regularly drink more than 50 units per week and women who regularly drink more than 35 units per week.

236. As illustrated in figure three, among the population, hazardous and harmful drinkers combined make up 22%, but are responsible for 75% of all alcohol consumption and 67% of all spending on alcohol in Wales. Harmful drinkers alone (3% of the population) are responsible for 27% of consumption and 20% of all spending in Wales.[182]

[181] Data taken from the Sheffield Model for Wales, Interim report (2017).

[182] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Page 8, Figure 2.

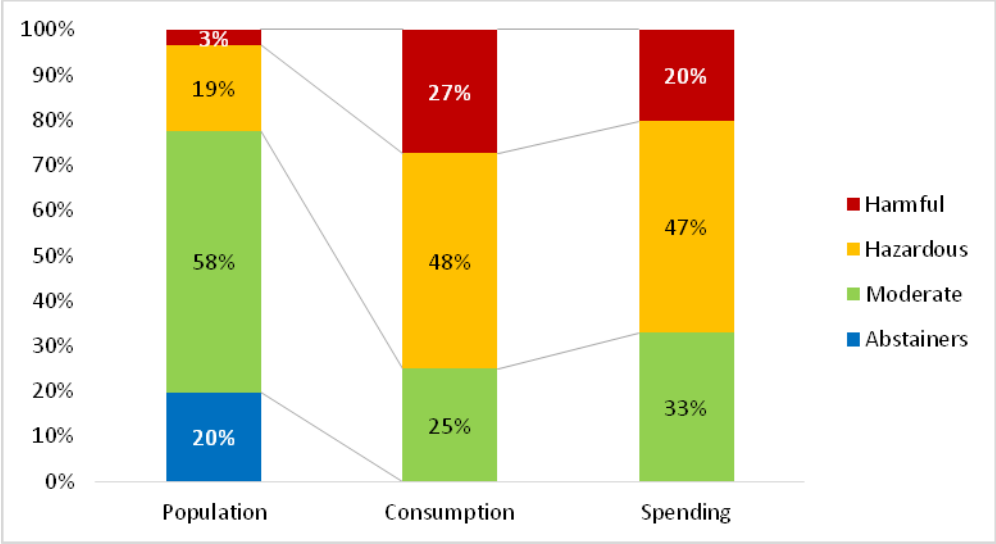

Figure three: Distribution of the population, alcohol consumption and spending by drinker type[183]

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

238. MUP better targets the alcohol consumed by hazardous and harmful drinkers as it is these groups which tend to purchase larger amounts of low-cost and high-strength alcohol.[184] A study by Southampton University in 2014 looked at the amount, type and price of alcohol drunk by 404 people with a range of liver disease in a large teaching hospital. The study found that patients with alcohol-related cirrhosis drank on average the equivalent of four bottles of vodka each week and bought the cheapest alcohol that they could find, paying around 33p per unit, irrespective of their income. In contrast, low-risk moderate drinkers were paying on average £1.10 per unit.[185]

239. By targeting hazardous and harmful drinking, an MUP would target those for whom the impact of alcohol-related liver disease is most devastating.[186] Purshouse et al. (2010), in a study which looked at 18

[183] Angus, C.. et al. (2017); Sheffield: ScHARR, University of Sheffield. Page 8, Figure 2.

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

[185] Sheron, N., Chilcott, F., Matthews, L., Challoner, B. and Thomas, M. (2014) Impact of minimum price per unit of alcohol on patients with liver disease in UK. Clin Med. Volume 14, Number 4. Pages 1-7.

[186] O'Dowd, A. (August 2014) Minimum unit price on alcohol would affect heavy drinkers 200 times more than moderate drinkers. British Medical Journal Research News.

different pricing policies to estimate the effects of policies on alcohol consumption, found that general price increases were effective for reduction of consumption, healthcare costs and health-related quality of life losses but that minimum pricing policies can "maintain this level of effectiveness for harmful drinkers while reducing effects on consumer spending for moderate drinkers".[187]

Alcohol-related deaths

240. The ONS definition[188] of alcohol-related deaths includes underlying causes of death regarded as those being most directly due to alcohol consumption. The definition is primarily based on chronic conditions associated with long-term abuse of alcohol and to a lesser extent, acute conditions. Apart from poisoning with alcohol (accidental, intentional or undetermined), the definition excludes other external causes of death, such as road traffic and other accidents. [189]

241. In Wales alcohol-related deaths are based on relatively small numbers and fluctuate from year-to-year, so trends must be interpreted with caution.[190] As mentioned in Part 1, in 2016, there were 504 alcohol-

[187] Purshouse, R.C., Meier, P., Brennan, A., Taylor. K. and Rafia, R. (March 24, 2010) Estimated effect of alcohol pricing policies on health and health economic outcomes in England: an epidemiological model. Published online in the Lancet.

[188] The ONS definition was developed for the purposes of monitoring alcohol-related deaths across all the constituent countries of the UK, using consistent methodology based solely on the information collected at death registration. The definition does not include diseases that are partially attributable to alcohol, such as cancers of the mouth, oesophagus and liver. However, all deaths from chronic liver disease and cirrhosis (excluding biliary cirrhosis) are included, even when alcohol is not specifically mentioned on the death certificate. Source: ONS Statistical Bulletin (February 2017) Alcohol-related deaths in the UK: registered in 2015.

[189] The ONS definition of alcohol-related deaths changed in 2017, following consultation. This change will need to be taken into account in any future reporting. The new definition includes conditions where each death is a direct consequence of alcohol misuse (that is, wholly-attributable deaths). The definition is primarily based on chronic (longer-term) conditions associated with continued misuse of alcohol and, to a lesser extent, acute (immediate) conditions. The definition of alcohol-specific deaths is a more conservative estimate on the harms related to alcohol misuse. However, the definition benefits from a consistent methodology across the UK, making it useful for robust and comparable estimates of trends in alcohol mortality.

https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/causesofdeath/bulletins/alcoholrelateddeathsintheunitedkingdom/registeredin2016

[190] Public Health Wales (2017) Data mining Wales: The annual profile for substance misuse 2016-17

http://www.wales.nhs.uk/sitesplus/documents/888/FINAL%20profile%20for%20substance%20misuse%202016-17%20%282%29.pdf

related[191] deaths in Wales, the majority among men. This is an increase of 8.9% in comparison with the 463 alcohol-related deaths in 2015. The 2015 figures show alcohol-related death rates for males and females were higher in Wales than in England (19.3 per 100,000 compared with 17.8 per 100,000 for men and 11.3 compared to 9.0 per 100,000 for women).[192]

242. Progress is being made to reduce levels of consumption in Wales.[193] A number of factors could be responsible for this but it suggests the actions of the Welsh Government and others are having an effect. However, all remaining alcohol-attributable early mortality and morbidity deaths are avoidable deaths, demonstrating the urgency for further action and further progress.

Hospital admissions

243. Alcohol-specific hospital admission rates (those which are wholly-related to alcohol, such as alcohol-related liver disease, alcohol poisoning or alcohol overdose) generally increased from around 400 per 100,000 population in 2001-02 to around 460 per 100,000 population in 2006-2007 and have fluctuated around this level in recent years.[194] The rate in males has been consistently higher than the female rate. In 2013, there were 351 per 100,000 population alcohol-specific hospital admissions in Wales. The rate was higher among males (471 per 100,000 in 2013) than females (238 per 100,000).[195]

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[191] This figure is reported as alcohol-related deaths in the Data mining Wales Report, using the ONS definition. For more detail see Appendix 2 in Public Health Wales (2017) Data mining Wales: The annual profile for substance misuse 2016-17.

http://www.wales.nhs.uk/sitesplus/documents/888/FINAL%20profile%20for%20substance%20misuse%202016-17%20%282%29.pdf

[192] ONS Statistical Bulletin (07 Feb 2017) Alcohol-related Deaths in the United Kingdom, Registered in 2015.

[193] Trend data on levels of alcohol consumption in Wales can be found in the Public Health Wales Report (2016) Piecing the Puzzle – The Annual Profile for Substance Misuse. Data on alcohol consumption in Wales was previously collected using the Welsh Health Survey. It is now collected through the National Survey for Wales, using a different methodology. As a result, it is not possible to compare the two sets of data. The latest National Survey for Wales data on alcohol consumption was published in June: http://gov.wales/docs/statistics/2017/170629-national-survey-2016-17-population-health-lifestyle-en.pdf

[194] Public Health Wales Observatory (2014) Alcohol and Health in Wales.

[195] Public Health Wales Observatory (October 2015) Our Healthy Future Indicators, Summary of Charts. NHS Wales. http://www.publichealthwalesobservatory.wales.nhs.uk/ohf-2015/

244. Analysis by the Public Health Wales Observatory showed that in Wales between 1999-2009 alcohol-attributed hospital admissions (which include both conditions entirely due to alcohol consumption and those conditions which are partially due to alcohol) rose from approximately 950 to approximately 1,400 per 100,000 population for males and from approximately 560 to more than 800 per 100,000 population for females – a rise of nearly 48% and 44% respectively.[196] In terms of young people aged 18 and under (male and female), the rate per 100,000 of alcohol-specific hospital admissions has been falling in Wales over the past decade. In the three-year period 2005-06 to 2007-08, the admissions rate was 126 per 100,000 for females and 96 per 100,000 for males. This fell to 78 for females and 52 for males in the three-year period ending in 2012-13.[197]

Alcohol-related health costs

245. NICE classifies alcohol-related harms in three categories – healthcare costs; crime and anti-social behaviour costs; and employee absenteeism.[198] It is difficult to estimate total healthcare costs (including, for example, A&E attendances and ambulance journeys) as reliable and complete data are not available. However, the number of admissions to hospital for conditions wholly or partially attributable to alcohol is calculated by Public Health Wales using alcohol-attributable fractions for a range of conditions, which describe the causative contribution by alcohol across the population (see table three).[199]

246. Data from Wales (set out in table three) indicate there were 54,785 alcohol-attributable hospital admissions in 2016-17. The Sheffield Alcohol Policy Model estimates that alcohol costs the NHS £159m per year in Wales.[200]

[196] Public Health Wales Observatory (2014) Alcohol and Health in Wales.

[197] Public Health Wales Observatory (2014) Alcohol and Health in Wales.

[198] NICE Public Health Guidance (2010) Alcohol-use disorders, preventing harmful drinking.

[199] Public Health Wales Observatory (2014) Alcohol and Health in Wales.

[200] Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government.

	2012-13	2013-14	2014-15	2015-16	2016-17
Alcohol attributable admissions, broad measure, episode based	51,309	53,756	53,938	54,268	54,785

Source: Data Mining Wales – The Annual Profile for Substance Misuse Public Health Wales (October 2017)

Table three: Alcohol attributable admissions (episode based, broad measure)

Social and economic harms

247. Long-term excessive drinking can lead to an increase in physical harms, including accidents and assaults, which incur significant financial and emotional costs.

248. As well as the health-related harms to drinkers, which are illustrated above, people who consume excessive amounts of alcohol may cause harm to others. These indirect harms have costs not directly paid for or felt by the individual, but can impact on, for example, children of parents who are heavy drinkers or who have alcohol problems; family members; carers; passengers killed or injured by alcohol-impaired drivers; and healthcare professionals. The University of Sheffield model estimates the overall societal cost of alcohol consumption in Wales to be £16.6bn (in 2016 prices) over 20 years,[201] which includes healthcare costs,[202] costs associated with crime and the cost of workplace absenteeism. Examples of other indirect harms include:[203]

- Costs to institutions through poor health or criminality in their workforce;
- Unemployment or low employability of drinkers and the impact on their families and costs to the state;

[201] Angus, C.. et al. (2017); Sheffield: ScHARR, University of Sheffield. Page 59, table 32. The study contains a methodology for the data that is used within these categories of costs.

[202] Including QALYs valued at £60,000 in line with Home Office guidelines.

[203] Advisory Panel on Substance Misuse (2014) Minimum Unit Pricing: A Review of its Potential in a Welsh Context (see for further references).

- Risky sexual behaviour, potentially impacting on an individual and their partners' sexual health, sometimes resulting in sexually-transmitted diseases and unplanned pregnancy;

- The consumption of relatively small amounts of alcohol by pregnant women is associated with low birth weight babies and with greater consumption there is an increased risk of foetal alcohol syndrome resulting in physical abnormalities and growth impairment.

Impacts on households living in poverty

249. People living in poverty who abstain from alcohol or who are moderate drinkers will be minimally affected by the introduction of an MUP. However, people living in poverty tend to have worse health outcomes than others, when alcohol consumption is the same. For hazardous and harmful drinkers, research shows that people living in the most deprived areas of England and Wales are more likely to suffer from a long-term alcohol-related illness and are also more likely to die from an alcohol-related death, than those in the least deprived areas.[204]

250. There is also a clear gradient amongst patients resident in Wales and admitted to hospital in relation to alcohol. In 2016-17, the percentage of all patients admitted for alcohol specific conditions who lived in the 10% of most deprived areas in Wales was 19.2%. Only 5.1% of those admitted to hospital lived in the 10% least deprived areas.[205]

251. It is anticipated that an MUP would reduce levels of hazardous and harmful drinking in these groups, meaning the risk of alcohol-related harm would be reduced.

252. The 2017 analysis by the University of Sheffield on the impact of an MUP specifically looked at impacts by quintile of deprivation (using Welsh Index of Multiple Deprivation quintiles). Households living in the most deprived quintile are more likely to be abstinent or low-consumption drinkers. As a result, the amount they spend on alcohol is unlikely to be disproportionately affected by the introduction of a minimum price for

[204] Erskine, S., Maheswaran, R., Pearson, T. and Gleeson, D. (2010) Socioeconomic deprivation, urban-rural location and alcohol-related mortality in England and Wales. BMC Public Health. Volume 10. Issue 99.

[205] Public Health Wales (2017) Data mining Wales: The annual profile for substance misuse 2016-17. NHS Wales.

alcohol. Nor is the policy estimated to be overly-burdensome on moderate drinkers in the most deprived quintile. According to the Sheffield model, the impact on this group is an increase in spend of just over £2 per year, plus a reduction in consumption of 7 units per year[206].

253. At the same time, it is important to recognise that harmful drinkers living in poverty tend to purchase more alcohol at less than the MUP, than other groups.[207] However, although the costs are higher for those in the most deprived quintile who are harmful drinkers, resulting in an overall reduction in spend, the impact of MUP on consumption is also higher and so the benefit is significant.[208]

254. The OECD report *Tackling Harmful Alcohol Use – Economics and Public Health Policy* published on 12 May 2015[209] included under *Special Focus III,* an assessment on the experience of the Alcohol (Minimum Pricing (Scotland) Act 2012. The report stated that concerns over the potential impact on low income moderate drinkers across the income distribution with the introduction of MUP appear to be unfounded. It also concluded that high-income heavy drinkers may not be affected but the specifically-targeted group of low-income heavy drinkers appeared to be the most likely group affected by MUP.

255. When considering the effects of minimum pricing for alcohol on different income and socio-economic groups, Holmes et al. (2014) found that the estimated health benefits from the policy were higher for individuals in the lowest socio-economic group (living in routine or manual worker households), who would accrue 81.8% of the reductions in premature deaths and 87.1% of gains in terms of quality-adjusted life-

[206] Angus, C. , Holmes, J., Brennan, A. and Meier, P. (2017) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Interim report http://gov.wales/docs/caecd/research/2017/171129-comparative-impact-minimum-unit-pricing-taxation-policies-interim-en.pdf

[207] Holmes, J., Meng, Y., Meier, P., Brennan, A., Angus, C., Campbell-Burton, A., Guo, Y., Hill-McManus, D. and Purshouse R. (2014) Effects of minimum unit pricing for alcohol on different income and socioeconomic groups: a modelling study. Published in The Lancet 10 February, 2014.

[208] Angus, C.. et al. (2017); Sheffield: ScHARR, University of Sheffield. http://gov.wales/docs/caecd/research/2017/171129-comparative-impact-minimum-unit-pricing-taxation-policies-interim-en.pdf

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

years.[210] Holmes et al. (2013) reached similar conclusions when they undertook policy appraisals using the Sheffield Alcohol Policy Model to look at the effectiveness of minimum unit pricing on consumption. As low-income harmful drinkers purchase more below-MUP alcohol, low income harmful drinkers would be affected more than those with higher incomes.[211]

256. Vandenberg and Sharma (2016)[212] conclude: "MUP is more effective in reducing consumption than specific taxation, especially for consumers in the lowest-income quintile" and policies which increase the cost of the cheapest alcohol can be effective in reducing alcohol consumption, without having highly regressive effects." Similarly, Callinan et al. (2015) highlight that a reduction in consumption of poorer (low income) drinkers is likely to have a greater positive effect on health, than a reduction among more affluent drinkers, which will add to the effect of "increasing health equity".[213]

Economic modelling

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

[210] Holmes, J., Meng, Y., Meier, P., Brennan, A., Angus, C., Campbell-Burton, A., Guo, Y., Hill-McManus, D. and Purshouse R. (2014) Effects of minimum unit pricing for alcohol on different income and socioeconomic groups: a modelling study. Published in The Lancet 10 February, 2014.

[211] Holmes, J. Meng, Y., Meier, P., Brennan, A., Angus, C., Campbell-Burton, A., Guo, Y. Hill-McManus, D. and Purshouse, R. (2013). Minimum unit pricing for alcohol: policy appraisal modelling of income and socioeconomic group. Published online in The Lancet 29 November, 2013.

[212] Vandenberg, B. and Sharma, A. (2016) Are Alcohol Taxation and Pricing Policies Regressive? Product-Level Effects of a Specific Tax and a Minimum Unit Price for Alcohol. Alcohol Alcohol 2016 July, Volume 51 (4). Pages 493-502.

[213] Callinan, S., Room, R. and Dietze, P. (2015) Alcohol Price Policies as an Instrument of Health Equity: Differential Effects of Tax and Minimum Price Measures. Oxford University press. Alcohol Alcohol (2015), Volume 50 (6). Pages 629-630.

258. Minimum unit pricing is a population measure, which will reduce the aggregate level of alcohol consumed and lower the whole population's risk of alcohol-related harm.[214] According to NICE Public Health Guidance (2010), population-level approaches are important because they can help those who are not in regular contact with the relevant services and those who have been specifically advised to reduce their alcohol intake, by creating an environment that supports lower-risk drinking. They can also help prevent people from drinking hazardous or harmful amounts in the first place.[215]

259. In particular, MUP targets drinkers who are causing most harm to themselves and society by targeting cheap alcohol, which is bought more by harmful drinkers than moderate drinkers, as other studies have found.[216] Evidence also indicates that cheaper alcohol is attractive to young people.[217] The reduction in harm for hazardous and harmful drinkers (whether in contact with current services or not) is the objective of the policy underpinning the Bill. Nonetheless, it is worth noting that the economy is likely to benefit through a reduction in sick days for all categories of drinker.

260. It is also anticipated the effect of the price increase could be positive to the alcohol industry as a whole, as it may offset the forecast decrease in sales volume, leading to an overall increase in revenue. However, there is a degree of uncertainty about the impact of an MUP on producers and retailers, particularly with regard to the revenue from MUP and how prices on products above an MUP will be affected.

261. The update to the University of Sheffield model calculates the potential effect of MUP policies set at 35p to 70p. For a 50p MUP, the estimated per person reduction in alcohol consumption for the overall population is 3.6%. In absolute terms, this equates to an annual reduction of 22 units per drinker per year. When the MUP is set at lower levels, modelling

[214] NICE Public Health Guidance 24 (June 2010) Alcohol-use disorders: preventing harmful drinking.

[215] NICE Public Health Guidance 24 (June 2010) Alcohol-use disorders: preventing harmful drinking.

[216] Crawford, M.J., Parry, A.M., Weston, A.R., Seretis, D., Zauter-Tutt, M., Hussain, A., Mostajabi, P., Sanatinia, R. and North, B. (2012) Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey. Alcohol and Alcoholism Volume 47 (6). Pages 738-742.

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

shows that there are smaller impacts, with effectiveness increasing sharply above 45p per unit (45p = 2.4% drop in consumption; 50p = 3.6% drop; 55p = 5.0% drop).

262. There are substantial estimated reductions in alcohol-related harms from all modelled policies, with an estimated potential reduction of 66 deaths and 1,281 fewer hospital admissions per year for a 50p MUP, as an example. Figures for alternative levels of MUP can be seen in Annex 3.

263. All modelled policies are estimated to have a greater reduction in deaths and hospital admissions per 100,000 drinkers for those in the most deprived quintile than those in the least deprived quintile. For example, 12 fewer deaths and 203 fewer hospital admissions per 100,000 drinkers for those in the most deprived quintile for a 50p MUP compared to no fewer deaths and two fewer hospital admissions per 100,000 drinkers for those in the least deprived quintile.

264. Rice and Drummond note that much of the evidence in favour of setting an MUP for alcohol is based on complex econometric models rather than empirical data.[218] While there is sufficient evidence to support the overall recommendations from the Sheffield model, the only way to test the model is to introduce an MUP for alcohol. Although there are some inherent limitations with modelling, which is necessarily based on estimates and predicted behaviour, the Sheffield model has been shown to be a robust process, using conservative assumptions.[219] It uses Welsh-specific data and as part of a balanced approach, includes an assessment of the impact of reduced consumption on the protective effect of alcohol for a few specific conditions.[220]

265. The University of Sheffield researchers have received support for their approach from leading health economists and experts in the field of alcohol, with peer-reviewed articles in a number of publications, including *Addiction.*[221] It has also received support from others, who have argued it

[218] Rice, P. and Drummond, C. (2012) The price of a drink: the potential of alcohol minimum unit pricing as a public health measure in the UK. British Journal of Psychiatry. Volume 201(3). Pages 169-171.

[219] Meng, Y. et al. (2014); Sheffield: ScHARR, University of Sheffield. Page 83 and Angus, C. et al (2018); Sheffield:ScHARR, University of Sheffield. Page 79

[220] Meng, Y. et al. (2014); Sheffield: ScHARR, University of Sheffield, table 4.6, page 32 and table 5.6, page 61.

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

"provides evidence on which to base fair and effective health policy on alcohol pricing".[222] The Institute for Fiscal Studies has estimated that the introduction of an MUP at 50p would have a substantial impact on prices, stating that over the period October 2015 to September 2016, 68.2% of alcohol units purchased in Britain were priced below this level. They further calculate that the introduction of an MUP at 50p would imply an average price increase for these units of 35.1%.[223] The Institute for Fiscal Studies has criticised some elements of MUP, primarily that the introduction of a minimum price could dampen competition in the retail market and increased revenues are kept by the industry, rather than tax revenues going to the government. However, it concluded that an MUP would "generate substantial reductions in alcohol purchases" and is "effective at targeting households that are most likely to suffer from (or cause) alcohol-related harms".[224]

266. In June 2009, the SABMiller brewing company commissioned the Centre for Economics and Business Research Ltd (CEBR) to produce the report *Minimum Alcohol Pricing: A Targeted Measure?* (updated in August 2010 following the second version of the Sheffield model).[225] It contained no new evidence but reviewed the University of Sheffield's work. The CEBR report does not dispute the link between the price of alcohol and consumption – nor between consumption and harm – but questions the University of Sheffield finding that harmful drinkers were more responsive to price change than moderate drinkers – a criticism also raised by the Adam Smith Institute.[226] CEBR have since submitted a report to the Health, Social Care and Sport Committee following completion of Stage 1 scrutiny of the Bill, based on analysis for Wales, highlighting similar criticisms to those they have raised previously.[227]

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[222] Gilmore, I. T. and Atkinson, S. (2010) Evidence to drive policy on alcohol pricing. The Lancet, Volume 375 (9723). Pages 1322–1324.

[223] Griffith, R., O'Connell, M. and Smith, K. (2017) Proposed minimum unit price for alcohol would lead to large price rises. IFS Briefing note BN222 Institute for Fiscal Studies.

[224] Griffith, R., Leicester, A. and O'Connell, M. (March 2013) Price-based measures to reduce alcohol consumption. IFS Briefing Note BN138. Page 17.

[225] Centre for Economics and Business Research Ltd (2009) Minimum Alcohol Pricing: A targeted measure? London: Centre for Economics and Business Research Ltd.

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

[227] CEBR Appraising minimum unit pricing for alcohol in Wales: Is the policy and timing right for Welsh consumers? Evidence Submission to the Welsh Assembly. April 2018.

267. The Sheffield team argue that CEBR's use of alternative estimates of consumers' responsiveness to price changes is overly simplistic as they do not include detailed breakdowns of product types or consumer behaviour, including heavier drinkers' tendency to trade down to lower-cost products. In contrast, the University of Sheffield model relies on a complex matrix of own-price and cross-price elasticities (responsiveness to price increases of products and the impact of switching behaviour) for different categories of drinks, separated for moderate and hazardous/harmful drinkers.[228] To counter arguments around the responsiveness of heavier drinkers the University of Sheffield team ran a sensitivity analysis that assumed harmful drinkers were a third less responsive than moderate drinkers (which is unlikely to be the case). While this results in slightly reduced estimates of the effectiveness of an MUP of 50p, it shows a greater reduction in harmful drinkers' consumption because they drink more of the type of alcohol affected by MUP policies. Furthermore, the Sheffield team has provided a response to the Wales analysis carried out by CEBR, rebutting their criticisms of the modelling. This question is considered in more detail in the competition assessment.

268. Other studies have also found that moderate drinkers, whether in lower or higher income groups, are predicted as the least likely to purchase cheap alcohol.[229] It is heavier drinkers, rather than low income drinkers, who pay less per unit; therefore the risk an MUP would disadvantage moderate drinkers on lower incomes has been overstated.[230]

269. There are a number of studies, which argue "the role of price and taxes as a significant deterrent to heavy drinking by adults is uncertain".[231] A review of 19 studies which examined price responses by heavy drinking adults, and nine studies of prices and cirrhosis mortality, found only two studies of heavy drinking which found a significant negative price

[228] Meng, Y., Brennan, A., Purshouse, R., Hill-McManus, D., Angus, C., Holmes, J. et al. (2014) Estimation of own and cross price elasticities of alcohol demand in the UK-A pseudo-panel approach using the Living Costs and Food Survey 2001-2009. Journal of Health Economics. March 34. Pages 96–103.

[229] Ludbrook, A., Petrie, D., McKenzie, L. and Farrar, S. (2012) Tackling Alcohol Misuse. Applied Health Economics and Health Policy. January 2012. Volume 10. Issue 1. Pages 51-63.

[230] Crawford, M.J., Parry A.M., Weston, A.R., Seretis, D., Zauter-Tutt, M., Hussain, A., Mostajabi, P., Sanatinia, R. and North, B. (2012) Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey. Alcohol and Alcoholism. Volume 47 (6). Pages 738-742.

[231] Nelson, J.P. (2013) Does Heavy Drinking by Adults Respond to Higher Alcohol Prices and Taxes? A Survey and Assessment. Economic Analysis and Policy. Volume 43. No. 3. December 2013.

response. Likewise, Kenkel (1996) found that better health information is an effective policy to reduce the health costs of heavy drinking, as the least informed drinkers have an inelastic demand for alcohol, whereas better informed heavy drinkers have demands which are more elastic than moderate drinkers.[232]

Potential consequences of MUP on household spending, demand for services and a possible switching / substitution to other substances (including illicit alcohol)

270. It is also important to acknowledge the concerns raised that there may be other consequences of raising the price of alcohol through the introduction of an MUP. These have been summarised by Christopher Snowdon from the Institute of Economic Affairs.[233] In particular, Snowdon (2014) suggests there may be costs in terms of health if people on low incomes maintain their level of alcohol consumption but spend less on food and heating for their family.

271. MUP is likely to affect dependent drinkers (as we know that they are more likely to consume greater amounts of cheaper alcohol) – some of whom may be unable to cut down on their alcohol consumption. A study of 639 patients attending alcohol treatment services or admitted to hospital with an alcohol-related condition in Scotland found that while "harmed, heavy drinkers might be able to mitigate the impact of MUP by changing purchasing habits, the majority are predicted to reduce purchasing".[234] Indeed this study estimated that 69% of the study's participants purchased exclusively off-sale alcohol at less than 50 pence per unit – and that their drinking following the introduction of MUP may reduce by 33%.

272. There may be some dependent drinkers who have to reduce their drinking drastically and within a short time period following the introduction of an MUP, which may lead to increased pressure on associated support services, at least initially.[235]

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[232] Kenkel, D.S. (1996) New estimates of the optimal tax for alcohol. Economic Inquiry. Volume 34. Pages 296-319.

[233] Snowdon, C. (2014) Costs of minimum alcohol pricing would outweigh Benefits. British Medical Journal, 348. Published 19 February 2014.

[234] Gill, J., Black, H., O'May, F. and Chick, J. (2017) Heavy Drinkers and the Potential Impact of Minimum Unit pricing – No Single or Simple effect? Alcohol and Alcoholism. Volume 52. Issue 6. Pages 722-729.

[235] O'May, F., Gill, J., Black, H., Rees, C, Chieck, J. and McPake, B. (2016) Heavy Drinkers' Perspectives on Minimum Unit Pricing in Scotland: A Qualitative Interview Study. Sage Open. July-September 2016.

273. Furthermore, low income households which consume low-cost alcohol will be unable to trade down and find alternative (cheaper) products. Snowdon (2014) and O'May et al. (2016) have highlighted that there may be substitution effects, such as the purchase of illicit alcohol or illegal drugs, which have health hazards associated with them. It has also been noted that "the evidence available to assess the impact of alcohol policy on substance misuse generally is sparse" – but that those frequently consuming stronger alcohol are "more likely to complement their consumption with a range of intoxicants and that they are more likely to substitute alcohol with other substances".[236]

274. The study of the alcohol purchasing behaviour of patients with alcohol-related conditions at NHS settings in Edinburgh and Glasgow by Alcohol Research UK[237] found concerns amongst some that the removal of very cheap alcohol would compromise the budgets of addicted drinkers and may result in a reduction of spend on essentials such as food and heating. Nonetheless, there was very little mention of an intention to steal or buy illicit alcohol or to substitute alcohol with other substances, were prices to rise.

275. In 2013, the Institute of Alcohol Studies commented: "There is clear evidence that substitution with various forms of illicit or unrecorded alcohol would only slightly offset the significant health benefits of increased prices."[238]

276. In particular, Alcohol Research UK (2015) noted: "Alcohol price affected our participants' lives, the majority for whom sourcing cheap alcohol locally was a priority. Despite recent changes to the welfare system, usually resulting in reduced income, and an economic downturn, most participants were still able to maintain their level of consumption,

[236] Moore, S.C. (2010) Substitution and complementarity in the face of alcohol-specific policy interventions. Alcohol and Alcoholism, 45 (5). Pages 403-408.

[237] Alcohol Research UK (2015) Alcohol Pricing and Purchasing amongst heavy drinkers in Edinburgh and Glasgow: Current trends and implications for pricing policies. Professor Jonathan Chick and Dr Jan Gill (Edinburgh Napier University).

http://alcoholresearchuk.org/downloads/finalReports/FinalReport_0128.pdf

[238] Institute of Alcohol Studies (2013) Is alcohol too cheap? The case for setting a minimum price for alcohol. Authors: Tim Stockwell and Gerald Thomas. Centre for Addictions Research, University of Victoria, British Columbia, Canada.

especially those who were drinking the cheaper drinks, namely white cider and vodka. However, a consequence was a reduction in food purchasing and heating, as was falling into or increasing current debt. Some participants coped by pooling or sharing resources, either money or alcohol, with other drinkers in a similar situation. There was very little evidence of substituting other substances for alcohol or consumption of illicit alcohol in our sample."

277. However, the potential for an increase in sales of illicit alcohol has been highlighted by Katikireddi et al.[239] It was also raised in a number of responses to the Public Health White Paper consultation, where stakeholders expressed concern regarding the risk of an increase in stolen or counterfeit alcohol.

278. O'May et al. (2016) noted that a common criticism of increasing the price of alcohol is that if people with alcohol dependence can no longer afford their drink of choice, they will need to find a substitute, whether that be cheaper alcohol, counterfeit or illicit alcohol, or other substances. Alternatively, they may resort to theft. The authors go on to highlight that while a review by the Home Office (2011)[240] suggests that increases in alcohol pricing tend to be associated with reductions in crime, there is currently insufficient evidence to determine the impact of alcohol prices and purchase of other licit and illicit substances (see Hunt et al. 2010).[241] Moore (2010), however, found that while there is little evidence available, the evidence that does exist suggests those using illicit substances also drink heavily.[242]

279. Evidence from the qualitative study of heavy drinkers in Scotland conducted by O'May et al. (2016) found that none of the participants indicated that they would resort to drinking illicit alcohol – with some stating that that they were fearful of the damage such drink could potentially inflict and "would not touch it". Only one participant mentioned

[239] Katikireddi, S.V., Bond, L. and Hilton, S. (2010) Changing policy framing as a deliberate strategy for public health advocacy: A Qualitative policy case study of minimum unit pricing for alcohol. The Milbank Quarterly. Volume 92. Pages 250-283.

[240] Home Office (2011) The likely impacts of increasing alcohol price: A summary review of the evidence base.

[241] Hunt, P., Rabinovich, L. and Baumberg, B. (2010) Preliminary Assessment of the economic Impacts of alcohol pricing policy options in the UK. Brussels, Belgium. RAND Europe.

[242] Moore, S. C. (2010). Substitution and complementarity in the face of alcohol-specific policy interventions. Alcohol and Alcoholism. Volume 45 (5). Pages 403-408.

potentially switching from alcohol to drugs, saying he would "just buy a bit of dope".[243]

280. A qualitative study of 115 alcohol dependent drinkers in New Zealand found that strategies employed by dependent drinkers when they had no money for the day included forgoing essential items, borrowing alcohol or going without. This study found that there is minimal evidence amongst dependent drinkers of accessing non-beverage alcohol or of resorting to criminal activity to access alcohol when it becomes unaffordable.[244] However, the study did find evidence of the use of other drugs as a strategy when alcohol became unaffordable – with 13 individuals reporting illicit drug use and 10 reporting prescription drug use.

281. The Welsh Government does not consider the increase in price associated with an MUP is likely to be sufficient to incentivise activities such as the sale of illicit alcohol or result in an increase in stolen or counterfeit alcohol, which are not currently a significant problem in Wales. The risk of this is therefore considered to be low but will remain under review. Similarly, the Welsh Government also considers the risk of switching to illegal drugs to be low – but this will also be kept under review.

282. This ongoing review will be important – as findings from the qualitative research with dependent drinkers in Scotland suggested that participants in the study "struggled to understand the concept of MUP" and still talked of "trading down, using white cider as a fall back, or making more of an effort to track down special offers". As noted by Alcohol Research UK (2015): "They [participants] had not taken on board the fact that they would be paying 50p for *each* unit of alcohol, and therefore, the higher the number of units they consume, the higher the cost. The majority of the participants lived from day to day, sometimes from hour to hour, and were generally not able to plan ahead, let alone take account of legislation that might not be implemented for years, if at all. Their attitude was that they would deal with any issues if and when MUP, to many of them a vague and obscure concept, was in place. However, for the majority of people we interviewed, who have a high frequency of purchasing and high expenditure owing to the high volumes purchased, the impact of MUP

[243] O'May, F., Gill, J., Black, H., Rees, C, Chieck, J. and McPake, B. (2016) Heavy Drinkers' Perspectives on Minimum Unit Pricing in Scotland: A Qualitative Interview Study. Sage Open. July-September 2016.

[244] Faulkner, C., Christie, G., Zhou, L. and King, J. (2015) The effect of alcohol price on dependent drinkers' alcohol consumption. New Zealand Medical Journal. Vol. 128. Number 1427.

would be immediate, particularly for the white cider and cheap vodka drinkers."[245]

283. As highlighted in the impact assessments for this Bill, the Welsh Government will work to ensure that those affected by the impacts of alcohol are supported by other services being taken forward as part of the Welsh Government's Substance Misuse Strategy.

284. The Sheffield modelling suggests that while drinking levels will be reduced to levels that will bring health benefits, they are not likely to reduce drastically and lead to high numbers of people needing additional support services. At this stage, it is not possible to estimate the additional costs arising from MUP policies, in response to this issue. Nonetheless, the Welsh Government is already considering these potential impacts and Area Planning Boards are required to undertake a needs assessment to assess the need for and availability of different types of services for those with alcohol misuse issues in Wales. This work will help to ensure services are in place to meet a potential increase in demand, should a minimum unit price for alcohol be introduced.

285. Ongoing review and monitoring of the implementation of the legislation will seek feedback on the impacts of the policy on these and other services.

Potential impacts on home brewing

286. Concerns have also been raised by some stakeholders that increasing the price of alcohol through an MUP may result in an increase in home brewing or illegally produced alcohol.

287. The Welsh Government's Advisory Panel on Substance Misuse (APoSM), in their 2014 review of the potential of MUP in a Welsh context, concluded that: "Individual production is deemed unlikely for the most vulnerable groups of drinkers, not least because of the time required for the fermentation process and the cost of the necessary equipment."[246]

[245] Alcohol Research UK (2015) Alcohol Pricing and Purchasing amongst heavy drinkers in Edinburgh and Glasgow: Current trends and implications for pricing policies. Professor Jonathan Chick and Dr Jan Gill (Edinburgh Napier University).
[246] Welsh Government Advisory Panel on Substance Misuse (APoSM) (2014) Minimum Unit Pricing: A Review of its Potential in a Welsh Context. Report Published July 2014.

288. In their 2016 Evidence Review on Alcohol Harm, Public Health England also commented on home made and illegally produced alcohol. In particular, Public Health England noted: "The quality of alcohol primarily relates to home-made or illegally produced alcohol, which can be contaminated with methanol or other toxic substances and are known to cause higher levels of harm. In England, and other high income countries, there are relatively low levels of home-made or illegally produced alcohol, therefore this aspect is not considered in this time-limited review."

289. The Welsh Government therefore considers the risk of a potential increase in the home production of alcohol to be low.

290. The Welsh Government considers there is a robust evidence base for legislative change, based on the University of Sheffield model, supplemented with the analysis of the effect of pricing on consumption in other countries. Careful consideration will be given to the implementation of the Bill in order to mitigate against potential adverse impacts.

Cross-border issues

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

292. Minimum unit pricing is a population measure, aimed at reducing alcohol-related harm, particularly amongst hazardous and harmful drinkers. Population measures are preferable because they help both those not in contact with specialist services and those who have been identified as needing to reduce their alcohol intake by creating an environment which supports lower-risk drinking.[247] For the majority of the Welsh population, purchasing alcohol in England would incur a time and travel cost (for example fuel and vehicle value depreciation). This cost is likely to outweigh any savings on the price of alcohol which would be achieved. Minimum unit pricing also targets the proportion of drinkers who consume hazardous or harmful quantities of alcohol who may often be purchasing alcohol for immediate consumption, reducing the incentive to travel further than they would normally to avoid paying more for their alcohol as a result of an MUP.

[247] NICE Public Health Guidance 24 (June 2010) Alcohol-use disorders: preventing harmful drinking.

293. However, there may be consequences for retailers in border areas of Wales where the general population may choose to travel a little further for their shopping to reap the benefit of English alcohol pricing. To monitor the possible effects of minimum unit pricing in these areas, we have analysed the amount spent on groceries, including alcohol in English border areas using debit or credit cards registered in Wales. In 2015, this stood at £44.4m for grocery spending per year, 4.91% of the total in Wales[248] (see the competition assessment for further discussion). Although this suggests a small proportion of people may not be affected by MUP as they may purchase alcohol in England, as this is a population measure this is not a risk to its efficacy as a whole. By tracking debit and credit card data in the future, we can compare the impact of introducing minimum unit pricing.

294. The potential for cross-border issues to impact on the proposed regime are further mitigated by the fact the target population for minimum unit pricing mostly do not live close to the Wales-England border. Figure four shows few border areas have a high concentration of very heavy (binge) drinkers. According to 2011-12 figures, of all the local authority areas that border England, only Flintshire has a proportion of very heavy drinkers (15.9%) above the Welsh average (14.9%).[249] Public Health Wales bases these proportions on lifestyle surveys which focus on the number of units consumed on the heaviest drinking day in the previous week. Although this differs from the definition used by the University of Sheffield model, and followed elsewhere in this regulatory impact assessment, binge drinking is associated with many alcohol-related harms.

295. Research carried out in 2016 on people's alcohol consumption habits and distance to their nearest alcohol outlet also suggests a potential reluctance to travel more than a few minutes to purchase alcohol.[250]

[248] Experian, Measuring Cross Border Grocery Spend Between Wales and England Using Anonymized Card Data, January 2015.

[249] Public Health Wales Observatory (2014) Alcohol and Health in Wales, Betsi Cadwaladr UHB Summary. Pages 7-8.

[250] Fone, D. et al. (2016) Change in alcohol outlet density and alcohol-related harm to population health (CHALICE): a comprehensive record-linked database study in Wales, Public Health Research.

https://bmcpublichealth.biomedcentral.com/articles/10.1186/1471-2458-12-428

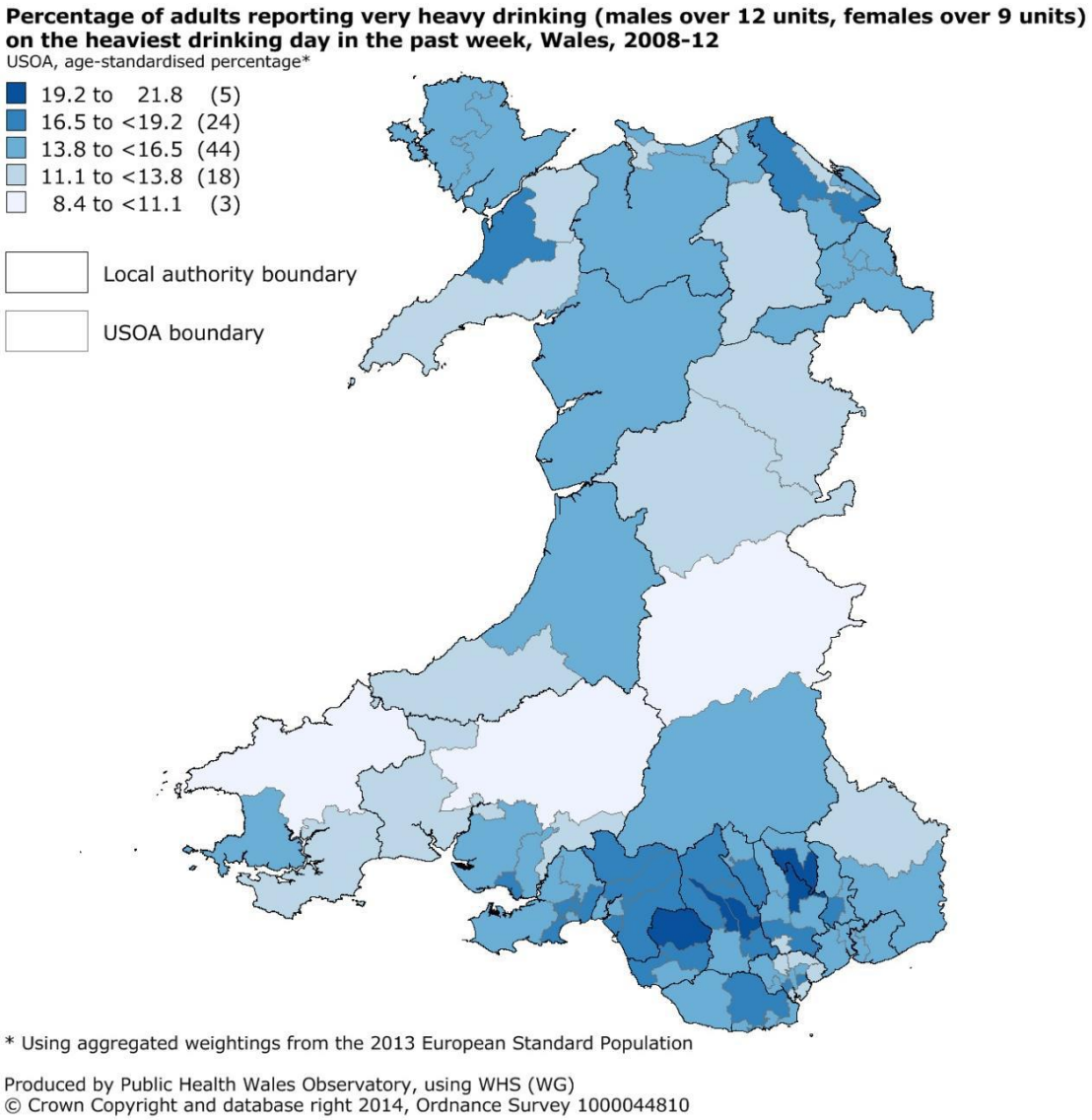

Figure four: Map of very heavy drinkers, Wales[251]

296. Online and mobile businesses licensed in Wales will need to ensure they are charging in line with the MUP when supplying to customers in Wales.

297. Evidence shows that hazardous and harmful drinkers, who are the main targets of MUP, are more likely to buy alcohol in local supermarkets/grocers than online.[252] Therefore the risk of drinkers purchasing from those areas in the UK that do not have minimum pricing

[251] Public Health Wales Observatory (2014) Alcohol and Health in Wales 2014, Wales Profile. Page 17.

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

in place impacting the overall objective of the policy is considered to be low at this time.

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

7. Options, Costs and Benefits

299. Three options have been considered to achieve the Welsh Government's stated objective to reduce alcohol-related harm by reducing alcohol consumption, particularly amongst hazardous and harmful drinkers.

Option one – Do nothing;

Option two – Strengthen the current policy approach;

Option three – Introduce a minimum price for which alcohol can be sold or supplied in Wales.

Option one – Do Nothing

Description

300. Under this option, the intention would be to maintain the current approach to reducing the harms caused by alcohol misuse through implementing the actions set out in the Welsh Government's substance misuse strategy *Working Together to Reduce Harm* and its supporting delivery plan 2016-18. This encompasses some existing non-legislative actions outlined in Part 1 to prevent harm, including an education programme; helpline and public information campaign; support for people who misuse alcohol, including treatment programmes, wraparound services and help finding work; actions to protect families, providing support to children, carers and parents. It also involves tackling unsuitable availability of alcohol and related crime and disorder by providing advice and support to a range of stakeholders and licensing authorities.

301. Option one is provided as a baseline for comparison with the potential benefits of strengthening the current approach or introducing a minimum price for alcohol.

302. Alcohol consumption in the UK has more than doubled since 1950.[253] Although consumption has recently fallen, National Survey for Wales data show in 2016, 31% of adults reported drinking alcohol above the former daily guidelines on at least one day in the past week. As stated above, this is having a significant impact on health in Wales, resulting in a high number of avoidable deaths and broader social costs.

[253] British Medical Association Board of Science (February 2008) Alcohol Misuse: tackling the UK epidemic. London: BMA 2008.

303. The UK Government introduced a ban on the sale and supply of alcohol in England and Wales below the level of alcohol duty for a product plus VAT on 28 May 2014. The ban was a new licensing condition accompanied by the mandatory code of practice.

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

305. The Sheffield model (2014) suggested the ban on below-cost selling in England and Wales would have only a very small impact on alcohol consumption and related harms. According to the Sheffield model, when applied to Wales the policy affects only the very cheapest drink and the average price of alcohol sold by supermarkets will rise by 0.1%. The UK-wide estimate for the impact on alcohol-related harm is a reduction of approximately 15 alcohol-related deaths per year; 500 hospital admissions and 900 alcohol-related crimes. Given the low impact on price and consumption, the impact of this policy on health outcomes in Wales is predicted to be low, with 23 fewer hospital admissions in the 20th year.[254]

Costs

306. The intention is to maintain the current Welsh Government budget for substance misuse programmes under this option. While there would be no new costs to the Welsh Government from this option initially, there will be increased costs over time if the harms resulting from excessive and avoidable alcohol misuse continue. The cost to the NHS in Wales was estimated to be around £159m per year, as well as economic and social costs to individuals, communities and families. Existing resources provided to substance misuse commissioners and providers would continue to be provided and may need to be increased to respond to these increased health costs.

307. Although evidence suggests that overall alcohol consumption is falling,[255] hazardous and harmful drinking continues to pose a significant

[254] Meng, Y. et al. (2014); Sheffield: ScHARR, University of Sheffield. Table 5.10, page 64.

[255] Public Health Wales (2014) Alcohol and health in Wales 2014. Public Health Wales Observatory.

risk to health. Furthermore, the increasing affordability of alcohol could slow the trend of reducing consumption; doing nothing therefore may allow this inhibiting factor to continue. The University of Sheffield model estimates the overall societal cost of alcohol misuse to be £16.6bn over 20 years, of which £10.1bn falls to the government in health and crime-related costs and £6.5bn in health costs to consumers (quality adjusted life years).[256] The Welsh Government therefore considers the long-term costs of not taking further action to protect individuals from the preventable harm of alcohol-related deaths and disease are too high.

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

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

Benefits

310. The only potential additional benefit of doing nothing would be an initial cost saving, as all other options contain implementation costs to the taxpayer and retailers, as well as costs to consumers.

Summary

311. There will be no additional costs or benefits arising from this option, as set out in table four below. Policy actions currently undertaken as part of this option are assumed to continue for each of the other options. Therefore, the expenditure and current benefits form part of the baseline against which the remaining options are compared.

312. The ban on below-cost selling (implemented in May 2014 as a ban on selling alcohol for below the cost of duty plus the VAT payable on that duty) was predicted to have a minimal impact on alcohol consumption and related harms, with a 0.1% reduction in deaths and a total saving of £9m a year on societal costs .[257]

Table four: Option one – Do nothing – Costs

[256] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 32, page 59.

[257] Meng, Y. et al. (2014); Sheffield: ScHARR, University of Sheffield. Table 5.14, page 71.

	Year one costs £	Year two costs £	Year three costs £	Year four costs £	Year five costs £
Costs to Welsh Government	**0** There will be no additional costs or benefits arising from the continuation of current programmes through substance misuse funding of nearly £50m per annum. This includes the Substance Misuse Action Fund of £32m and £18m ring-fenced for services in health boards.	**0**	**0**	**0**	**0**
Costs to local authorities	**0** There will be no additional costs or benefits arising from the continuation of current programmes.	**0**	**0**	**0**	**0**
Costs to retailers	**0** There will be no additional costs or benefits arising from the continuation of	**0**	**0**	**0**	**0**

	current programmes.				

Option two – Strengthening the current policy approach

Description

313. This option continues the actions set out in the substance misuse strategy *Working Together to Reduce Harm* and supporting delivery plan (2016-18) but strengthens the focus on programmes to address alcohol misuse. This would require reassigning resources from other aspects of the substance misuse budget with an impact on programmes to tackle the misuse of legal and illegal drugs as a result of overall budget constraints. This could lead to an increase in waiting times for people accessing substitute opioid treatment and psychosocial interventions, both of which are crucial to preventing and reducing drug-related deaths. Transferring resources would also take time as any reassignment could not take place until existing commissioned cycles have concluded.

314. In this option, we would focus greater effort and resources towards reducing alcohol-related harm, through the Substance Misuse Action Fund. This would include extending actions in the current delivery plan, such as programmes to influence attitudes to alcohol, particularly with regard to drinking at home, pre-loading and education programmes for children and young people.

315. On 8 December 2016, the Welsh Government reissued its *Night Time Economy Framework.* The framework was developed through feedback from consultation with stakeholders including the police, the NHS, local authorities and the business community.[258]

316. It is aimed at community safety managers and the police, among others, and seeks to encourage partners to ensure the full range of sanctions are brought to bear against those people who drink irresponsibly and become involved in crime and anti-social behaviour and the licensees who continue to serve them regardless of their state of intoxication. The framework combines a national overview of best practice and suggested actions for a safer night time economy against the backdrop of the wider UK legislative context. A tool kit provides suggested activities that are

[258] http://gov.wales/topics/people-and-communities/communities/safety/substancemisuse/availability/night/?lang=en

evidence based and proven to improve the management of night-time economies.

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

318. Treatment services are targeted to tackle areas of greatest harm and likely health improvements. A re-prioritisation to ensure alcohol treatment services are available to those suffering harm as a result of hazardous drinking would support those suffering from alcohol use disorders. In the majority of referrals to treatment, alcohol is the main problematic substance already. Of the 23,848 referrals in 2016-17, 5,777 did not have an associated main problematic substance. Of the remaining 18,071 referrals, 52.5% of these were described as having alcohol as the main problematic substance.[259]

319. Any re-prioritisation could have a detrimental impact on treatment services for other substance misuse problems. Further developing the brief intervention service through which health professionals can offer support to people drinking alcohol at damaging levels but not requiring specialist treatment for addiction could also protect individuals from harm. This would target a relatively small group, as those referred for treatment 23,848 in 2016-17) are a small minority of those who consume alcohol at potentially harmful levels (28% of the Welsh drinker population are hazardous or harmful drinkers).[260]

320. These actions could form an important part of the package of measures to reduce the harm caused by alcohol consumption but the evidence suggests there is a limit to the effectiveness of these on their own.[261] The World Health Organisation has found it is difficult to measure the direct positive effect on drinking patterns from education in schools,

[259] Welsh National Database for Substance Misuse, Treatment Data 2016-17.

[260] Sheffield Alcohol Policy Model update: interim report.

[261] Babor, T., Caetano, R., Casswell, S., Edwards, G., Giesbrecht, N., Graham. K., Grube, J., Grunewald, P., Hill, L., Holder, H., Homel, R., Osterberg, E., Rehm, J., Room, R., and Ingeborg, R. (2003) Alcohol: No Ordinary Commodity. Oxford: Oxford University Press.

public service announcements and voluntary regulation by the alcohol industry.[262]

321. A 2013 overview of systematic reviews of population-level interventions to reduce alcohol-related harm found there is good evidence for policies and interventions to limit alcohol sale availability, to reduce drink driving and to increase alcohol price or taxation. However, there is mixed evidence about family and community-level interventions; school-based interventions and interventions in the alcohol server setting and the mass media.[263] In particular, there is weak evidence for workplace interventions and for interventions targeting illicit alcohol sales and there is evidence of ineffectiveness of interventions in higher education settings.[264] There are limited reviews of interventions in the alcohol server setting. One undertaken carried out by Brennan et al. in 2011, for example, showed mixed results.[265]

322. Holm et al. (2014) analysed the cost effectiveness of six interventions aimed at preventing alcohol abuse in the Danish population, which included increasing taxation, increasing the minimum legal drinking age, advertisement bans, limited hours of retail sales and brief and longer term individual interventions. This found interventions targeting the whole population were more effective than individual-focused interventions. A ban on alcohol advertising, limited hours of retail sale and increased taxation had the highest probability of being cost-saving.[266]

Costs

[262] Babor, T., Caetano, R., Casswell, S., Edwards, G., Giesbrecht, N., Graham. K., Grube, J., Grunewald, P., Hill, L., Holder, H., Homel, R., Osterberg, E., Rehm, J., Room, R., and Ingeborg, R. (2003) Alcohol: No Ordinary Commodity. Oxford: Oxford University Press.

[263] Martineau, F., Tyner, E., Lorenc, T., Pettigrew, M. and Lock, K. (2013) Population-level interventions to reduce alcohol-related harm: An overview of systematic reviews. Preventive Medicine. Volume 57. Issue 4. October 2013. Pages 278-296.

[264] Martineau, F., Tyner, E., Lorenc, T., Pettigrew, M. and Lock, K. (2013) Population-level interventions to reduce alcohol-related harm: An overview of systematic reviews. Preventive Medicine. Volume 57. Issue 4. October 2013. Pages 278-296.

[265] Brennan, I., Moore, S., Byrne, E. and Murphy, S. (2011) Interventions for disorder and severe intoxication in and around licensed premises, 1989-2009. Addiction. Volume 106. Issue 4. Pages 706-713.

[266] Holm, A.L., Veerman, L. Cobiac, L. Ekholm, O. and Diderichsen, F. (2014) Cost effectiveness of preventive interventions to reduce alcohol consumption in Denmark. PLOS ONE. February 5; Volume 9 (2).

323. There would be no new costs to the Welsh Government from this option initially, as constraints on government spending are likely to remain. It is envisaged that this may restrict the overall funding on substance misuse to nearly £50m. This includes £32m from the Welsh Government's Substance Misuse Action Fund to tackle these harms, £22.6m of which goes to seven area planning boards, which commission substance misuse services for their region. A further £17.1m is ring-fenced for substance misuse services within the health boards' discretionary allocation in 2017/18 and this has increased to over £18m in 2018/19.

324. As a result of a re-alignment of resources to reflect a greater priority of alcohol-related education programmes and treatment services for people with alcohol use disorders, there is likely to be an impact on other services, particularly drug misuse programmes (as well as a potential for increased drug use if drug-related education programmes are cut back). Furthermore, as education programmes are considered to be of limited effectiveness at reducing overall consumption when used in isolation,[267] we do not believe these actions alone will be sufficient to reduce excessive alcohol consumption and address the harm associated with alcohol misuse – there are likely to be increased costs over time as alcohol misuse continues despite recent evidence of some decline in consumption. Existing resources provided to substance misuse commissioners and providers would continue and eventually an increase in overall budgets may be needed, particularly for treatment services, if patterns of hazardous and harmful drinking continue and are not otherwise addressed.

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

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

327. In order to strengthen the policy position on alcohol, the Welsh Government will continue to lobby the UK Government to use all available levers to reduce hazardous and harmful drinking. If the Welsh Government successfully lobbied the UK government for an increase in alcohol duties, there would be an increase in cost to all consumers, whether moderate or heavy drinkers, as any price increase would affect all

[267] WHO (2009) Evidence for the Effectiveness and Cost Effectiveness of Interventions to Reduce Alcohol-Related Harm. WHO Regional Office for Europe.

alcoholic drinks (both off and on-trade). The only exception would be if retailers chose to absorb the increased cost themselves rather than pass on to the consumer (as long as they could do so without violating the ban on below-cost sales). For retailers of higher-cost products, which would not be affected by the below-cost ban (for example, in the on- trade), or where alcohol is used as a loss-leader,[268] for example in supermarkets, this could result in higher costs to retailers, without the desired impact on consumption levels.

Benefits

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

Summary

329. The net effect on overall welfare, therefore, is likely to be minimal – resources would be switched between programmes and even if there were a reduction in alcohol-related harm, it may be offset by deterioration in other substance misuse programmes. Table five provides a summary of all costs.

[268] The ban on below cost selling bans the selling of alcohol at a price that is below the cost of the duty plus the VAT payable on that duty. For products where the total cost of the alcohol is higher than the tax element therefore, it is still possible to sell at a loss.

Table five: Option two – Strengthen the current policy approach – Costs

	Year one costs £	Year two costs £	Year three costs £	Year four costs £	Year five costs £
Costs to Welsh Government	**0** No additional costs as any increase in funding to address alcohol misuse will be off-set by losses from other programmes. Substance Misuse Funding nearly £50m per annum. Includes Substance Misuse Action Fund of £32m and £18m ring-fenced for services in health boards.	**0**	**0**	**0**	**0**
Costs to local authorities	**0** No additional costs.	**0**	**0**	**0**	**0**
Costs to retailers	**0** No additional costs.	**0**	**0**	**0**	**0**

Option three – Introducing a minimum price for alcohol

Description

330. This option would involve the Welsh Government introducing a minimum price under which alcohol could not be sold or supplied to a person in Wales by certain persons. This would not increase the price of every drink, only those which are sold or supplied below the applicable minimum price.

331. Introducing an MUP provides a targeted approach to reduce hazardous and harmful drinking and address the health and societal problems associated with the supply and consumption of cheap, strong alcohol products – whist minimising the impact on moderate drinkers (see paragraph 334).

332. The formula for calculating the applicable minimum price for alcohol is set out on the face of the Bill and takes account of the percentage strength of the alcohol, its volume and the MUP. The MUP will be specified by Welsh Ministers in secondary legislation. The formula for calculating the minimum price of a product would apply to all products to which the Bill applies equally, regardless of whether the products are domestically produced or imported.

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

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

An example of a £0.50 minimum unit price of alcohol (for a 0.75 litre bottle of wine with a strength of 12.5%) is calculated as follows:

£0.50 x 12.5 x 0.75 = £4.69

Costs

Consumers

333. Table 13 in the competition assessment illustrates the potential impact of a 50p MUP (as an example) on the price of a selection of specific products. The modelling work undertaken by the University of Sheffield estimates the impacts of these price changes on levels of consumption and associated harms.

334. Consumers who currently buy alcohol at less than the applicable minimum price will be directly affected. The Sheffield model estimates costs will fall largely on hazardous and harmful drinkers who tend to favour cheaper alcohol which is most affected by an MUP with, as an example, more than a third of their alcohol currently purchased at less than 50p per unit (36 per cent for hazardous drinkers, 46 per cent for harmful drinkers, compared with less than a quarter for moderate drinkers), as shown in figure five. A hazardous drinker will spend approximately £18 more per year, a harmful drinker will spend approximately £48 more per year, with the greater effect being the anticipated drop in consumption. In contrast, moderate drinkers will spend on average £3 more per year.[269]

335. The costs of an MUP will be felt by consumers of alcohol at the cheaper end of the scale. However, this effect is small for moderate drinkers, with the most significant impact felt by the target group of hazardous and harmful drinkers (as highlighted in paragraph 334 above).

336. This is because hazardous and harmful drinkers currently purchase a higher proportion of drinks sold at below the illustrated MUP threshold (as illustrated in figure five). In terms of alcohol consumed by different income groups, whilst people in poverty generally pay less per unit than people on higher incomes, this is seen in heavier, not lighter, drinkers.[270]

[269] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Table 10, page 17.

[270] Crawford, M.J., Parry A.M., Weston, A.R., Seretis, D., Zauter-Tutt, M., Hussain, A., Mostajabi, P., Sanatinia, R. and North, B. (2012) Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey. Alcohol and Alcoholism. Volume 47 (6). Page 741.

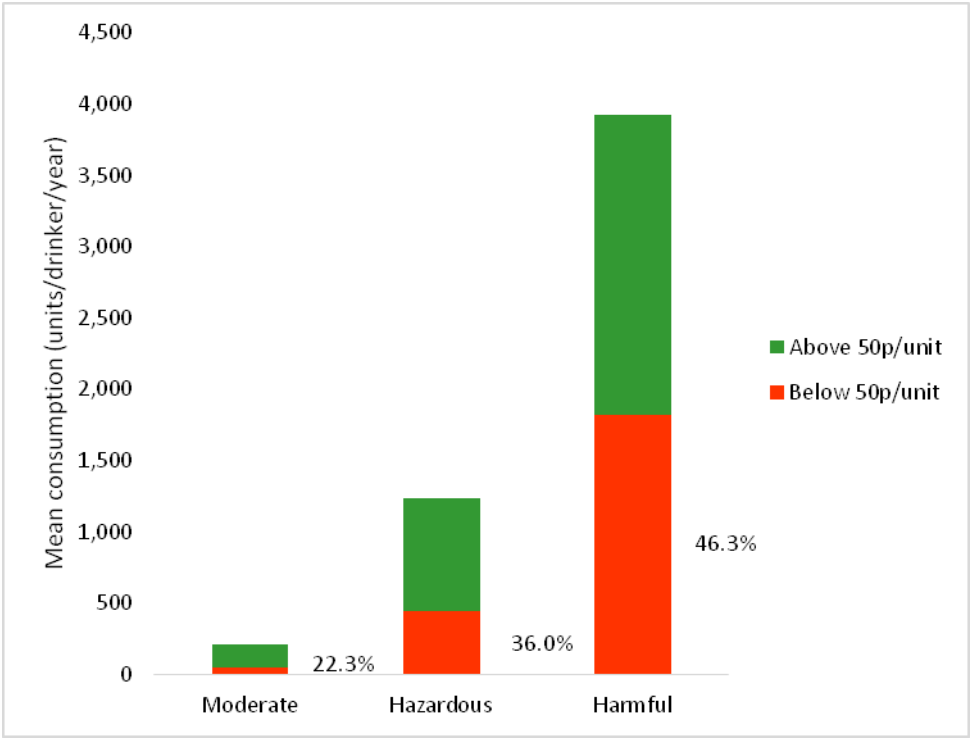

Figure five: Proportion and total units purchased at below 50p / unit by drinker group[271]

337. Furthermore, a greater proportion of those in the most deprived quintile are abstainers (27%) compared to those in the least deprived quintile (14%). This has been found in other studies using household survey data, with 50% of households in the poorest quintile buying no alcohol in a two week period compared to 15% of households in the richest quintile.[272] Moderate drinkers in the most deprived quintile also already tend to consume less, at 3.7 units per week, compared to 4.4 for moderate drinkers in the least deprived quintile.

338. UK household expenditure data[273] shows that while the poorest 10% of the population (the bottom decile) spend the highest proportion of their total household expenditure on alcohol (1.9%), this then reduces through the deciles, with the third decile spending the lowest (1.3%). Most deciles spend a roughly similar proportion (1.4% to 1.5%). Given that these proportions of total expenditure are relatively low, for the majority of moderate drinkers, a small increase in expenditure (anticipated at £2.10

[271] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Figure 8, page 12.

[272] Ludbrook, A., Petrie, D., McKenzie, L. and Farrar, S. (2012) Tackling alcohol misuse. *Applied Health Economics and Health Policy.* January 2012. Volume 10. Issue 1. Pages 51-63.

[273] ONS, Family Spending in the UK: financial year ending March 2016 Edition Release (February 2017). Table 3.2E: Detailed household expenditure as a percentage of total expenditure by equivalised disposable income decile group 2016.

per year for moderate drinkers in the most deprived WIMD quintile, or £3.80 per year for moderate drinkers in the least deprived WIMD quintile) is likely to have a limited impact on other household expenditure.

339. The increased costs of the policy are therefore focused on hazardous and harmful drinkers. For those in the least deprived quintile, the increased costs will be £25.40 per year for hazardous drinkers, and £87.60 for harmful drinkers, accompanied by a drop in consumption of 0.3% (3.6 units) and 0.7% (26.4 units) respectively. For those in the most deprived quintile who are hazardous or harmful drinkers, there is a reduction in overall spending of £1.10 and £206.20 respectively.[274] The more significant impact is the reduction in consumption (8.4%; 102.7 units and 25.6%; 1,119 units a year, respectively).[275] It should be acknowledged, however, that this impact could be significant for some harmful drinkers, particularly those who find they are unable to restrict their consumption significantly, which could have a knock-on impact on family budgets and households may have less money to spend on other items, especially within the poorest 10% where spend on alcohol is relatively high compared to total household expenditure. It is difficult to predict what impact this may have on family spending if spend is transferred from a whole range of areas of household expenditure. It is not possible to provide estimates of any potential changes in the allocation of household expenditure. These are not yet known.

340. The small decline in consumption among moderate drinkers (a reduction of 1.1%) may lead to a cost to health services, resulting from a loss of the protective effect of alcohol for ischaemic heart disease, ischaemic stroke and type 2 diabetes. However, the University of Sheffield model estimates that over 20 years, the net effect of the policy, at a 50p MUP level is a saving of 66 deaths and 1,281 hospital admissions.[276] The impact is small because the protective effect is only evident for low levels of consumption, so the change would only affect those who are already moderate drinkers (who are predicted to change behaviour only slightly, reducing their consumption by 2.4 units per year).

341. An increase in the price of alcohol will also lead to a reduction in utility (consumer satisfaction) for those who reduce their consumption in

[274] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Tables 12 and 13, pages 19 and 20.

[275] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Tables 12 and 13, pages 19 and 20.

[276] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Table 14, page 21.

response. It is not possible to estimate what these reductions will be and it is assumed that they will be outweighed by an increase in utility from the health benefits accruing as a result of lower consumption. It is not possible to estimate any associated monetary values – and so these are not yet known.

Retailers

342. Costs to on-sale retailers are anticipated to be largely unaffected, as prices will rarely change under the modelled levels. Although on-sale drinks promotions are commonplace, they are unlikely to be selling alcohol below an MUP of (for example) 50p. A 50p MUP is estimated to lead to an overall increase in revenue for on-trade retailers of £1m (0.2% increase).[277]

343. For off-sale retailers, the Sheffield model suggests that any reductions in sales will be compensated by higher prices, resulting in overall increases in revenue owing to the relative inelasticity of demand for alcohol, although the overall impact on revenues is uncertain. A 50p MUP is estimated to lead to an overall increase in revenue for off-trade retailers of £16.8m (9.9% increase).[278] The implementation costs for retailers will however vary for smaller and larger businesses – although the extent to which these costs will vary is unknown.

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

345. MUP will apply to businesses licensed in Wales which operate an online or telephone delivery of alcohol when supplying to a person in Wales. The Welsh Government acknowledges that internet sales/click and collect/telephone orders may pose an implementation challenge for some retailers in Wales. As such, we specifically sought views on this matter in the consultation on the draft Bill. Most respondents in favour of the proposal said that legislation would have little effect on those buying or selling alcohol online, particularly as those products often already exceed any likely minimum price and are often specialised products – for example,

[277] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 43.

[278] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 43.

fine wines or unique product brands. One respondent said that online retailers whose main business relies on the sale of cheap, strong alcohol may be adversely affected.

346. The Welsh Retail Consortium highlights a number of other costs, including the need to update in-store systems, which are currently used to block till-point sales of alcohol below the cost-price.[279] These costs are unknown. One supermarket chain has estimated this could cost up to £1m and take between two and three years to implement and test.[280] It also suggests there may be a cost for maintaining different pricing and compliance systems across the border. However, a significant number of these retailers (predominantly supermarket chains) already have differential pricing across different types/sizes of store, as well as implementing different rules on alcohol price promotions in Scotland.

347. The Wine and Spirit Trade Association mentioned the cost of reviewing promotional material.[281] There may also be costs associated with wastage since damaged products cannot be sold at less than the applicable minimum price (this was estimated at more than £2.5m for the ban on below-cost selling for one supermarket chain). These costs are unknown. Although we acknowledge there will be some costs associated with the change, larger retailers should be able to absorb facilitation and implementation costs, as they are likely to benefit from an increase in revenue as a result of MUP. Approximately 84% of alcohol off-sales are from large multiple retailers, according to Neilsen.[282]

348. Where retailers are continuing to use heavy discounts on alcohol to encourage customers, they may lose some footfall as a result. However this is difficult to calculate and large retailers are likely to be competing with other large retailers, who will all be affected in the same way and they will continue to be able to compete with discounts on other products. Associated costs as a result of a loss in footfall are unknown.

[279] Welsh Retail Consortium Response to the Welsh Government Consultation on the Public Health White Paper, June 2014.

[280] In correspondence with the Welsh Government. More recently, similar points were raised during the scrutiny sessions held by the Health, Social Care and Sport Committee.

[281] WSTA Response to the Welsh Government Consultation on the Public Health White Paper, June 2014.

[282] Beeston, C., Robinson, M., Craig, N., and Graham, L. (2011) Monitoring and Evaluating Scotland's Alcohol Strategy. Setting the Scene: Theory of change and baseline picture – Glossary and Appendices. Edinburgh: NHS Health Scotland. Page 36.

349. Smaller businesses, particularly those without head office support, may face higher implementation costs. For example, independent retailers may need to allocate a member of staff to do this for one day, at a cost of approximately £64 per shop (based on a retail assistant working for eight hours on a salary of £7.99 per hour).[283] Based on these figures, this would mean a total implementation cost of approximately £455,700 for all retailers, of which there are a total of 7,120 in Wales.[284] Smaller retailers may find this cost is off-set not only by increased revenues but also by their improved ability to compete with large retailers and supermarkets. However, while an estimate has been included for implementation costs, specific costs (or increases in revenue) are unknown.

350. Retailers will also need to familiarise themselves with the requirements of minimum unit pricing to ensure they comply. This could take managers of stores approximately four hours to fully familiarise themselves with changes and brief staff as required. Based on the hourly rate of retail managers (£10.56),[285] and assuming one member of staff at this level per store, costs for this would amount to approximately £300,700 in the year before implementation. It is assumed that retailers will have an ongoing system to ensure store managers have up-to-date knowledge of alcohol licensing standards. Including an MUP for alcohol as part of this may require an additional hour of familiarisation, at a cost of approximately £75,000 (for all 3,092 licensed retailers) in the future.

351. There is considerable uncertainly around retailers' responses to the introduction of minimum unit price and the impact on the market as a whole. There is little consensus from the industry on whether MUP will affect sale prices which are above the minimum price – and whether premium brands will also raise prices in order to maintain the differential between these and value brands. The Welsh Retail Consortium argues it

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[283] These figures are based on the 2016 Annual Survey of Hours and Earnings: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults

[284] Number of enterprise headquarters in Wales with the Retail Sector for 2016 = 7,120 (2013 = 7,095, 2014 = 7,030). Based on provisional figures for 2016: Retail assistant average hourly rate = £7.99. Retail managers average hourly rate = £10.56. The total number of retailers has been calculated using Standard Industrial Classification (SIC) codes. These are based on the UK enterprises industrial classification. The following three digit SIC codes were used - 471, 472, 473, 474, 475, 476, 477. The list of SIC codes can be found at: https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic

220 2016 Annual Survey of Hours and Earnings: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults

will disproportionately affect own-brand alcohol[286] but this is not possible to predict at this stage and costs are unknown. The University of Sheffield model assumes the only change will be for prices to be raised to the MUP threshold since the effect on costs and revenues for different types of retailers and producers cannot be accurately modelled. It is predicted that the cost of a decline in consumption will be outweighed by the higher revenues resulting from higher prices.

352. Alcohol wholesalers will be indirectly affected as the volume of alcohol purchased at less than the applicable minimum price is expected to decline. The extent of the impact will depend on the quantity of alcohol sold to retailers which is then priced at less than the set minimum price for alcohol. They will not however be subject to any minimum pricing requirement due to their trade-to-trade sales.[287] Wholesalers may choose to increase prices in the knowledge that retail prices of certain goods have increased but that will be for individual companies within the supply chain to determine. Similarly, the impact on producers is difficult to ascertain as the reaction on the supply side and where additional revenue will accrue in the supply chain is not known. Producers may choose, for example, to produce lower-strength products that will retail more cheaply or to focus on premium brands. The alcohol industry has already demonstrated innovation in this area, by removing more than a billion units from the UK alcohol market as part of the responsibility deal.[288]

353. Retailers which do not comply with minimum pricing requirements may incur costs as a result of fixed penalty notices imposed or, possible prosecution and fines. These costs are unknown. However, learning from existing local authority enforcement policy, the Welsh Government anticipates that local authorities, may, wherever possible in appropriate cases, wish to exercise their discretion and work with retailers to resolve issues voluntarily.

[286] Welsh Retail Consortium response to the Welsh Government Consultation on the Public Health White Paper, June 2014.

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

[288] Department of Health (December 2014) Responsibility Deal: Monitoring the number of units of alcohol sold – second interim report, 2013 data.

Local authorities

354. The estimated costs of implementation for local authorities are outlined below.

355. It is anticipated compliance inspections for minimum pricing will become part of the current inspection regime for premises selling alcohol. Moore et al. estimated that the cost of an inspection visit (by an environmental health officer or licensing officer) is approximately £125.[289] There may also be an additional cost for local authorities due to the need for longer or more frequent checks, particularly in the early days of the legislation. Similarly, although there may be some additional administration costs in issuing fixed penalty notices for non-compliance with minimum pricing, this will be off-set to some extent for local authorities which will keep the fixed penalty notices paid. Overall – these compliance costs are unknown.

356. There have been ongoing discussions between the Welsh Government and the Welsh Heads of Trading Standards regarding costs for enforcement and inspection activity. Following consideration of proposals by the Welsh Heads of Trading Standards, the Welsh Government will allocate funding of a total of £300,000 over three years (2019/20, 2020/21 and 2021/22) to the Welsh Heads of Trading Standards for the initial enforcement of the Bill. The funding will end after the third year.

357. This £300,000 of funding will be allocated as follows: £200,000 in Year 1 (anticipated to be 2019/20); £70,000 in Year 2 (2020/21); and £30,000 in Year 3 (2021/22). There are 3,275 off-sales only premises across Wales and providing the majority of the funding in year one (2019/20) would allow local authorities to carry out an inspection visit at all of these premises in the first three months after implementation of minimum pricing for alcohol. It is anticipated that there will be a high level of compliance.

358. Where prosecutions are necessary, local authorities may face administrative and legal costs. The legal costs of bringing the prosecution are generally reclaimable against those being prosecuted if the case is successful, but there will be initial costs. Learning from the enforcement of carrier bag legislation suggests that overall costs for the enforcement of minimum pricing are likely to be low – however, these costs are unknown. Local authorities report that enforcement of the carrier bag legislation has

[289] Moore, S., O'Brien, C., Alam, M., Cohen, D., Hood, K., Huang, C., Moore, L., Murphy, S., Playle, R., Sivarajasingam, V., Spasic, I., Williams, A. and Shepherd, J. (2015) All-Wales Licensed Premises Intervention (AWLPI): a randomised controlled trial of an intervention to reduce alcohol-related violence. Public Health Research. Volume 3 (10).

mostly been effective through informal mechanisms (such as verbal warnings and repeat visits).

Court costs

359. While enforcement action will be taken by local authorities under the Bill, the Welsh Government does not anticipate that breaches of minimum pricing will result in many court cases due to the anticipated high levels of compliance. Further, as noted, local authorities may, wherever possible and in appropriate cases, wish to exercise their discretion and work with retailers to resolve issues voluntarily with enforcement officers working with alcohol retailers to avoid repeat offences. It is anticipated that such work will form part of the normal work of enforcement officers. Guidance will be issued to retailers to assist them in becoming compliant with the new legislation ahead of implementation. In addition, there is provision for a fixed penalty notice to be issued before a prosecution is brought. Therefore, it is not anticipated that there will be a large number of court cases. However, associated costs are unknown ahead of the implementation of the legislation.

Welsh Government

360. There will be a small implementation cost to the Welsh Government in developing guidance on minimum pricing. The development of guidance (based on an estimate of 6,000 words), including engaging stakeholders to ensure the guidance is fit for purpose, is anticipated to take approximately five weeks over a period of three months of a full time equivalent (FTE) higher executive officer (equating to £4,200), and five weeks over a three month period of a FTE team support (equating to £2,700). These costs would be incurred in 2019-20. The total cost for preparing guidance would therefore be £6,900.[290]

361. It is anticipated from previous guidance produced by the Welsh Government that design and translation would take approximately two months to complete. The design would require approximately a week of a FTE executive officer's time over the two-month period, which would equate to £600. It is estimated that translation and proof reading would cost approximately £600.[291] In addition there would be administration and management costs, estimated at one week of a FTE executive officer – approximately £600. The guidance would be shared electronically with

[290] These are costs based on 2016/17 Welsh Government Pay Scales. Source: Updated Pay Band Costs and Revised Standardisation of DRC Forecasting Guidance.

[291] Based on £75 per 1,000 words for translation, £21 per 1,000 words for proof reading.

local authorities, avoiding the need for printing and distribution costs. The total cost for design and translation of the guidance would therefore be £1,800, based on 2016-17 Welsh Government pay scales.

362. The Welsh Government would, if the minimum pricing provisions are not repealed at the end of the 6 year period, update the guidance after the review period as required. It is envisaged that this update could require one week of a FTE higher executive officer's time (equating to £840), and a week of a FTE executive officer (equating to £600 based on 2016-17 Welsh Government pay scales) to review the operation and mechanisms with all local authorities and evidence on their implementation. Design and translation costs would amount to half the original costs, a total of £900. It is proposed the review would then be repeated every four or five years. The total cost for a review of the guidance would therefore be £2,340 every five years.

363. The implementation costs to communicate the change and deliver training will also fall to the Welsh Government. There will be a need for a strong focus on communicating the requirements of the legislation, particularly directly before and during the first few months of implementation. This includes publicising the change to businesses, for example via direct mail, websites, social media and trade publications, at an estimated cost of £80,000, and to the public, for example via a PR campaign, launch event and web and social media, at an estimated cost of £20,000. This will ensure that there is no confusion for retailers about how to handle differing minimum price levels set by the UK Government (through the ban on below-cost sales) and by the Welsh Government (through MUP).

364. The Welsh Government will work closely with Welsh Heads of Trading Standards and local authority colleagues to consider the requirements across Wales for a publicity and/or education campaign to raise awareness amongst stakeholders of the changes within Wales. This will be in addition to the guidance that the Welsh Government would publish. Welsh Government publicity materials will be provided and these will remain available to local authorities following the initial implementation. This follows the model used by the single use carrier bags campaign where materials were provided on the internet and local authorities and stakeholders printed and disseminated these documents as required.

365. Enforcement staff from local authorities will need to be trained on the requirements of minimum pricing. It is anticipated that this will cost the Welsh Government £6,000 for training for 450 to 500 officers for half a

day. This will not be a cost for local authorities, as this will form part of normal staff continual professional development training.

366. During the consultation period on the draft Bill, Directors of Public Protection Wales indicated support for the rationale to introduce minimum pricing. They highlighted concerns about additional burdens for local government associated with the implementation and local authority-led enforcement regime and the need for the Welsh Government to invest in enforcement. Initial discussions have highlighted that funding on a tapered basis would be beneficial as this would help a greater emphasis to be placed on compliance with the legislation in the early years. Following consideration of proposals from the Welsh Heads of Trading Standards, £300,000 will be allocated by Welsh Government to cover additional inspection and enforcement activity in the first three years of implementation.

367. The Bill places a duty on Welsh Ministers, after five years from commencement of section 2 of the Bill, to lay before the National Assembly and subsequently publish a report on the operation and effect of the minimum pricing regime. It is intended that this review will include a specific focus on whether the MUP is set at the right level. Costing an evaluation without detail on scope and methods to be used is problematic. At this stage, based on costs associated with similar evaluations and reviews conducted previously – including the Human Transplantation (Wales) Act 2013 – costs are estimated at £350,000, spread over five years. It is important to note the total cost of any evaluation will depend on the balance of using and analysing routinely-available and bespoke data, undertaking future modelling work, the potential purchase of commercial data and research about the implementation and enforcement of the legislation.

UK Government

368. The UK Government will be affected through a reduction in the level of the duty and VAT associated with any changes in the volume and pattern of the sale of alcohol products where minimum pricing successfully reduces alcohol consumption. There is an anticipated 0.4% overall decrease in revenue (amounting to £1.9m per year), largely resulting from the decrease in off-trade duty receipts resulting from the reduction in alcohol consumption.[292]

[292] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 21, page 43.

Benefits

Individuals and society

369. A 50p MUP is associated with a total societal reduction in health harms, crime and workplace absence estimated at £783m (in 2016 prices) over the 20-year period modelled.[293] This figure includes reduced direct healthcare costs (£91m); savings from reduced crime (£188m); savings from reduced workplace absence (£14m); and a financial valuation of the health benefits (£490m), measured in terms of quality adjusted life years (QALYs, which are valued at £60,000 in line with Home Office guidelines).[294] [295]

370. A particular benefit is the degree to which it is targeted at hazardous and harmful drinkers, with whom the costs of alcohol misuse are most strongly associated. There is a strong impact on the consumption levels of these drinkers because they tend to favour cheaper alcohol, which is most affected by the policy. A 50p MUP would reduce alcohol consumption by 6.8% for harmful drinkers, an absolute reduction of 268.7 units per year, compared to a reduction in alcohol consumption of 1.1%, which equates to 2.4 units per year, for moderate drinkers. Harmful drinkers contribute to 69% of the reduction in alcohol-related deaths and 44% of the reduction in hospital admissions.

371. Furthermore, as shown above, the patterns of drinking differ when examined by income group. Moderate drinkers in the most deprived quintile have a small decline in consumption levels in absolute terms (6.9 units per year) whereas moderate drinkers in the least deprived quintile are not estimated to change their consumption. For harmful drinkers in the most deprived quintile, since they tend to favour cheaper drinks, and drinks that have larger price elasticities, particularly off-trade beer and cider, minimum unit pricing has the largest effect and this effect is mainly

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

[294] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 59.

[295] A value of £60,000 per QALY is used as the QALYs are being valued from a societal perspective. This is higher than the value per QALY used by NICE. The value used by NICE is the maximum that the NHS can justify spending on a QALY due to resource constraints. See Public Health England (2015) A Guide to Social Return on Investment for Alcohol and Drug Treatment Commissioners. http://www.nta.nhs.uk/uploads/a-guide-to-social-return-on-investment-for-alcohol-and-drug-treatment-commissioners.pdf

reduced consumption (1,118.9 units per year) and a reduction in spending of £206.20 per year.[296]

372. Minimum unit pricing is likely to have a beneficial effect even on the heaviest drinkers who have serious problems with alcohol. One study in Scotland found that since problem drinkers (drinking on average 198 units per week) were drinking as cheaply as they could already and lower unit prices were associated with increased consumption within this group, a minimum price is likely to have a "relatively large absolute effect on consumption".[297] As highlighted earlier, NICE guidance notes that an MUP can help problem drinkers – both those who are not in regular contact with the relevant services and those receiving treatment – by creating an environment that supports lower-risk drinking.[298]

373. The model suggests that an MUP of 50p will have a greater effect on the health of those in the most deprived WIMD quintile, with an estimated 12 fewer deaths and 203 fewer hospital admissions per 100,000 drinkers for those in the most deprived quintile compared to zero fewer deaths and two fewer hospital admissions per 100,000 drinkers for those in the least deprived quintile as set out in table six below. Ludbrook et al. also consider that reduced consumption could be more beneficial for those in poverty, since disadvantaged groups tend to have worse health outcomes than others, when alcohol consumption is the same.[299]

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

Health

375. The University of Sheffield model estimates substantial reductions in alcohol-related harms from all modelled policies, with an estimated reduction of 66 deaths and 1,281 fewer hospital admissions per year for a 50p MUP.

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[296] Angus C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Tables 12 and 13.

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

[298] NICE Public Health Guidance 24 (June 2010) Alcohol-use disorders: preventing harmful drinking.

[299] Ludbrook, A., Petrie, D., McKenzie, L., Farrar, S. (2012) Tackling Alcohol Misuse. Applied Health Economics and Health Policy. January 2012. Volume 10 (1). Pages 51-63.

376. Direct costs to healthcare services are estimated to reduce under all modelled policies, with savings of more than £90m over 20 years for an MUP threshold of 50p (table eight).

377. This is consistent with evidence from other countries, which have implemented similar policies. In Canada, a 10% increase in average minimum alcohol prices was associated with a 32% reduction in wholly alcohol-caused deaths.[300]

[300] Stockwell, T. and Thomas, G. (2013) Is alcohol too cheap in the UK? The case for setting a Minimum Unit Price for alcohol. Institute of Alcohol Studies Report.

Table six: Estimated impact of a 50p MUP on mortality and hospitalisation rates by deprivation[301]

	WIMD Q1 (least deprived)	WIMD Q2	WIMD Q3	WIMD Q4	WIMD Q5 (most deprived)
Baseline annual alcohol-attributable deaths per 100,000 drinkers	28	30	35	45	75
Post-intervention alcohol-attributable deaths per 100,000 drinkers	28	29	32	42	62
Absolute change	-0.1	-0.9	-2.7	-3.6	-12.3
Relative change	-0.3%	-3.1%	-7.7%	-8.0%	-16.5%
Baseline annual alcohol-attributable hospital admissions per 100,000 drinkers	1,390	1,542	1,741	2,124	2,823
Post-intervention alcohol-attributable hospital admissions per 100,000 drinkers	1,388	1,522	1,684	2,031	2,619
Absolute change	-1.8	-19.7	-57.4	-93.4	-203.3
Relative change	-0.1%	-1.3%	-3.3%	-4.4%	-7.2%

[301] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Table 16, page 22.

Crime

378. Crime is expected to fall, with an estimated 110 fewer offences per 100,000 drinkers per year under an example 50p MUP policy. The greatest estimated reductions are in hazardous drinkers. Costs of crime are estimated to reduce by £188m (in 2016 prices) over 20 years with a 50p MUP (as set out in table eight).[302]

Workplace absence

379. Workplace absence is estimated to fall under all modelled policies (as set out in table seven), with a reduction of 514 days absent per 100,000 drinkers per year by year 20 for a 50p MUP. This has been valued at £14m over 20 years (as set out in table seven).

[302] Some of these savings will be accrued by the UK Government given that policing is a devolved matter. However, data are only available on the total amount of savings – as opposed to being able to apportion these savings to the UK Government / Welsh Government.

Table seven: Estimated impact of MUP policies on alcohol-attributable workplace absence by drinker group[303]

		All drinkers	Moderate	Hazardous	Harmful
Baseline annual alcohol-attributable days' absence		507,795	212,963	227,856	66,975
Baseline annual alcohol-attributable days' absence per 100,000 drinkers		26,585	15,440	50,709	82,287
Absolute change in absence days per year	**35p MUP**	-1,838	-457	-1,110	-272
	40p MUP	-3,737	-911	-2,330	-497
	45p MUP	-6,270	-1,519	-3,997	-754
	50p MUP	-9,808	-2,621	-6,138	-1,049
	55p MUP	-14,476	-4,359	-8,787	-1,331
	60p MUP	-20,489	-6,766	-12,076	-1,647
	65p MUP	-27,468	-9,738	-15,762	-1,968
	70p MUP	-35,086	-13,169	-19,603	-2,315
Absolute change in absence days per 100,000 drinkers per year	**35p MUP**	-96	-33	-247	-334
	40p MUP	-196	-66	-518	-610
	45p MUP	-328	-110	-890	-926
	50p MUP	-514	-190	-1,366	-1,289
	55p MUP	-758	-316	-1,955	-1,635
	60p MUP	-1,073	-491	-2,687	-2,024
	65p MUP	-1,438	-706	-3,508	-2,418
	70p MUP	-1,837	-955	-4,363	-2,844
Relative change	**35p MUP**	-0.4%	-0.2%	-0.5%	-0.4%
	40p MUP	-0.7%	-0.4%	-1.0%	-0.7%
	45p MUP	-1.2%	-0.7%	-1.8%	-1.1%
	50p MUP	-1.9%	-1.2%	-2.7%	-1.6%
	55p MUP	-2.9%	-2.0%	-3.9%	-2.0%
	60p MUP	-4.0%	-3.2%	-5.3%	-2.5%
	65p MUP	-5.4%	-4.6%	-6.9%	-2.9%
	70p MUP	-6.9%	-6.2%	-8.6%	-3.5%

[303] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 31, page 57.

Table eight: Estimated impact of MUP policies on societal costs over 20 years following policy implementation [304]

		Direct healthcare costs	Valuation of QALYs gained	Costs of crime	Costs of workplace absence	Total[305]
Baseline annual alcohol-attributable costs over 20 years, discounted		£1,992	£6,500	£7,487	£668	£16,647
Cumulative absolute change over 20 years (£m), discounted	**35p MUP**	-£20	-£115	-£34	-£3	-£171
	40p MUP	-£38	-£213	-£70	-£5	-£326
	45p MUP	-£62	-£336	-£119	-£9	-£526
	50p MUP	-£91	-£490	-£188	-£14	-£783
	55p MUP	-£127	-£656	-£276	-£21	-£1,079
	60p MUP	-£171	-£858	-£382	-£29	-£1,441
	65p MUP	-£222	-£1,085	-£502	-£39	-£1,849
	70p MUP	-£275	-£1,317	-£632	-£50	-£2,274
Relative change	**35p MUP**	-1.0%	-1.8%	-0.5%	-0.4%	-1.0%
	40p MUP	-1.9%	-3.3%	-0.9%	-0.8%	-2.0%
	45p MUP	-3.1%	-5.2%	-1.6%	-1.4%	-3.2%
	50p MUP	-4.6%	-7.5%	-2.5%	-2.1%	-4.7%
	55p MUP	-6.4%	-10.1%	-3.7%	-3.1%	-6.5%
	60p MUP	-8.6%	-13.2%	-5.1%	-4.4%	-8.7%
	65p MUP	-11.2%	-16.7%	-6.7%	-5.9%	-11.1%
	70p MUP	-13.8%	-20.3%	-8.4%	-7.5%	-13.7%

Retailers

380. A 50p MUP is estimated to lead to an overall increase in revenue for retailers of £17.8m per year (2.6%) with increase in revenue for off-trade retailers of £16.8m (9.9%) and for on-trade retailers of £1m (0.2%).[306] It should be noted, however, that considerable uncertainty exists regarding retailers' responses to the introduction of an MUP. Retailers and producers may make a range of additional changes to both prices and products which may impact on resulting revenue changes to the Exchequer and retailers and other modelled outcomes.

[304] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 32, page 59.

[305] Note that a) this figure includes both direct costs and indirect costs accrued across different parts of society (the NHS, the broader economy, society as a whole) and b) this figure should not be interpreted as representing the full burden (or the full policy impact) of alcohol on society as there are numerous impacts which are not included in the modelling (such as harm to others, public nuisance etc.).

[306] Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 43.

Summary of costs and benefits

381. The central scenario for modelling costs and benefits is based on an MUP of 50p per unit of alcohol. This assumption affects the benefits only as the costs are independent of the MUP chosen and relate predominantly to transition and administration costs. The benefits, however, vary according to the level at which the MUP is set. Table nine sets out the costs for introducing an MUP in Wales.

Table nine: Summary of costs for option three

	Year one costs £	Year two costs £	Year three costs £	Year four costs £	Year five costs £
Welsh Government costs					
Guidance costs	8,700	0	0	0	2,340
Communications	100,000	0	0	0	0
Training for LA staff	6,000	0	0	0	0
Evaluation and review	70,000	70,000	70,000	70,000	70,000
Inspection and enforcement costs	**200,000**	**70,000**	**30,000**		
Total Cost to Welsh Government	**384,700**	**140,000**	**100,000**	**70,000**	**72,340**
UK Government – lower alcohol duty revenue	**1,900,000**	**1,900,000**	**1,900,000**	**1,900,000**	**1,900,000**
Local authorities					
Staff costs for inspections and enforcement	*Anticipated to be low, enforcing MUP is expected to be undertaken within the existing inspection regime.*				
Total cost to local authorities	Not known.				
Retailers					
Staff costs for familiarisation with the new legislation	300,700 (four hours per license holder)	75,000 (one hour per license holder)	75,000	75,000	75,000
Staff costs to change prices	455,700	0	0	0	0
Total cost to retailers*	**756,400**	**75,000**	**75,000**	**75,000**	**75,000**
Consumers**	£17.8m each year	£17.8m each year	£17.8m each year	£17.8m each year	£17.8m each year

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

*** It should be noted that the £17.8m a year cost to consumers is a £17.8m a year gain to retailers and is therefore treated as a transfer payment – see paragraph 380 on page 132.*

382. For comparison purposes, the costs should be discounted over a 20-year period to be consistent with the benefits. This translates into total Welsh Government costs of £0.7m and total retailer costs of £1.8m.[307]

383. One of the largest cost impacts of the policy would be the reduced revenue from alcohol duty as a result of lower consumption. This equates to £27m over the 20-year period. However, in terms of the calculation of net costs and benefits, taxation is normally treated as a transfer, which means there is no overall change.

384. In addition to the above, the policy would involve a substantial transfer from consumers to retailers. This is estimated to be of the order of £18m per annum. This £18m is the gain to retailers caused by consumers paying more than they would have done without MUP. In terms of the calculation of net costs and benefits this transfer payment has no effect because it is a cost to consumers but a benefit to retailers. This does not affect the overall cost/benefit directly but there may be distributional consequences.

Benefits

385. The introduction of an MUP at 50p is estimated to lead to a reduction in health costs of £581m; a reduction in crime costs of £188m; and a reduction in workplace absence costs of £14m over a 20-year period.

386. This results in a net benefit over 20 years of £780.5m compared to option one (do nothing).

[307] The total discounted retailer costs assume that the familiarisation costs of £75,000 occur every year over the twenty year period.

Summary and preferred option

Table ten below summarises the costs and benefits for each of the three options.

Table ten: Summary of costs for all options[308]

		Option one	Option two	Option three
Costs	WG	0	0	£0.7m
	Retailers	0	0	£1.8m
Benefits	Health	0	0	£581m
	Crime	0	0	£188m
	Workplace absence	0	0	£14m
Net Benefit / (Cost)		Baseline, no additional impacts. Assumed to be built into other options	Overall change likely to be zero as any gain here will be offset by losses in other programmes	£780.5m
Other	+/- retailers revenue	0	0	£17.8m **increase** per year (impact of MUP paid to retailers)
	UK reduction in alcohol duty revenue from fewer alcohol sales	0	0	-£27m based on a reduction of £1.9m per year
Policy Objective Achieved		N	N	Y

387. Option one does not meet the policy objective. It does not tackle the problem of very high alcohol consumption by some people in Wales. Doing

[308] The figures for option three are discounted over a 20 year period at 3.5%. This is to make the calculations consistent with the modelling work undertaken by the University of Sheffield, which assessed a 20 year period. The 3.5% is standard discounting where costs/benefits occur over multiple time periods. A rate of 3.5% is used for government projects. We use a 20 year period here as this was the timeframe incorporated into the Sheffield modelling.

nothing would allow retailers to continue to sell heavily-discounted alcohol, meaning ongoing costs resulting from avoidable alcohol-related health harms and wider societal harms identified by the University of Sheffield, such as crime and workplace absences. Continuing the actions in the substance misuse strategy and other non-legislative actions outlined in Part 1 to prevent harm will have some impact, but without a whole population measure, we will not achieve the pace of change we are seeking.

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

389. Option three is the preferred option. There is strong and consistent evidence linking the price of alcohol to consumption of alcohol and that increasing the price reduces consumption and therefore alcohol-related harm. The evidence supports the assertion that an MUP for alcohol will lead to improved health, reduced welfare inequality, less crime, greater workplace productivity and will therefore contribute to the Welsh economy

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

391. The increased costs to individuals (in light of increases in the cost of alcohol) are outweighed by the benefits in the reduction of societal harms. Similarly, implementation and administrative costs for the industry as a whole will be outweighed by the benefit from increased revenues.

392. Option three, which will operate in tandem with the existing range of measures undertaken as part of the Welsh Government's Substance Misuse Strategy as described in Part 1 of the explanatory memorandum, will help to ensure that trends in alcohol consumption and harm reduction are maintained and strengthened, protecting individuals, families, communities and the Welsh economy.

8. Competition Assessment

393. There are two stages to the Competition Assessment. The first is a filter test which assesses whether there is a risk of a significant detrimental effect on competition. The second stage provides a full assessment. Table eleven below summarises the competition filter results:

Table eleven: Competition Filter Test[309]

Question	Answer yes or no
Q1: In the market(s) affected by the new regulation, does any firm have more than 10% market share?	Yes
Q2: In the market(s) affected by the new regulation, does any firm have more than 20% market share?	Yes
Q3: In the market(s) affected by the new regulation, do the largest three firms together have at least 50% market share?	Yes
Q4: Would the costs of the regulation affect some firms substantially more than others?	Potentially
Q5: Is the regulation likely to affect the market structure, changing the number or size of firms?	Potentially
Q6: Would the regulation lead to higher set-up costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q7: Would the regulation lead to higher ongoing costs for new or potential suppliers that existing suppliers do not have to meet?	No
Q8: Is the sector categorised by rapid technological change?	No
Q9: Would the regulation restrict the ability of suppliers to choose the price, quality, range or location of their products?	Yes

[309] This table has been completed based on an analysis of business enterprises with the following Standard Industrial Classification (SIC) code: 1101 (Distilling, rectifying and blending of spirits); 1105 (Manufacture of beer); 1103 (Manufacture of cider and other fruit wines); and 1106 (manufacture of malt).

394. In view of the answers above, the second stage of the competition assessment has also been completed.

Second Stage Competition Assessment

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

Definition of competition[310]

396. Competition is a process of rivalry between firms, and where it is effective, encourages firms to deliver benefits to customers in terms of lower prices, higher quality and more choice.

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

Objective of the policy

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

Definition of markets

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

Directly affected markets/sectors:

[310] Competition and Markets Authority (September 2015) Competition impact assessments: Guidelines for policymakers. https://www.gov.uk/government/publications/competition-impact-assessment-guidelines-for-policymakers

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

Indirectly affected sectors:

- Drinks manufacturers
- Distributors/wholesalers

The status quo

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

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

Overview of the Welsh drinks industry

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

403. The alcohol manufacturing sector in Wales had a turnover of £644m in 2016, an 11% rise on the previous year.[311] It is a flourishing sector, with several large breweries and a rapidly growing number of smaller producers, as well as around 10 distilleries, 60 cider producers and 17 vineyards.[312] There are now about 70 businesses, a growth of 146%

[311] ONS, Inter-Departmental Business Register (excludes enterprises operating below the VAT threshold).

[312] As at March 2018. According to Drinks Wales: www.drinkswales.org

since 2007, employing around 690 people.[313] Some alcoholic drinks produced in the Welsh manufacturing sector would not be directly affected by the applicable minimum price, as they are premium products sold at more, for example, than 50p per unit in the off-trade. Those produced by major producers may be affected.

404. In England and Wales, the total amount of pure alcohol sold per adult increased from 9L in 1994 to a peak of 10.5L in 2005, decreasing slightly each year thereafter to 9.1L in 2015, which equates to 17.4 units per adult per week. The distribution of sales across the on and off-trade has also changed. In 1994, 3.8L of pure alcohol were sold through the off-trade, compared with on-trade sales of 5.2L. By 2015, off-trade sales increased to 6.3L per adult, while on-trade sales decreased to 2.8L per adult. The off-trade market accounted for 69% of the total volume of alcohol sold in England and Wales in 2015, compared with 42% in 1994.[314]

405. In 2012, beer accounted for 38% of the total market share, wine for 30%, spirits for 20% and cider for 8%. This is a shift towards a greater share of the market for spirits and, especially, wine. Beer sales have decreased between 1994 and 2015, from 5.3L to 3.4L per adult.

Prices

406. The majority of alcohol sold in the on-trade retails at above 50p per unit, whereas a majority (by volume) of all alcohol except wine is purchased at less than 50p per unit in the off-trade (62% of off-trade beer purchased at less than 50p per unit, 73% of cider, 32% of wine and 60% of spirits).[315] The difference in price distributions across the on and off-trades can be seen in Figures seven and eight. As set out in Table 12, for spirits, and particularly wine, sales below 50p per unit are clustered not far below this threshold (with only 8% of wine below 40p per unit). As a result, only a small price rise will result in a significantly higher proportion selling at 50p per unit or above.

407. Furthermore, the average price paid differs for consumers, with moderate drinkers paying 60p per unit for off-trade alcohol, and £2.36 per unit for on-trade alcohol, compared with 56p per unit and £1.82 per unit for

[313] ONS, Inter-Departmental Business Register.

[314] MESAS alcohol sales and price update May 2016 http://www.healthscotland.scot/publications/mesas-alcohol-sales-and-price-update-may-2016

[315] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Page 11.

hazardous drinkers, and 48p per unit and £1.55 per unit for harmful drinkers.[316]

Figure seven: Off-trade price distributions Wales[317]

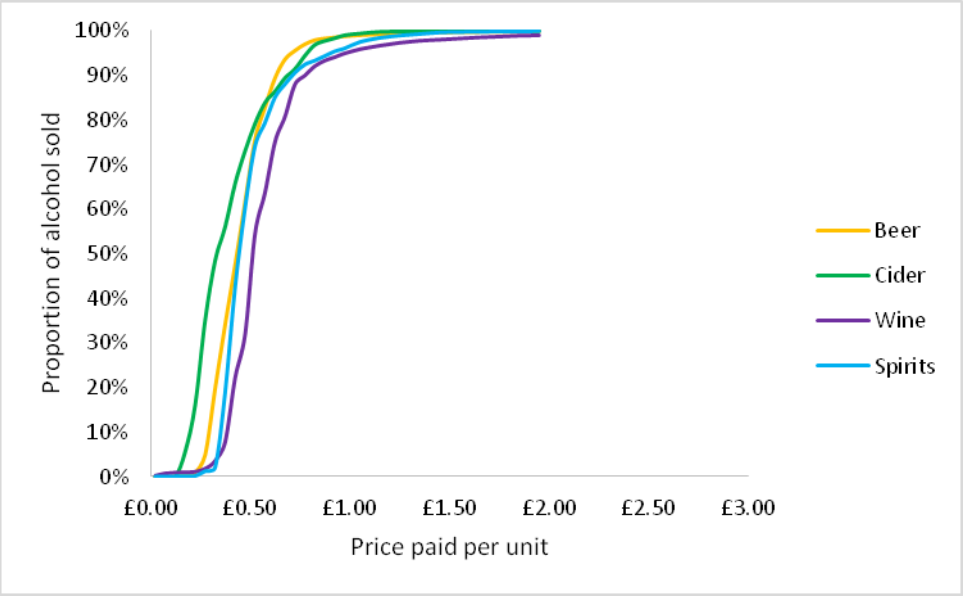
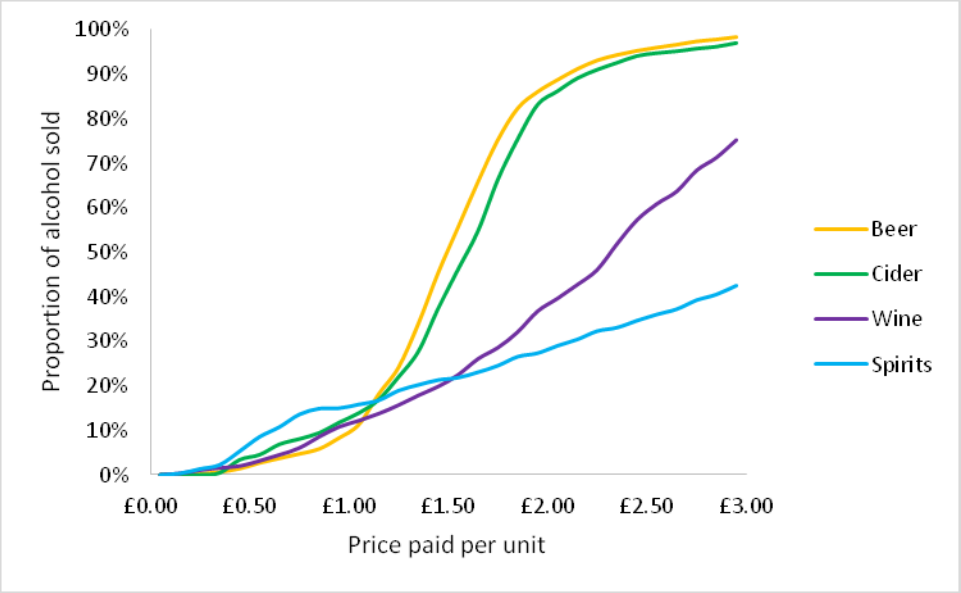


Figure eight: On-trade price distributions Wales[318]



[316] Angus, C. et al. (2018) Sheffield: ScHARR, University of Sheffield. Page 28.

[317] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Figure 1, page 5.

[318] Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Figure 1, page 5.

Table twelve: Proportion of alcohol sold in Wales below a range of price thresholds by drink type and channel[319]

		Price threshold							
		35p	**40p**	**45p**	**50p**	**55p**	**60p**	**65p**	**70p**
Off-trade	Beer	20%	34%	47%	62%	76%	83%	89%	94%
	Cider	48%	56%	66%	73%	79%	84%	86%	89%
	Wine	4%	8%	22%	32%	55%	64%	75%	81%
	Spirits	2%	19%	43%	60%	74%	79%	85%	88%
	RTDs	0%	0%	1%	1%	2%	2%	8%	13%
On-trade	Beer	0%	1%	1%	1%	2%	3%	3%	4%
	Cider	0%	0%	2%	3%	4%	5%	6%	7%
	Wine	1%	2%	2%	2%	3%	3%	4%	5%
	Spirits	2%	2%	4%	5%	8%	9%	9%	11%
	RTDs	0%	0%	0%	0%	0%	1%	1%	1%
All off-trade		9%	19%	35%	47%	65%	72%	81%	85%
All on-trade		1%	1%	1%	2%	3%	3%	4%	5%
All alcohol		7%	15%	27%	37%	50%	56%	63%	66%

Geographical impact

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

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

[319] Angus, C. et al. (2018) Sheffield: ScHARR, University of Sheffield. Table 8, page 21.

limited number of licensed retailers in Wales, indicating that the incentive is likely to be convenience in rural areas.

410. Furthermore, minimum pricing is targeted at the proportion of drinkers who consume hazardous or harmful quantities of alcohol, and price differentials will be mainly concentrated on high-strength, low-price products. Harmful drinkers, who tend to consume these cheaper and stronger products, may be more likely to purchase alcohol for immediate consumption, and data has demonstrated that only a small number live in border areas. Figure nine also demonstrates that cross-border shopping appears to occur more in rural areas in the central border region, rather than the urban areas in the north and south border regions, where drinking patterns are heavier.

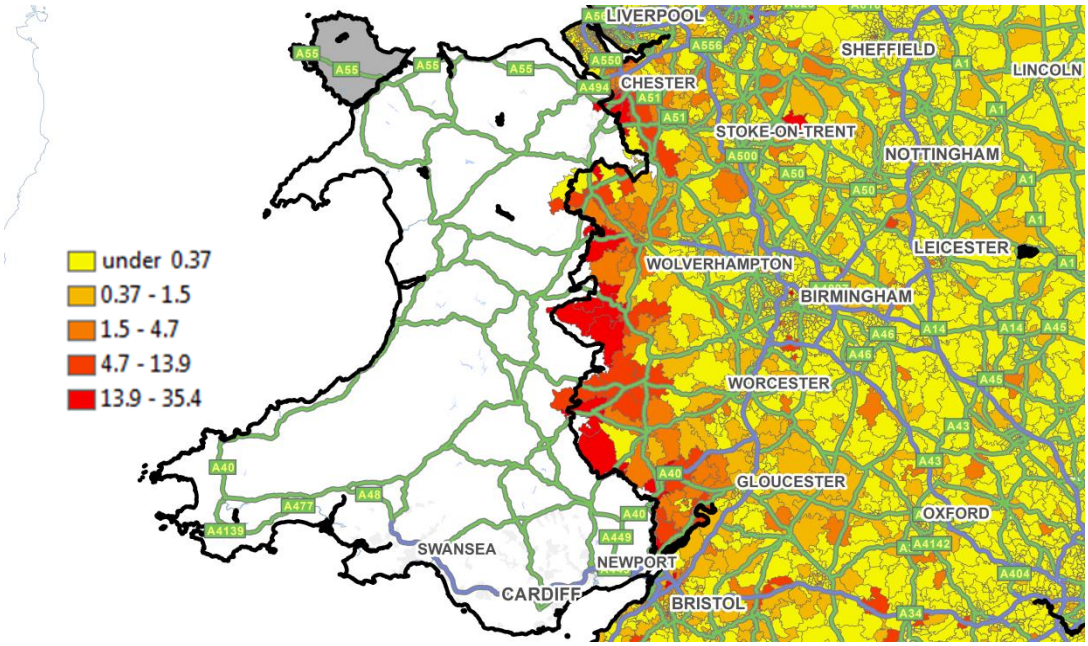


Figure nine: Grocery Spend from Wales (Postal Sectors)[320]

[320] Experian (Jan 2015), Measuring Cross Border Grocery Spend Between Wales and England Using Anonymized Card Data.

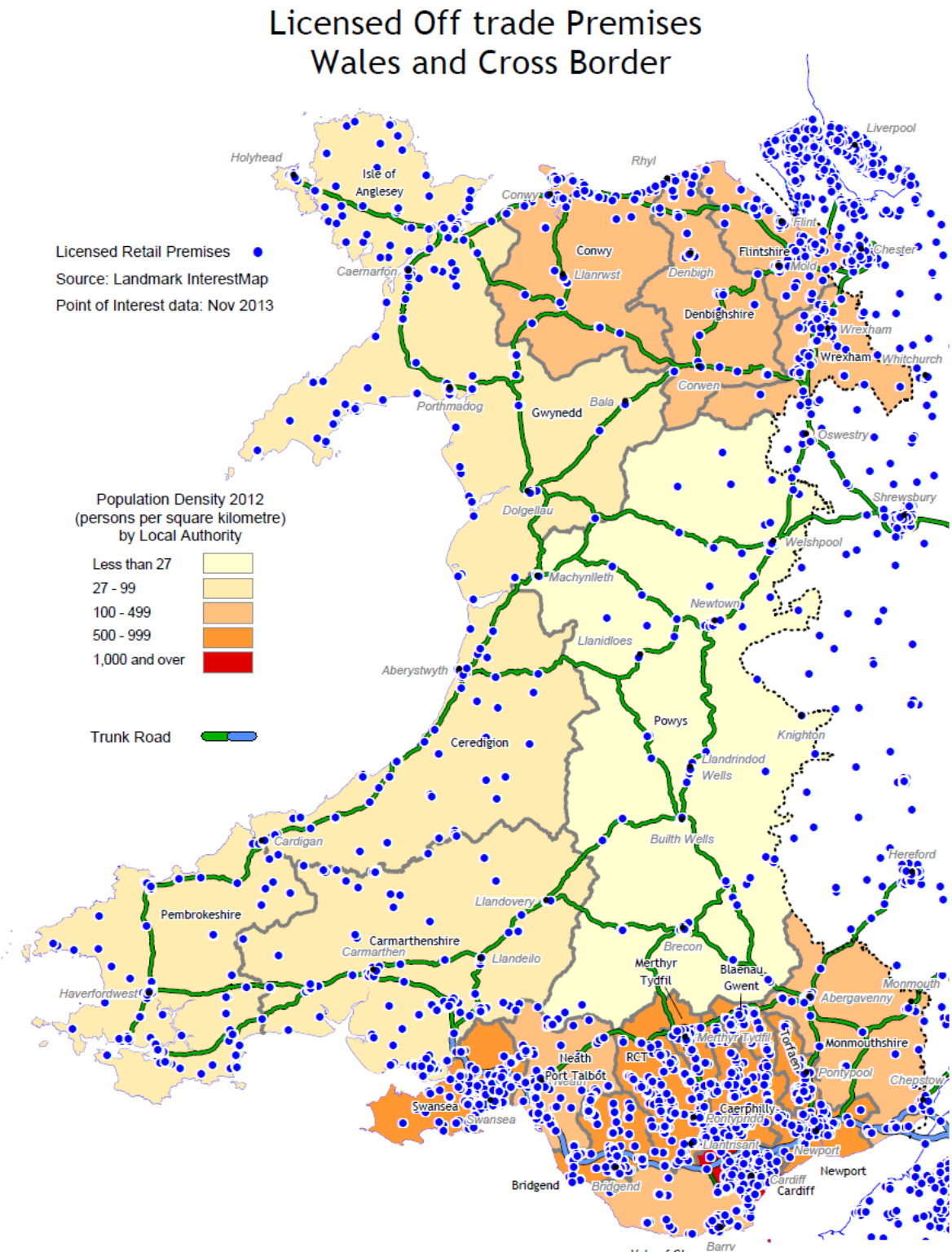


Figure ten – Licensed off-trade premises and population densities, Wales and border regions

411. For grocery spend as a whole, there is a net gain per annum of £13million for Wales (with £44.4million flowing from Wales to England, and £57.4million from England to Wales). However, the map at Figure 11 demonstrates that this spend is spread across the whole of Wales, perhaps resulting from students, visitors or tourism and therefore shops close to the border are unlikely to be significantly affected by a decline in people currently crossing the border to purchase alcohol in Wales.

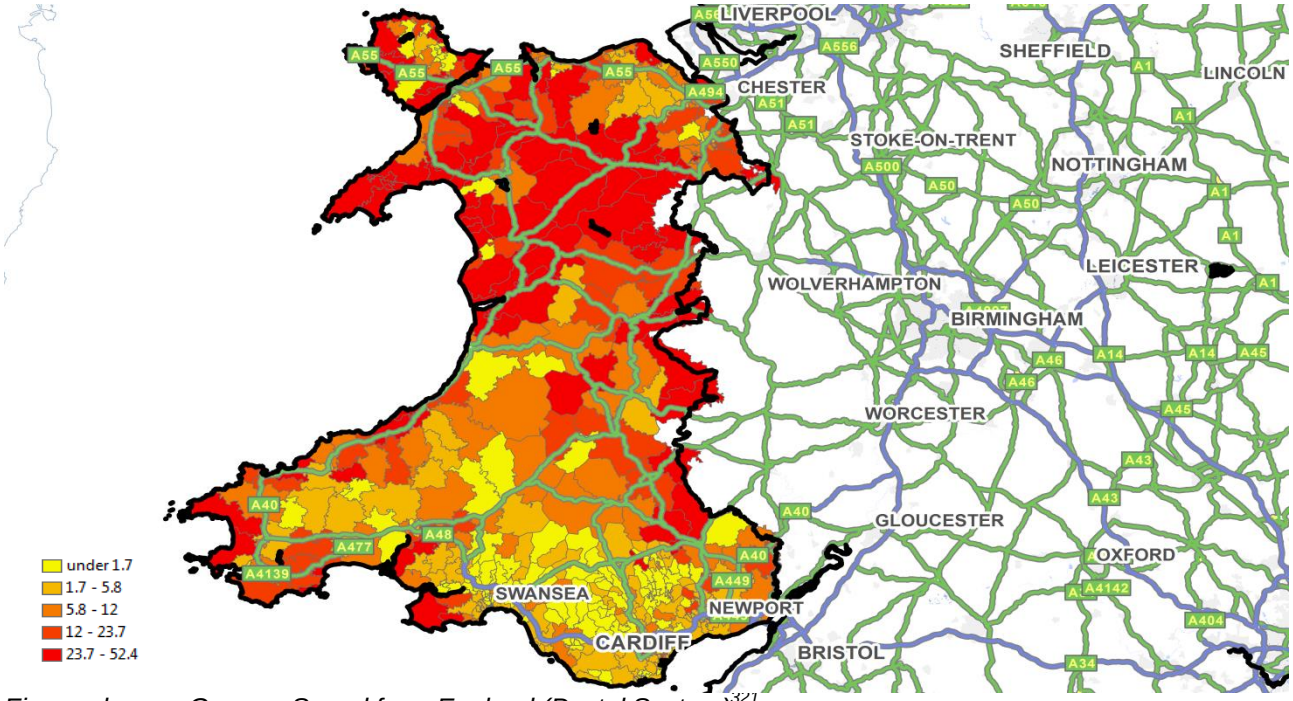


Figure eleven: Grocery Spend from England (Postal Sectors)[321]

412. Research in Scandinavia has found that large tax differentials near borders induce tax avoidance behaviour, with reduced revenue for Norwegian retailers of alcohol and tobacco near the border with Sweden (where taxes are lower), despite consumers in those areas reporting high consumption.[322] There is therefore a potential impact on some businesses, largely on low-price product lines in the border area, particularly in densely populated areas in North Wales. This will be monitored as part of the review process for the Bill.

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

[321] Experian (January 2015) Measuring Cross Border Grocery Spend Between Wales and England Using Anonymized Card Data.

[322] Beatty, T., Larsen, E., and Sommervoll D. (2009) Driven to Drink. Sin taxes near a border. Journal of Health Economics. Volume 28. Pages 1175–1184.

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

Impact on retailers, suppliers and wholesalers

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

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

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

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

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

417. However, minimum pricing may provide an incentive to innovate, particularly in relation to manufacturers producing alcohol products which are lower in strength. These could be sold at a relatively lower price, as they would contain fewer units of alcohol per litre.

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

418. MUP will restrict the ability of off-trade retailers to compete on price. Since the limitation will act as a price floor, retailers will not be able to out-compete by undercutting one another on price across some or all of their product range or through loss-leading. This could have a weakening effect on competition between retailers.

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

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

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

422. Table thirteen below illustrates the potential impact on the price of a selection of specific products, using an MUP of 50p as an example. These price examples are taken as a snapshot from a large retailer. The retailer chosen for illustrative purposes has the largest market share for groceries and the selection represents products at low and medium price range in different drinks categories (sample taken in June 2017). The table indicates the minimum retail price and those products for which there would be no change. (Please note that some of these prices may have been a special offer indicating a price reduction on that date.)

Table thirteen: Retail prices of a sample of products from online supermarket website (June 2017) and the impact of a 50p minimum price per unit

Product	ABV (%)	Units	Price (June 2017)	Per unit of alcohol	Minimum price at 50p/unit	Increase
Cider						
Crofters Apple Cider, 2L	5.0	10.0	£2.05	£0.21	£5.00	£2.95
Westons Old Rosie Cloudy Scrumpy 2L	7.3	14.6	£5.00	£0.34	£7.30	£2.30
Westons Wyld Wood Organic Cider, 3L	6.0	18.0	£7.35	£0.41	£9.00	£1.65
Strongbow Cider, 4x440ml	5.0	8.8	£4.00	£0.45	£4.40	£0.40
Carling Cider, 4x440ml	4.5	8	£3.50	£0.44	£4.00	£0.50
Magners, 8x500ml	4.5	18.4	£9.00	£0.49	£9.20	£0.20
Koppaberg Pear, 15x330ml	4.5	22.5	£13.00	£0.57	£11.25	Not affected
Beer and lager						
Becks 20x275ml	4.8	26	£12.50	£0.48	£13.00	£0.50
Mcewans Export Ale, 4x500ml	4.5	9.2	£4.00	£0.43	£4.60	£0.60
Fosters Lager 20x440ml	4.0	36	£16.00	£0.44	£18.00	£2.00
Carling, 18x440ml	4.0	32.4	£13.00	£0.40	£16.20	£3.20
Carlsberg Lager, 4x440ml	3.8	6.8	£3.60	£0.53	£3.40	Not affected
Stella Artois, 4x440ml	4.8	8.4	£4.60	£0.55	£4.20	Not affected
Grolsh 6x330ml	5.0	9.9	£5.40	£0.55	£4.95	Not affected
Carlsberg Special Brew, 4x440ml	8.0	14	£7.60	£0.54	£7.00	Not affected
Spirits						
Windsor Castle London Dry Gin 70cl	37.5	26.3	£10.00	£0.38	£13.15	£3.15
Own brand Dry London Gin, 70cl	37.5	26.3	£11.00	£0.42	£13.15	£2.15
Gordon's Special London Gin, 70cl	37.5	26.3	£14.50	£0.55	£13.15	Not affected
Own brand Imperial Vodka, 70cl	37.5	26.3	£11.00	£0.42	£13.15	£2.15
Nikita Imperial Vodka, 70cl	37.5	26.3	£10.00	£0.38	£13.15	£3.15
Smirnoff Red Vodka, 70cl	37.5	26.3	£14.50	£0.55	£13.15	Not affected
Scots Club Blended Scotch Whisky, 70cl	40.0	28.0	£11.00	£0.39	£14.00	£3.00
Famous Grouse Whisky, 70cl	40.0	28.0	£15.00	£0.54	£14.00	Not affected
Jim Beam White Bourbon, 70cl	40.0	28.0	£17.50	£0.63	£14.00	Not affected
Wine						
Own brand Spanish Red, 75cl	11.0	8.3	£3.50	£0.42	£4.15	£0.65
Own brand Chilean Merlot, 75cll	12.0	9.0	£4.25	£0.47	£4.50	£0.25
Own brand Pinot Grigio, 75cll	12.0	9.0	£4.36	£0.48	£4.50	£0.14
Hardys Stamp Cabernet Sauvignon Merlot, 75cll	13.5	10.1	£5.00	£0.50	£5.05	£0.05
Echo Falls Chardonnay, 75cll	12.0	9.0	£5.75	£0.64	£4.50	Not affected
Blossom Hill Californian Red, 750ml	12.0	9.0	£5.25	£0.58	£4.50	Not affected
Own brand Chilean Merlot - Boxed, 3L	12.0	36.0	£15.90	£0.44	£18.00	£2.10

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

424. There could also be a risk of market distortion as a result of obligatory price increases in some of the low-price, high-strength products. Such an increase would reduce the price gap between lower-quality products and higher-quality or branded products. This could potentially lead to a commoditisation of the market, with consumers expected to switch to alternative, higher-quality, but now similarly priced products. Alternatively, there may be a proportionate increase in prices of higher-quality products to maintain the product differentiation, resulting in a higher level of prices throughout the alcohol product segment presented to the consumer. Evidence from British Columbia shows that when the minimum price for alcoholic drinks was raised, prices rose across all of the price distribution, including those well above the minimum price. The scale of price increases reduced the higher the original price of the product.[323] The University of Sheffield report acknowledges the potential for this kind of effect,[324] but as it is not possible to predict the degree to which this will happen, this is not included in modelled outcomes.

425. Nevertheless, the University of Sheffield model predicts that all MUP scenarios modelled will result in increased revenue for the alcohol industry overall, both off-trade and on-trade (excluding duty and VAT). Higher minimum prices lead to greater retail receipts, with increases in off-trade revenue of around £17m for a 50p MUP and £1m increase in revenue for the on-trade.[325]

426. The likely distribution of these increased revenues for the industry across the supply chain is not known. If the majority of revenues are retained by retailers, those margins could be used to become more

[323] Professor T. Stockwell (2012) Alcohol pricing for public health: alcohol general principles, the devil and the detail. Presentation to the Scottish health Action on Alcohol Problems. Edinburgh, 28 September 2012.

[324] Meng, Y. et al. (2014); Sheffield: ScHARR, University of Sheffield. Page 81.

[325] Angus, C. et al. (2018);. Sheffield: ScHARR, University of Sheffield. Table 21 page 43.

competitive in other areas, for example using staples such as bread and milk as loss-leaders, in a reversal of previous approaches. This could put smaller retailers, who may not have the same flexibility of margins, at a competitive disadvantage. Alternatively, if producers raise their prices accordingly following the imposition of an MUP, this would negate any profit margin increase for retailers.

427. There is evidence to suggest that restrictions such as these may have some negative effects on competition. For example, Ireland's Groceries Act (1987) restricted retailers' pricing by outlawing below-cost selling in Ireland (until 2005). This influenced the behaviour of retailers, and was a significant variable in the explanation of retail gross margins.[326] The banning of below-cost selling was positively related to retail gross margins, suggesting the law resulted in a reduction in price competition between retailers. A study by the Irish Competition Authority in 2005 estimated that removing the restriction on below-cost selling for groceries could save households nearly €500 a year.[327] An Organisation for Economic Co-operation and Development (OECD) roundtable in 2005 on resale below cost further noted that restrictions on selling below cost are associated with slower economic growth and higher unemployment.[328]

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

d) Will the proposal limit the choices or information available to consumers?

429. It is not yet known whether the introduction of an MUP for alcohol will limit the choices available to consumers. The introduction of an MUP will impact on those products being sold below a specified price. Cheaper products (including some own brands) are likely to be affected most.

[326] Collins, A., Burt, S. and Oustapassidis, K. (2001) "Below-cost Legislation and Retail Conduct: Evidence from the Republic of Ireland", British Food Journal. Volume 103. Issue 9. Pages 607-622.

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

[328] Organisation for Economic Co-operation and Development (2006) OECD Policy Roundtables: Resale Below Cost, 2005.

However, it is not possible to say at this point whether this will limit the choices available to consumers in the short or longer term – for example, if retailers decide to no longer stock and sell certain brands and products.

Specialists

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

Production methods and innovation

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

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

433. There should also be minimal impact on innovation or the introduction of new products. New, high-strength products would have to comply with the MUP but would not be prevented from being introduced. There may even be an incentive to innovate, as described above, to introduce lower-strength alcohol products.

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

International competition

435. As set out earlier in this Explanatory Memorandum, the Scottish Government is implementing minimum pricing legislation, and the Welsh Government is monitoring developments surrounding this legislation closely.

436. The impact of the Scottish minimum pricing legislation on international trade has been considered by the courts. During its consideration of the matter, the Court of Justice of the European Union ("the CJEU") stated that as the Scottish minimum pricing legislation could prevent the lower cost price of imported products being reflected in the selling price to the consumer, it was capable of hindering the access to the UK market for alcoholic drinks that are marketed in Member States other than the UK. This therefore constituted a measure having an effect equivalent to a quantitative restriction within the meaning of Article 34 of the Treaty on the Functioning of the European Union ("the TFEU").

437. However, it went on to confirm that such a measure could nevertheless be justified, for example, on grounds of the protection of the health and life of humans, under Article 36 TFEU. It confirmed that it was for Member States to decide on the level of health protection it wishes to have, taking into consideration the requirement for the free movement of goods in the European Union. The CJEU stated that the final assessment of whether or not the individual measure in question was justified under Article 36 TFEU was a matter for the national court.

438. Consequently and most recently, the Supreme Court found that the Scottish legislation was compatible with EU trade law. Specifically, the TFEU and Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products.

439. So, whilst the Welsh Government recognises that minimum pricing could, in some cases, prevent the lower cost of imported products being reflected in the selling price to the consumer, and that this could potentially hinder the access to the Welsh part of the UK market of alcoholic drinks that are lawfully marketed in Member States other than the UK, it considers that the impact on cross-border trade and competition is for reasons set out at length elsewhere in this Explanatory Memorandum, justified on the grounds of protecting life and public health.

440. Indeed, MUP is also under active consideration in the Republic of Ireland. In England, it remains a policy under consideration. Given the very small export market of Welsh-owned producers, and their premium focus (most products exported sell for more than 50p per unit) it is unlikely to have a detrimental effect on this market, which is already subject to a number of duties and restrictions in other countries.

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

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

442. It will be important to ensure that the introduction of an MUP does not inadvertently allow or encourage competitors to share information on their commercial matters (for example future price or demand projections) during the process of setting their price according to the regulations. If this were the case, it could also lead to reduced incentives to compete.

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

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

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

- PED represents the percentage change in the demand for a type of alcohol due to a 1% change in the price of that same type of alcohol. It is a measure of how consumers react to a change in price.

- The demand for a good is *inelastic* when changes in price have a relatively small effect on the quantity of the good demanded – meaning the PED is less than one. The demand for a good is *elastic* when changes in price have a relatively larger effect on the quantity of good demanded – meaning that the PED is more than one.

446. A possible increase in the price of alcoholic products following the introduction of MUP could therefore have different effects on consumption depending on these elasticities. The effect for suppliers on purchasing and revenue and their ability to compete on price above the MUP level, will therefore vary depending on the type of alcohol.

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

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

demand for on-trade wine with regard to off-trade beer price is 0.25, indicating that the demand for on-trade wine increases by 2.5% when the price for off-trade beer is increased by 10%.[329] Other products are complements (negative sign), meaning that price increases for these products may see a reduction in demand for the other product also.

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

Table fourteen: Estimated own and cross-price elasticities for off and on-trade beverages in the UK[330]

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

Remarks *: p-value <0.05

NB: Equivalent tables of elasticities for moderate and non-moderate drinkers can be found in Meng et al. (2014), Appendix 7[331]

450. As alcohol is both mind-altering and addictive it might be reasonable to suggest alcohol has relatively few substitutes.[332] The Welsh Government's Advisory Panel on Substance Misuse (APoSM) note that "some consumers may substitute other psycho-active products for alcohol". APosM also state, however, that "evidence of the extent of such behaviour is scarce, although it suggests only a very small proportion of problematic

[329] Meng, Y. et al. (2014); Sheffield: ScHARR, University of Sheffield. Page 24.

[330] Meng, Y., Brennan, A., Purshouse, R., Hill-McManus, D., Angus, C., Holmes, J. and Meier, P. (2014) Estimation of own and cross price elasticities of alcohol demand in the UK – a pseudo-panel approach using the Living Costs and Food Survey 2001-2009. Journal of Health Economics. Volume 34, page 101.

[331] Meng, Y., Brennan, A., Purshouse, R., Hill-McManus, D., Angus, C., Holmes, J. and Meier, P. (2014) Estimation of own and cross price elasticities of alcohol demand in the UK – a pseudo-panel approach using the Living Costs and Food Survey 2001-2009. Journal of Health Economics. Volume 34, pages 96–103.

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

drinkers, who already have other substance misuse issues, would respond in this way."[333]

451. The risk that consumers could switch to illegal drugs or new psychoactive substances is considered low, as an illegal or untested substance is clearly qualitatively different to the legal consumption of alcohol and most people would not consider them a valid substitute. The XED for alcoholic beverages as a whole is therefore likely to be inelastic.

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

Table fifteen: Impact of minimum price scenarios on consumption and total spending (all drinking)[334]

Minimum price (£)	% change in consumption	Total spending change (£m)(calculated as change in revenue to retailers)
0.35	-0.8%	1.7
0.40	-1.5%	4.1
0.45	-2.4%	9.4
0.50	-3.6%	17.8
0.55	-5.0%	29.7
0.60	-6.7%	43.1
0.65	-8.6%	57.0
0.70	-10.7%	70.7

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

[333] Welsh Government Advisory Panel on Substance Misuse (APoSM) (2014) Minimum Unit Pricing: A Review of its Potential in a Welsh Context. Report Published July 2014.

[334] Based on Sheffield Model (2018). Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Tables 16 and 21.

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

455. Some aggregate analyses have suggested that heavier drinkers have relatively more inelastic elasticities of demand for alcohol than moderate drinkers, meaning that an overall change in the price of alcohol will cause heavier drinkers to change their consumption behaviour by relatively less than moderate drinkers. Even if this were the case, since heavier drinkers by definition consume more in absolute terms, the absolute quantities of alcohol consumed by this group would still change more than for moderate drinkers and so they would remain the most affected.

456. However, the RAND report argues the suggestion that heavier drinkers are less responsive to price changes is not consistent with the balance of research showing the negative outcomes of alcohol misuse "are in fact sensitive to changes in the full price of alcohol; that is, studies have shown that when the price of alcohol goes up, alcohol-related harms go down and vice-versa".[335] RAND also suggests that because hazardous and harmful drinkers tend to choose cheaper drinks, they are less able to switch to lower-price drinks. Studies in Sweden show increases in the price of the cheapest alcoholic beverages lead to reductions in consumption levels as consumers have no cheaper alcoholic alternative.[336] In heavy consumers, a small percentage change in purchasing can be expected to have a relatively large absolute effect on consumption. Similarly, a study of drinkers with alcohol-related illnesses in Scotland found they were already drinking as cheaply as possible – even among this group, a small percentage change in consumption is likely and this would have a relatively large absolute effect.[337] The University of Sheffield study, which uses a complex matrix of elasticities for different alcoholic drinks, found

[335] Hunt, P., Rabinovich, L., and Baumberg, B. (2011) Preliminary assessment of economic impacts of alcohol pricing options in the UK, RAND Europe, page 7.

[336] Grunewald, P., W. Ponicki, H. Holder and A. Romelsjo (2006) Alcohol Prices, Beverage Quality and the Demand for Alcohol: Quality Substitutions and Price Elasticities. Alcoholism: Clinical and Experimental Research. Volume 30:1. Pages 96–105.

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

that heavier drinkers were more responsive to price change than moderate drinkers because they purchase significantly more alcohol below the MUP threshold.[338]

457. Furthermore, the sensitivity analysis carried out in the 2014 modelling, produced an alternative model, based on separate elasticity matrices for moderate drinkers and hazardous/harmful drinkers,[339] which showed that heavy drinkers were more likely to cut their consumption in response to price rises – with consumption dropping by 6% for hazardous drinkers, 8.6% for harmful drinkers but 1.5% for moderate drinkers (compared to 2.0%, 7.2% and 2.2% in the base case model, respectively. Although the panel size is smaller, this does suggest that the University of Sheffield model is fairly conservative in its estimate of how targeted MUP is. The impact on competition in the market for moderate drinkers will therefore be limited.

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

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

a) estimated changes in consumption are based on own-price elasticities only, that is to say the estimated change in consumption for each product considers only the impact of the change in the price of that product (assuming all other products' prices remain the same). Substitution or complement effects, where changes in the price of one beverage affect consumption of another are excluded from this analysis (whereas these cross-price elasticities are included in the University of Sheffield model). Since this involves assuming a constant elasticity of demand, this automatically implies that consumption will linearly decrease with a linear increase in price (to the point where it is reduced by 100%), which might be unrealistic.

[338] Meng Y. et al. (2014); Sheffield: ScHARR, University of Sheffield. Page 21.

[339] Meng Y. et al. (2013), Appendix 7.

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

Table sixteen: Consumption response to a 50p minimum unit price illustrated for specific alcoholic beverages and brands (based on June 2017 prices)

Product	Change in Price (%)	Change in Consumption - All drinkers (%)
Cider		
Crofters Apple Cider, 2L	144%	-182%
Westons Old Rosie Cloudy Scrumpy 2L	46%	-58%
Westons Wyld Wood Organic Cider, 3L	22%	-28%
Strongbow Cider, 4x440ml	10%	-13%
Carling Cider, 4x440ml	14%	-18%
Magners, 8x500ml	2%	-3%
Koppaberg Pear, 15x330ml	0%	0%
Beer and Lager		
Becks 20x275ml	4%	-4%
Mcewans Export Ale, 4x500ml	15%	-15%
Fosters Lager 20x440ml	13%	-12%
Carling, 18x440ml	25%	-24%
Carlsberg Lager, 4x440ml	0%	0%
Stella Artois, 4x440ml	0%	0%
Grolsh 6x330ml	0%	0%
Carlsberg Special Brew, 4x440ml	0%	0%
Spirits		
Windsor Castle London Dry Gin 70cl	32%	-3%
Own brand Dry London Gin, 70cl	20%	-2%
Gordon's Special London Gin, 70cl	0%	0%
Own brand Imperial Vodka, 70cl	20%	-2%
Nikita Imperial Vodka, 70cl	32%	-3%
Smirnoff Red Vodka, 70cl	0%	0%
Scots Club Blended Scotch Whisky, 70cl	27%	-2%
Famous Grouse Whisky, 70cl	0%	0%
Jim Beam White Bourbon, 70cl	0%	0%
Wine		
Own brand Spanish Red, 75cl	19%	-7%
Own brand Chilean Merlot, 75cll	6%	-2%
Own brand Pinot Grigio, 75cll	3%	-1%
Hardys Stamp Cabernet Sauvignon Merlot, 75cll	1%	0%
Echo Falls Chardonnay, 75cll	0%	0%
Blossom Hill Californian Red, 750ml	0%	0%
Own brand Chilean Merlot - Boxed, 3L	13%	-5%

460. As a further illustration of the potential effects of minimum pricing, table seventeen illustrates consumption changes based on separate elasticities for moderate drinkers and for increasing-risk/high-risk drinkers.

Table seventeen: Consumption response to a 50p minimum unit price illustrated for specific groups of drinkers by alcoholic beverages and brands (based on June 2017 prices)

Product	Change in Price (%)	Change in Consumption - Moderate drinkers (%)	Change in Consumption - Increasing and high-risk drinkers (%)
Cider			
Crofters Apple Cider, 2L	144%	-97%	-176%
Westons Old Rosie Cloudy Scrumpy 2L	46%	-31%	-56%
Westons Wyld Wood Organic Cider, 3L	22%	-15%	-27%
Strongbow Cider, 4x440ml	10%	-7%	-12%
Carling Cider, 4x440ml	14%	-10%	-17%
Magners, 8x500ml	2%	-2%	-3%
Koppaberg Pear, 15x330ml	0%	0%	0%
Beer and Lager			
Becks 20x275ml	4%	-2%	-4%
Mcewans Export Ale, 4x500ml	15%	-7%	-16%
Fosters Lager 20x440ml	13%	-5%	-14%
Carling, 18x440ml	25%	-11%	-27%
Carlsberg Lager, 4x440ml	0%	0%	0%
Stella Artois, 4x440ml	0%	0%	0%
Grolsh 6x330ml	0%	0%	0%
Carlsberg Special Brew, 4x440ml	0%	0%	0%
Spirits			
Windsor Castle London Dry Gin 70cl	32%	-9%	2%
Own brand Dry London Gin, 70cl	20%	-6%	1%
Gordon's Special London Gin, 70cl	0%	0%	0%
Own brand Imperial Vodka, 70cl	20%	-6%	1%
Nikita Imperial Vodka, 70cl	32%	-9%	2%
Smirnoff Red Vodka, 70cl	0%	0%	0%
Scots Club Blended Scotch Whisky, 70cl	27%	-8%	1%
Famous Grouse Whisky, 70cl	0%	0%	0%
Jim Beam White Bourbon, 70cl	0%	0%	0%

Wine			
Own brand Spanish Red, 75cl	19%	-8%	7%
Own brand Chilean Merlot, 75cll	6%	-2%	2%
Own brand Pinot Grigio, 75cll	3%	-1%	1%
Hardys Stamp Cabernet Sauvignon Merlot, 75cll	1%	0%	0%
Echo Falls Chardonnay, 75cll	0%	0%	0%
Blossom Hill Californian Red, 750ml	0%	0%	0%
Own brand Chilean Merlot - Boxed, 3L	13%	-6%	5%

9. Post implementation review

461. The Bill provides that the majority of its provisions will come into force on a day appointed by the Welsh Ministers. The current policy intention is that the substantive provisions of the Bill be commenced approximately 12 months from the date of Royal Assent. This is to allow sufficient time for those affected to prepare accordingly.

462. The Bill establishes a local authority led enforcement regime and guidance will be published for local authorities and retailers to support both the implementation and enforcement of the Bill.

463. In accordance with the Bill's provisions, the Welsh Ministers will at the end of a five year period, lay before the National Assembly and subsequently publish a report on the operation and effect of the Bill. In preparing that report, they must consult with those persons they consider appropriate.

464. It is proposed that the effect of the Bill will be measured in a number of ways. Methods will include research and evaluation with stakeholders and enforcement officers as well as routine data collection techniques.

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

Health data and statistics

466. Activity to monitor the implementation of the Bill will wherever possible be aligned to other relevant work. Data about alcohol-related deaths will be reviewed annually and the Welsh Government will liaise with Public Health Wales and health boards for updated information on alcohol-related hospital admissions, alcohol-related deaths, as well as data on consumption levels via the National Survey for Wales.[340] The full set of population indicators that could be used to monitor key outcomes would need to be agreed as plans for the evaluation and review are further developed.

[340] The Welsh Health Survey was revised in 2016-17, with data now being collected on alcohol consumption through the National Survey for Wales.

Administrative data

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

- Data on inspections undertaken, where available;
- Enforcement information, including data on FPNs, prosecutions and appeals;
- Data on complaints/enquiries received by trading standards and environmental health departments.

Formal evaluation and review

468. The implementation of the Bill will be underpinned by a programme of ongoing monitoring and evaluation. The evaluation would need to focus on the extent to which the legislation has contributed to delivering change across the range of key outcomes where we expect the legislation to make a difference. As highlighted above, this includes levels of alcohol consumption, hospital admissions and alcohol-related deaths.

469. The evaluation would focus on how the legislation is being implemented in Wales and the role of key partners in delivering its objectives, as well as any other consequences.

470. Further consideration will be given to the content of the evaluation and review over the coming months – with the view to drawing lessons from the evaluation and review being implemented in Scotland.

10. Additional Impact Assessments

471. A series of impact assessments or screening processes have been completed on the Bill alongside this explanatory memorandum and regulatory impact assessment. These include:

- Equalities Impact Assessment
- Children's Rights Impact Assessment
- Welsh Language Impact Assessment
- Biodiversity Impact Assessment
- Justice Screening Tool
- Health Impact Screening Tool
- Privacy Impact Screening Tool
- Rural Proofing Tool

472. A number of these assessments have highlighted specific issues to consider and these will be kept under review as the legislation progresses through the National Assembly. Where the assessments have highlighted negative impacts, consideration has been given as to how these can be mitigated. Discussions are also ongoing with external stakeholders on the impacts of the Bill and associated mitigating actions.

Equality Impact Assessment

473. Overall, the Equalities Impact Assessment recognises the positive role that introducing a minimum price for alcohol could have on improving health outcomes and reducing those inequalities which currently exist for the population of Wales as a whole and on those persons with protected characteristics.

474. In particular – and as also highlighted in the explanatory memorandum and regulatory impact assessment, it will nevertheless be important to monitor and mitigate any potential adverse impacts of MUP on households living in poverty and other vulnerable groups. Overall, however, households living in poverty have the most to gain from the legislative proposal, in light of its anticipated impact on levels of consumption and hazardous and harmful drinking and associated health benefits brought by this.

Children's Rights Impact Assessment

475. Welsh Government has given full consideration to the impact of the legislation on the rights of children and young people. In accordance with

Article 12 of the United Nations Convention on the Rights of the Child, the consultation on the draft Bill in 2015 was made available in two formats; the standard consultation format (which posed 16 questions around the policy and the specific provisions within the draft Bill) as well as a children and young people's version (with 8 different questions for that particular audience).

476. Overall, it is considered that the legislation will have a positive impact in terms of supporting individual children's rights. In particular the Bill's provisions are considered compatible with the rights provided by the following articles of the United Nations Convention on the Rights of the Child:

- Article 3 – All organisations concerned with children should work towards what is best for each child;
- Article 6 – All children have the right of life. Governments should ensure that children survive and develop healthily;
- Article 19 – Governments should ensure that children are properly cared for and protect them from violence, abuse and neglect by their parents or anyone who looks after them;
- Article 24 – Children should have the right to good quality healthcare.

Human Rights

477. The Welsh Government is satisfied that the provisions of the Bill are compatible with the European Convention on Human Rights (the ECHR).

478. The Bill seeks to protect public health, and, as the evidence presented elsewhere in this explanatory memorandum demonstrates, an MUP is anticipated to save lives and reduce alcohol-related harm. The Bill therefore advances social policy objectives commensurate with those protected by Article 2 of the ECHR (right to life).

479. The Welsh Government has considered whether the minimum pricing regime could be regarded as controlling the use that can be made of, or impacting upon alcohol retailers' property, and could therefore engage Article 1 of Protocol 1 to the ECHR, which provides for the peaceful enjoyment of property. The Welsh Government notes that, if Article 1 of Protocol 1 is engaged, the rights it protects are not absolute and may be restricted if this can be justified in the public interest, is proportionate and is in accordance with the law. In relation to sections 1, 2, and 5 to 7 of the Bill the Welsh Government considers that any interference could be justified, is a proportionate measure to protect public health, and is in

accordance with the law. These provisions are, therefore either compatible with the ECHR or capable of being exercised in a manner that is so compatible.

480. In terms of the enforcement regime proposed by the Bill, the Welsh Government is also satisfied that it is also either compatible with the ECHR (specifically, Articles 6, 8 and Article 1 of Protocol 1) or is capable of being exercised in a manner that is so compatible. The Welsh Government considers that the proposed enforcement regime would achieve a fair and proportionate balance between the protection of the rights of those affected by those powers of entry, and the effectiveness of the enforcement of the proposed regime.

Welsh Language Impact Assessment

481. The proposed legislation would maintain the status quo in relation to Welsh public services. The legislation proposes negligible impacts in relation to the Welsh language. The Welsh Language Impact Assessment has been published alongside the Bill documentation.

Biodiversity Impact Assessment

482. The Welsh Government's Nature Recovery Action Plan (NRAP) aims to reverse the decline in biodiversity and it restates a commitment to halting the loss of biodiversity by 2020. Having considered the purpose of the Bill against the objectives of the NRAP, there are no direct impacts on biodiversity from this Bill. Similarly, there will be no likely direct significant impacts on any Special Area of Conservation or Special Protection Area for Birds, and so no need to undertake a Habitats Regulations Assessment.

483. A Strategic Environmental Assessment and an Impact Assessment on Carbon Budgets are considered not to be required for the Bill.

Justice Screening Tool

484. This sets out the implications of the Bill on the justice system, recognising that the Bill creates a new offence – where alcohol cannot be supplied or sold in Wales by alcohol retailers from qualifying premises below a certain minimum price. Additionally, that the Bill also includes an offence where a person intentionally obstructs an authorised officer of a

local authority from exercising that officer's enforcement functions under the Bill.

485. Applying previous experience from similar areas, it is envisaged that the legislation will attract generally high levels of compliance, with an anticipated minimal number of court cases. The overall impact on the courts and judicial system is therefore anticipated to be low. Where potential impacts have been identified, these have been referenced at the appropriate points within the Regulatory Impact Assessment.

Health Impact Screening Tool

486. In addition to setting out the health impacts of the legislation as part of the explanatory memorandum and regulatory impact assessments – a separate Health Impact Assessment has also been completed. This has highlighted the anticipated health gains from introducing a minimum price for alcohol, in light of the strong evidence base on the impact of price on consumption.

Privacy Impact Screening Tool Assessment

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

488. Section 8(3) of the 2003 Act provides that each licensing authority must make the entries in its licensing register available for inspection by any person during office hours for free. As such, an authorised officer will not be accessing any information, which is not readily available to any member of the public. The Welsh Government is therefore content that this does not impact upon privacy.

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

Rural Proofing Tool

490. The implications of the Bill have been considered through the Welsh Government screening process. The proposed regime within the Bill will impact on both urban and rural areas and will apply equally to all parts of Wales. The rural proofing screening assessment identified the impacts of the legislation on the specific needs of rural communities and individuals living there.

491. The enforcement regime proposed by the Bill will make use of existing local systems. This will ensure that local knowledge and expertise held by enforcement and inspection officers is harnessed, including experience of operating within a rural context.

Annex 1

Explanatory Notes

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

EXPLANATORY NOTES

INTRODUCTION

1. These Explanatory Notes relate to the Public Health (Minimum Price for Alcohol) (Wales) Bill.

2. They have been prepared by the Welsh Government's Department for Health and Social Services in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by the National Assembly for Wales.

3. The Explanatory Notes should be read in conjunction with the Bill. They are not meant to be a comprehensive description of the Bill. Where an individual section of the Bill does not seem to require any explanation or comment, none is given.

POLICY BACKGROUND

4. The health and well-being of the population of Wales is continuing to improve. In general, people are living longer and enjoy better health than ever before. However, Wales still faces a number of specific and significant health challenges. There were 504 alcohol-related deaths in Wales in 2016, a 8.9% increase in deaths from 463 in 2015. Drinking among young people is also a concern, with 7% of males and 5% of females aged between 11-16 in Wales drinking alcohol at least once a week in 2013-14. Although decreasing, Wales has the highest alcohol consumption among 11 and 13-year-olds in the UK. Drinking among 15-year olds in Wales is higher than in England.

5. This Bill has been developed firstly following consultation on a Public Health White Paper in 2014, which included a series of legislative proposals to address a number of public health issues in Wales. One of these was a proposal to introduce a minimum unit price for alcohol. Subsequently, a

draft Public Health (Minimum Price for Alcohol) (Wales) Bill was issued for a five month period of public consultation in July 2015.

6. The aim of the Bill is to address the Welsh Government's concerns around the health harms that can be caused by the effects of excess alcohol consumption.

GENERAL OVERVIEW OF THE BILL

7. The Bill provides for a minimum price for alcohol supplied in Wales to a person in Wales and establishes a local authority led enforcement regime.

8. The Bill is comprised of 29 sections and a Schedule.

CONTENTS

Section 1: Minimum price for alcohol

9. This section sets out a formula to calculate the minimum selling price for alcohol.

10. The formula is M x S x V (Minimum unit price x Strength x Volume).

(a) M is the minimum unit price (to be specified in regulations);
(b) S is the strength of the alcohol, expressed as a cardinal number (so for instance if the strength is 5%, the relevant cardinal number will be 5);
(c) V is the volume of alcohol in litres.

11. Subsection (2) provides that where the minimum selling price for the alcohol calculated according to this formula would not be a whole number in pennies, it is to be rounded to the nearest whole penny taking a half penny as being nearest to the whole penny above.

12. The section provides a practical example of the calculation relating to a bottle of wine and how the minimum price is rounded up to the nearest whole number in pennies. That is, where the minimum selling price for the bottle of wine is calculated according to the formula as £4.6875, this would be rounded up to £4.69.

13. To give another practical example of how the formula would work if the minimum unit price (M) was specified in regulations as being 50 pence, a 7.5% strength (S), 3 Litre (V) bottle of cider would have a minimum selling price of £11.25 (0.5 x 7.5 x 3).

14. For further practical examples of how the formula would work where the alcohol supplied is part of a special offer, please see the notes to accompany sections 5-7 of the Bill.

Section 2: Offences

15. This section makes it an offence for an alcohol retailer (defined in section 4) to supply alcohol, or to authorise the supply of alcohol, from qualifying premises in Wales, to a person in Wales, at a selling price below the minimum price for the alcohol.

16. Subsection (2) provides a defence for a person charged with a section 2 offence to show that they took reasonable steps and exercised due diligence to avoid committing it. If a person raises this defence and produces some evidence in support of it, the burden of disproving the defence beyond all reasonable doubt will fall on the prosecution (subsection (3)).

17. Subsection (4) provides that it does not matter for the purposes of the offence, whether the authorisation of the supply of alcohol takes place in Wales or elsewhere. So, for instance, if a manager in England authorises the sale of alcohol below the applicable minimum price from licensed premises in Wales, and to a person in Wales, the manager will (subject to any available defence) commit an offence.

18. This section also amends Schedule 4 to the Licensing Act 2003 to provide that an offence committed under the Bill is to be classed as a "relevant offence" in relation to personal licences.

19. A "relevant offence" is an offence which can be taken into consideration by a licensing authority when making decisions on granting, revoking or suspending personal licences.

20. A licence holder is under a duty to notify their licensing authority of convictions for relevant offences as soon as reasonably practicable (and commits an offence if they fail to do so). The court is also under a duty to notify licensing authorities of convictions for relevant offences and may also order the forfeiture of the licence or its suspension for a period not exceeding six months.

Section 3: Meaning of supply of alcohol and qualifying premises

21. This section defines the supply of alcohol as being the sale by retail to a person in Wales, or the supply by or on behalf of a club to one of its members in Wales, or to a person in Wales on behalf of a member of the club. (An example of a club for this purpose would be a rugby club.) Whether a particular supply of alcohol is a "sale by retail" will depend on the facts, but in most cases this will be straightforward.

22. "Qualifying premises" are also defined in this section.

23. Subsection (2) provides that premises are "qualifying premises" if:–

(a) a premises licence under Part 3 of the Licensing Act 2003 authorises the premises to be used for the supply of alcohol (for instance, a pub or supermarket);
(b) a club premises certificate under Part 4 of the Licensing Act 2003 certifies that the premises may be used to supply alcohol (for instance a rugby club); or
(c) the supply of alcohol on or from the premises is a permitted temporary activity under Part 5 of the Licensing Act 2003. For instance, where alcohol is supplied and sold in a music festival or street fair.

The effect of this and section 4 is that the Bill does not regulate the sale of alcohol if the sale is, in any event, a criminal offence because the alcohol is sold otherwise than in accordance with the requirements of the Licensing Act 2003.

Section 4: Meaning of alcohol retailer

24. This section defines alcohol retailer in relation to each of the different types of qualifying premises.

25. Where alcohol is supplied from premises in respect of which a licence has been granted under Part 3 of the Licensing Act 2003 (for instance, a pub or supermarket), each of the following is an alcohol retailer for the purpose of the Bill:

(a) a personal licence holder under Part 6 of the Licensing Act 2003, if there is one (for instance a pub landlord);
(b) the designated premises supervisor for the premises, designated under the Licensing Act 2003 (for example, the manager of a supermarket).

26. In relation to clubs, the alcohol retailer is the person who holds the club premises certificate. This "person" might be the club itself or an individual (for instance a manager).

27. In relation to temporary events and premises, the alcohol retailer is the premises user for the purpose of Part 5 of the Licensing Act 2003. For instance, the person who has organised the street fair.

Sections 5 to 7: Supply of alcohol as part of a special offer

28. These three sections set out rules relevant to determining the applicable minimum price in relation to alcohol supplied through a variety of special offers.

29. The special offers captured by these sections fall into two broad categories.

Multi-buy alcohol transactions (section 5)

30. The first category is the "multi-buy alcohol transactions" defined by section 5; these are transactions which offer customers incentives to purchase higher volumes of alcohol than might otherwise be the case. These kinds of deals are commonly known as multi-buy deals, including "buy one, get one free" offers.

31. This section would apply where some of the alcohol supplied in a transaction was described as being supplied free of charge where other alcohol was supplied; and where alcohol was supplied at a discounted or fixed price when purchased with other alcohol, or where other alcohol had already been supplied. It is likely that most multi-buy alcohol transactions would involve a single exchange of cash between supplier and customer, but this won't always be the case. For instance, the price of a subsequently purchased drink might be reduced by reference to earlier purchases of drinks. The effect of this section is that in these circumstances the subsequently purchased drink and the earlier drinks will all need to be treated as a single transaction and the applicable minimum unit price calculated as set out in the section.

32. Section 5 requires all of the alcohol supplied in a multi-buy alcohol transaction to be taken into account when determining the applicable minimum price. This requirement avoids doubt about how the offence in section 2 affects cases where a portion of the alcohol being supplied in a transaction has no identifiable selling price, or a selling price which has been distorted by the operation of a discount.

33. Where the alcohol being supplied is of different strengths, section 7(2) requires separate calculations to be made to determine the applicable minimum price in relation to the different strengths of alcohol. The aggregate of those calculations provides the applicable minimum price for the transaction.

Alcohol supplied together with other goods and services (section 6)

34. The second of the two categories of special offer involves deals where alcohol is supplied together with goods other than alcohol, or services; either where the other goods or services and the alcohol are supplied at a single, fixed, price, or where alcohol is supplied at a discounted price if other goods or services are supplied.

35. Many of the offers to which this section will apply are likely to be offers involving the supply of alcohol together with food, but it is not limited to such cases. Section 6(2) would, for example, apply where a cocktail was supplied, with mixer, for a fixed price (the non-alcoholic portion of the cocktail constituting a good other than alcohol).

36. As with multi-buy alcohol transactions, section 7(2) requires separate calculations to be conducted for the purpose of determining the applicable minimum price for alcohol of different strengths supplied alongside other goods or services.

37. Section 7(3) ensures that the requirements of section 6 apply where the alcohol supplied with other goods or services is described as supplied free of charge. For example, an offer where the purchase of a particular combination of food included a "free" bottle of wine.

Practical examples of how sections 5 and 6 apply

38. Sections 5 and 6 of the Bill include examples of how the applicable minimum price would operate in relation to special offers. But additional examples have been provided below.

39. An applicable minimum price of £0.50 is to be assumed for the purposes of what follows.

Multi-buy alcohol transactions

Example 1

In the case of a "buy one, get one free" offer where two boxes of 4% lager are described as being supplied for the price of one box, and assuming each box includes 10 cans at a volume of 330 ml for each can, the two boxes would be treated as having been supplied at the price paid for the single box.

Taking the selling price at which a single box was supplied as £14, the applicable minimum price in relation to the lager would be calculated as follows:

M is £0.50; S is 4 (the strength by volume of the lager); V is 6.6 litres (the total volume of the 20 cans).

0.5 X 4 X 6.6 = £13.20

In this example, the selling price of £14 for the two boxes would be above the applicable minimum price for the alcohol supplied, and no offence under section 2 would have been committed.

Example 2

Where 3 boxes of beer, lager or cider were available for purchase at a single selling price of £30, the minimum price for each box would need to be calculated in order to work out whether the selling price of £30 was lower than the applicable minimum price for the different combinations of alcohol which could be supplied.

Assuming the box of beer comprised 10 440 ml cans of 6% strength by volume; the box of lager comprised 12 440 ml cans of 4% strength; and the box of cider comprised 12 330 ml bottles of 5% strength:

The minimum price for the box of beer would be £13.20 (£0.50 X 6 X 4.4 litres (the aggregate volume for the box).

The minimum price for the box of lager would be £10.56 (£0.50 X 4 X 5.28 litres).

The minimum price for the box of cider would be £9.90 (£0.50 X 5 X 3.96 litres).

Where a customer chooses to purchase two boxes of beer and a box of cider, the applicable minimum price for the alcohol supplied would be £36.30 (that sum being the aggregate of the £26.40 minimum price for the two boxes of beer and the £9.90 for the cider).

So, in this example, the selling price would have been £6.30 below the applicable minimum price for the alcohol being supplied, and, assuming the absence of a defence, the retailer would be liable to prosecution for committing the offence under section 2.

But the purchase of 3 boxes of cider by the same customer would not give rise to the offence under section 2, since the applicable minimum price for the alcohol being supplied would be £29.70 (the aggregate of the minimum price of £9.90 for each box of cider).

Offers involving alcohol together with other goods or services

Example 1

Where three food items and a bottle of wine are supplied at a single price of £10, the selling price for the wine would be treated as being £10.

If the volume of the wine was 0.75 litre and its strength by volume 14%, the applicable minimum price for the wine would be £5.25 (£0.50 X 14 X 0.75).

In this example, the selling price of £10 would be above the applicable minimum price for the wine, and the retailer would not have committed the offence in section 2.

Example 2

In a case where a wine tasting evening can be arranged by a customer at a wine shop for a price of £25, and 3 bottles of wine, described as being supplied free of charge, are supplied to the customer, the selling price for the wine supplied with the service would be treated as being £25.

If the wine comprised a 0.75 litre bottle of Pinot Grigio of 12.5% strength by volume; a bottle of 0.75 litre bottle of Merlot of 14.5% strength; and a 0.75 litre bottle of Shiraz of 13.5% strength; the applicable minimum price for the alcohol being supplied would be aggregate of the minimum price for each bottle.

For the Pinot Grigio, the minimum price would be £4.69 (£0.50 X 12.5 X 0.75).

For the Merlot, the minimum price would be £5.44 (£0.50 X 14.5 X 0.75).

For the Shiraz, the minimum price would be £5.06 (£0.50 X 13.5 X 0.75).

The applicable minimum price for the alcohol being supplied would be £15.19.

In this example, the selling price of £25 would be above the applicable minimum price for the wine being supplied, and the retailer would not have committed the offence in section 2.

Section 8: Penalties

40. This section provides that an alcohol retailer guilty of an offence under section 2 of this Bill is liable on summary conviction to a fine not exceeding level 3 on the standard scale (currently £1,000). The levels on the standard scale are set out in section 37 of the Criminal Justice Act 1982.

Section 9: Fixed penalties

41. This section allows local authority authorised officers to issue fixed penalty notices (FPNs) to persons believed to have committed offences under section 2 in the local authority's area.

42. FPNs may be issued to a person (which includes a body corporate or an unincorporated association). Payment of the FPN discharges the person believed to have committed an offence from being convicted for the offence in court. The section also introduces Schedule 1, which deals with fixed penalties (for commentary on this, see below).

Section 10: Enforcement action by local authorities

43. Subsection (1) provides that a local authority may bring prosecutions in respect of offences under the Bill in its area, may investigate complaints in respect of alleged offences in its area, and may take other steps with a view to reducing the incidence of such offences in its area.

44. Subsection (2) provides that a local authority must consider, at least once every year, the extent to which it is appropriate to carry out a programme of enforcement in its area, and to the extent that it considers appropriate, carry out such a programme.

45. Subsection (3) states that in complying with subsection (2), local authorities must have particular regard to improving public health and protecting children from harm.

Section 11: Authorised officers

46. This section explains that any reference in the Bill to an authorised officer of a local authority is to any person authorised by the local authority under the Bill.

Section 12: Power to make test purchases

47. An authorised officer may make purchases and arrangements, and secure the provision of services if the officer considers it necessary for the purpose of enforcement of the local authority's functions, under this Bill. This permits test purchases to take place.

Section 13: Powers of entry

48. Section 13 enables an authorised officer to enter, at any reasonable time, premises (excluding premises used wholly or mainly as a dwelling) if the officer has reasonable grounds to believe that an offence under section 2 has been committed, and the officer considers it necessary to enter the premises for the purpose of finding out whether such an offence has been committed.

49. This power to enter premises does not enable the authorised officer to enter by force. If required, an authorised officer must, before entering the premises, show evidence of their authorisation.

50. Section 67(9) of the Police and Criminal Evidence Act 1984 provides that, while acting in the course of their enforcement functions, authorised officers of the enforcement authority must have regard to the relevant code of practice made under that Act. Therefore, authorised officers must have regard to PACE Code of Practice B (which is a Code of Practice for searches of premises by police officers and the seizure of property found by police officers on persons or premises) in the exercise of their enforcement functions.

Section 14: Warrant to enter a dwelling

51. This section provides that a justice of the peace may issue a warrant to enable an authorised officer to enter a premises used wholly or mainly as a dwelling in certain circumstances.

52. A warrant may be issued only where the justice of the peace is satisfied that there are reasonable grounds to believe that an offence under section 2 has been committed in the area of the local authority, and that it is necessary to

enter the premises for the purpose of establishing whether such an offence has been committed. Entry may be obtained by force if need be.

53. Any such warrant will be in force for the period of 28 days beginning with the date it was issued.

Section 15: Warrant to enter other premises

54. This section provides that a justice of the peace may issue a warrant to enable an authorised officer to enter any premises, including vehicles, in Wales, in certain circumstances. This excludes premises used wholly or mainly as dwellings which are dealt with in section 14. The section sets out the circumstances in which a warrant may be issued. Entry may be obtained by force if need be.

Section 16: Supplementary provision about powers of entry

55. This section enables authorised officers entering premises under sections 13, 14 and 15, to take with them any other persons or equipment as the officer considers appropriate. It requires that if the occupier of premises is present at the time when the authorised officer seeks to execute the warrant, the occupier must be told the officer's name, the officer must produce documentary evidence that the officer is an authorised officer and the officer must produce the warrant and supply the occupier with a copy of it. The section also requires that if the premises are unoccupied or the occupier is temporarily absent, those authorised to enter the premises must leave them as effectively secured against unauthorised entry as the person found them.

Section 17: Powers of inspection, etc.

56. This section confers powers on authorised officers entering premises under sections 13, 14 and 15 to do various things so as to find out whether an offence under section 2 has been committed. Officers may carry out inspections and examinations of premises. Officers may also request items, inspect them, take samples from them and/or take the item(s) and/or samples from the premises. For example, officers may wish to review CCTV footage of the premises, retain alcoholic products on the premises, or take documents or copies of documents. The authorised officer may analyse any samples taken.

57. They may also require information and help from any person, but that person is not required to answer any questions or produce any document which they would be entitled to refuse to answer or produce in the course of court proceedings in England and Wales. For example, legally privileged material and information which is self-incriminating.

58. The authorised officer must leave on the premises a statement detailing any items that have been taken, and identifying the person to whom a request for the return of property may be made.

Section 18: Obstruction etc. of officers

59. This section provides that a person commits an offence if they intentionally obstruct an authorised officer from exercising their functions under sections 13 to 17.

60. A person commits an offence if, without reasonable cause, they fail to provide an authorised officer with facilities that are reasonably required under section 17(1) or they fail to comply with a requirement under section 17(1)(b) or (d) such as providing information.

61. A person found guilty of an offence under this section is liable on summary conviction to a fine not exceeding level 3 on the standard scale (currently £1,000). The levels on the standard scale are set out in section 37 of the Criminal Justice Act 1982.

Section 19: Retained property: appeals

62. This section provides an additional safeguard relating to the powers of entry and inspection provisions. It enables a person with an interest in anything taken away from the premises by an authorised officer under section 17(1)(c) to apply to a magistrates' court for an order requesting the release of the property. Depending on the court's consideration of an application, it may make an order requiring the release of the retained property.

Section 20: Appropriated property: compensation

63. This section provides a right for a person affected by the taking possession of property under section 17(1)(c) to apply to a magistrates' court for compensation. Where the circumstances set out in subsection (2) are satisfied, the court may order the local authority to pay compensation to the applicant. The circumstances are that property has been taken; that it was not necessary to take the property to discover whether an offence had been committed; that the applicant has suffered loss or damage as a result; and that the loss or damage was not due to the applicant's own neglect or default.

Section 21: Report on operation and effect of this Act

64. This section places a duty on the Welsh Ministers, as soon as practicable after the end of 5 years beginning with the day on which the section 2 offence comes into force, to lay before the Assembly a report on the operation and effect of this Bill during that period. After the report has been laid before the Assembly, it must also be published.

65. In the preparation of their report, the Welsh Ministers must consult those persons they consider appropriate.

Section 22: Duration of minimum pricing provisions

66. This section provides for the minimum pricing regime established by the Bill to cease to have effect 6 years from the date on which the section 2 offence comes into force, unless the Welsh Ministers make regulations, before the regime ceases to have effect, providing otherwise. The Welsh Ministers cannot make regulations to this effect until at least 5 years after the section 2 offence comes into force. So in practice it is likely that the report referred to in section 21 will feed into the decision whether to make regulations.

67. If no such regulations are made by the end of 6 years, the minimum pricing provisions are repealed. If regulations are made, the minimum pricing provisions will continue indefinitely, unless repealed by a subsequent Act.

68. If the minimum pricing provisions are repealed after 6 years, subsection (3) provides that the Welsh Ministers may, by regulations, make any necessary or expedient provision as a result of that fact. This would include any transitional, transitory or saving provision. So for instance, if before the repeal of the minimum pricing provisions another Act cross-referred to them, this power could be used to remove that reference.

69. Subsection (4) defines what is meant by the minimum pricing provisions for these purposes.

Section 23: Crown application

70. This section provides that the Crown is bound by the provisions of the Bill in the same way as it is bound under section 195 of the Licensing Act 2003.

71. This means that the provisions of the Bill will apply to the Crown and to Crown property. They will also apply to land of the Duchies of Lancaster and Cornwall (except to the extent that they are occupied by the Queen or the Prince of Wales).

Section 24: Offences committed by partnerships and other unincorporated associations

72. Section 24 makes provision about and in connection with bringing proceedings against partnerships or other unincorporated associations.

Section 25: Liability of senior officers etc.

73. This section makes it possible, in the circumstances described in subsection (2), for individuals holding positions of responsibility within a relevant body (the "senior officers" defined by the section) to be criminally liable for an offence committed by the body.

Section 26: Regulations

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

Section 27: Interpretation

75. This section defines what is meant by alcohol, for the purposes of the Bill. It also defines other key terms used in the Bill, including local authority, premises, sale by retail and strength of alcohol.

Section 28: Coming into force

76. This section sets out the provisions that will come into effect on the day after the date of Royal Assent; and those that will come into force by a Commencement Order made by the Welsh Ministers.

Section 29: Short title

77. This provides that the short title of the Act will be the Public Health (Minimum Price for Alcohol) (Wales) Act 2018.

Schedule 1: Fixed Penalties

78. Schedule 1 to this Bill contains provisions relating to fixed penalties and FPNs. These include the contents of the penalty notice form and the periods for payment of the penalty and discounted amounts. The Schedule provides that the initial amount of a fixed penalty is £200 but this can be reduced to £150 if paid within 15 days of receipt of the FPN. It also contains provision enabling the Welsh Ministers to amend those penalty amounts by regulations.

79. Paragraphs 15 and 16 enable a person to request to be tried for the offence in court instead of paying the fixed penalty. Paragraph 17 permits authorised officers of the issuing authority to withdraw a FPN. Paragraph 18 prevents a local authority from using amounts received from fixed penalty notices otherwise than for the purpose of its enforcement functions under this Bill and any regulations made under it.

Annex 2

Index of Standing Order requirements

Standing order		Section	Pages / paragraphs
26.6(i)	Statement the provisions of the Bill would be within the legislative competence of the Assembly	Member's declaration	Page 2
26.6(ii)	Set out the policy objectives of the Bill	Chapter 3 – Purpose and intended effect of the legislation	Pages 7-61
26.6(iii)	Set out whether alternative ways of achieving the policy objectives were considered and, if so, why the approach taken in the Bill was adopted	Part 2 – impact assessment	Pages 104-135 Consideration of taxation: Pages 50-59 of the EM
26.6(iv)	Set out the consultation, if any, which was undertaken on: (a) the policy objectives of the Bill and the ways of meeting them; (b) the detail of the Bill, and (c) a draft Bill, either in full or in part (and if in part, which parts)	Chapter 4 – Consultation	Pages 62-67
26.6(v)	Set out a summary of the outcome of that consultation, including how and why any draft Bill has been amended	Chapter 4 – Consultation	Pages 62-67
26.6(vi)	If the bill, or part of the Bill, was not previously published as a draft, state the reasons	Chapter 4 – Consultation	Pages 62-67

Standing order		Section	Pages / paragraphs
	for that decision		
26.6(vii)	Summarise objectively what each of the provisions of the Bill is intended to do (to the extent that it requires explanation or comment) and give other information necessary to explain the effect of the Bill	Annex 1 – Explanatory Notes	Pages 171-183
26.6(viii)	Set out the best estimates of: (a) the gross administrative, compliance and other costs to which the provisions of the Bill would give rise; (b) the administrative savings arising from the Bill; (c) net administrative costs of the Bill's provisions; (d) the timescales over which such costs and savings would be expected to arise; and (e) on whom the costs would fall	Part 2 – impact assessment	A summary of costs and savings and the timescales over which such costs and savings would be expected to arise is provided on pages 75-78. Further detail is set out in the following paragraphs: Local Authority Costs: Paragraphs 354-358. Retailer Compliance Costs: Paragraphs 342-353. Consumer Costs: Paragraphs 333-341.

Standing order		Section	Pages / paragraphs
			Welsh Government costs: Paragraphs 360-367.
26.6(ix)	Any environmental and social benefits and dis-benefits arising from the Bill that cannot be quantified financially	Part 2 – impact assessment	All social benefits relating to health gains, crime reduction and workplace absence are all quantified. A description of the benefits of minimum unit pricing for individuals and society is set out on pages 126-132. A description of the benefits for retailers is set out on page 132. No unquantified environmental benefits / disbenefits have been identified (see Table 9).
26.6(x)	Where the Bill contains any provision conferring power to make subordinate legislation, set out, in relation to each such	Chapter 5 – Power to make subordinate legislation	Pages 68-73.

Standing order		Section	Pages / paragraphs
	provision: (a) the person upon whom, or the body upon which, the power is conferred and the form in which the power is to be exercised; (b) why it is considered appropriate to delegate the power; and (c) the Assembly procedure (if any) to which the subordinate legislation made or to be made in the exercise of the power is to be subject, and why it was considered appropriate to make it subject to that procedure (and not to make it subject to any other procedure);		
26.6(xi)	Where the Bill contains any provision charging expenditure on the Welsh Consolidated Fund, incorporate a report of the Auditor General setting out his or her views on whether the charge is appropriate	The requirement of Standing Order 26.6(xi) does not apply to this Bill	Page 74
26.6B	Where provisions of the Bill are derived from existing primary legislation, whether for the purposes of amendment or consolidation, the Explanatory Memorandum must be accompanied by a table of derivations that explain	The requirement in Standing Order 26.6B for a Table of Derivations is not applicable to this Bill as the Bill is a standalone piece of legislation and does	Not applicable.

Standing order		Section	Pages / paragraphs
	clearly how the Bill relates to the existing legal framework.	not derive from existing primary legislation for the purposes of amendment or consolidation.	
26.6C	Where the Bill proposes to significantly amend existing primary legislation, the Explanatory Memorandum must be accompanied by a schedule setting out the wording of existing legislation amended by the Bill, and setting out clearly how that wording is amended by the Bill.	The requirement is Standing Order 26.6C for a Schedule of Amendments is not applicable to this Bill as the Bill does not propose to significantly amend existing primary legislation.	Not applicable.

ANNEX 3: Summary of impacts of introducing an MUP at 45p, 50p, 55p and 60p.

EXAMPLE 1: Introducing an MUP of 45p:

Modelled effects of introducing a MUP of 45p on alcohol consumption, spending and revenue

- In 2016, 27 per cent of units were purchased below 45p per unit. Moderate drinkers purchased 16 percent of their units below this threshold, with the figures for hazardous and harmful drinkers being higher (26% and 35% respectively).
- Introducing a 45p MUP in Wales would be associated with an estimated 2.4% fall in consumption, equivalent to 14.9 units per drinker per year.
- Consumption reductions under a 45p MUP are estimated to be largest among harmful drinkers (4.9%, 193.1 units per drinker per year) and hazardous drinkers (1.9%, 24.0 units per drinker per year). The smallest effects would be seen among moderate drinkers (0.7%, 1.4 units per drinker per year).
- Consumption reductions under a 45p MUP are also estimated to be largest among the most deprived quintile of drinkers (9.1%, 49.7 units per drinker per year) with a reduced effect among the next most deprived quintile (2.6%, 15.5 units per drinker per year) and small effects among the least deprived quintile (0.2%, 1.0 units per drinker per year).
- Of the total reduction in units consumed under a 45p MUP, 55% would occur among harmful drinkers, 38% among hazardous drinkers and 7% among moderate drinkers. Drinkers from the most deprived quintile would account for 53% of the reduction in units consumed.
- Following these consumption changes, spending on alcohol is estimated to increase by 0.7% or £4 per drinker per year under a 45p MUP. The largest spending increases would be seen among harmful drinkers (0.8%, £24 per drinker per year) with slightly smaller increases seen for hazardous drinkers (0.7%, £8 per drinker per year) and moderate drinkers (0.6%, £2 per drinker per year).
- Those in the most deprived quintile are estimated to reduce their spending on alcohol by 1.3% or £6 per drinker per year, following the above consumption changes. Drinkers in other deprivation quintiles are estimated to increase their spending by between £4 and £7 per drinker per year.
- Annual revenue to the exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.3% or £1.6m following the introduction of a 45p MUP. Total annual revenue to retailers from alcohol sales is estimated to increase by 5.6% or £9.6m in the off-trade and reduce slightly by 0% or £0.2m in the on-trade.

Modelled effects of introducing an MUP of 45p on alcohol-related harm

- A 45p MUP is estimated to lead to 45 or 5.8% fewer alcohol-attributable deaths per year and 857 or 2.4% fewer alcohol-attributable hospital admissions per year.
- Of the total reduction in deaths arising from a 45p MUP, an estimated 70% occur among harmful drinkers, 60% occur among the most deprived quintile and 47.4% occur among harmful drinkers in the most deprived quintile. The equivalent figures for reductions in alcohol-attributable hospital admissions are 46%, 51% and 26%.
- A 45p MUP is estimated to lead to 1.5% or 1,315 fewer alcohol-attributable crimes per year. The largest reduction is seen in crimes committed by hazardous drinkers at 2.0% or 830 fewer crimes per year, compared to 1.0% or 371 fewer crimes per year for moderate drinkers and 1.4% or 114 fewer crimes per year for harmful drinkers.
- The number of working days lost to alcohol-attributable workplace absences is estimated to fall by 1.2% or6,270 days per year under a 45p MUP. The largest reduction is seen in days absent for hazardous drinkers at 1.8% or 3,997 fewer days absent per year, compared to 0.7% or 1,519 fewer days absent per year for moderate drinkers and 1.1% or 754 fewer days absent per year for harmful drinkers.
- The discounted total reduction in societal costs of alcohol over 20 years arising from these reductions in alcohol-attributable harm is £526m or a reduction in total costs of 3.2%. This is comprised of a 3.1% or £62m reduction in direct healthcare costs, a 5.2% or £336m reduction in losses of Quality Adjusted Life Years (QALYs), a 1.6% or £119m reduction in the direct and QALY-related costs of crime and a 1.4% or £9m reduction in costs associated with workplace absences.

EXAMPLE 2: Introducing an MUP of 50p:

Modelled effects of introducing a MUP of 50p on alcohol consumption, spending and revenue

- In 2016, 37 per cent of units were purchased below 50p per unit. Moderate drinkers purchased 22 percent of their units below this threshold, with the figures for hazardous and harmful drinkers being higher (36% and 46% respectively).
- Introducing a 50p MUP in Wales would be associated with an estimated 3.6% fall in consumption, equivalent to 22.0 units per drinker per year.
- Consumption reductions under a 50p MUP are estimated to be largest among harmful drinkers (6.8%, 268.7 units per drinker per year) and hazardous drinkers (3.0%, 37.4 units per drinker per year). The smallest effects would be seen among moderate drinkers (1.1%, 2.4 units per drinker per year).
- Consumption reductions under a 50p MUP are also estimated to be largest among the most deprived quintile of drinkers (12.6%, 68.7 units per drinker per year) with a reduced effect among the next most deprived quintile (4.1%, 23.9 units per drinker per year) and small effects among the least deprived quintile (0.3%, 1.9 units per drinker per year).
- Of the total reduction in units consumed under a 50p MUP, 52% would occur among harmful drinkers, 40% among hazardous drinkers and 8% among moderate drinkers. Drinkers from the most deprived quintile would account for 50% of the reduction in units consumed.
- Following these consumption changes, spending on alcohol is estimated to increase by 1.4% or £8 per drinker per year under a 50p MUP. The largest spending increases would be seen among harmful drinkers (1.7%, £48 per drinker per year) with smaller increases seen for hazardous drinkers (1.5%, £18 per drinker per year) and moderate drinkers (1.1%, £3 per drinker per year).
- Those in the most deprived quintile are estimated to reduce their spending on alcohol by 1.5% or £7 per drinker per year, following the above consumption changes. Drinkers in other deprivation quintiles are estimated to increase their spending by between £9 and £13 per drinker per year.
- Annual revenue to the exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.4% or £1.9m following the introduction of a 50p MUP. Total annual revenue to retailers from alcohol sales is estimated to increase by 9.9% or £16.8m in the off-trade and 0.2% or £1m in the on-trade.

Modelled effects of introducing an MUP of 50p on alcohol-related harm

- A 50p MUP is estimated to lead to 66 or 8.5% fewer alcohol-attributable deaths per year and 1,281 or 3.6% fewer alcohol-attributable hospital admissions per year.

- Of the total reduction in deaths arising from a 50p MUP, an estimated 69% occur among harmful drinkers, 57% occur among the most deprived quintile and 45% occur among harmful drinkers in the most deprived quintile. The equivalent figures for reductions in alcohol-attributable hospital admissions are 44%, 49% and 24%.
- A 50p MUP is estimated to lead to 2.4% or 2,093 fewer alcohol-attributable crimes per year. The largest reduction is seen in crimes committed by hazardous drinkers at 3.0% or 1,277 fewer crimes per year, compared to 1.7% or 657 fewer crimes per year for moderate drinkers and 1.9% or 159 fewer crimes per year for harmful drinkers.
- The number of working days lost to alcohol-attributable workplace absences is estimated to fall by 1.9% or 9,808 days per year under a 50p MUP. The largest reduction is seen in days absent for hazardous drinkers at 2.7% or 6,138 fewer days absent per year, compared to 1.2% or 2,621 fewer days absent per year for moderate drinkers and 1.6% or 1,049 fewer days absent per year for harmful drinkers.
- The discounted total reduction in societal costs of alcohol over 20 years arising from these reductions in alcohol-attributable harm is £783m or a reduction in total costs of 4.7%. This is comprised of a 4.6% or £91m reduction in direct healthcare costs, a 7.5% or £490m reduction in losses of Quality Adjusted Life Years (QALYs), a 2.5% or £188m reduction in the direct and QALY-related costs of crime and a 2.1% or £14m reduction in costs associated with workplace absences.

EXAMPLE 3: Introducing an MUP of 55p:

Modelled effects of introducing a MUP of 55p on alcohol consumption, spending and revenue

- In 2016, 50 per cent of units were purchased below 55p per unit. Moderate drinkers purchased 34 percent of their units below this threshold, with the figures for hazardous and harmful drinkers being higher (49% and 62% respectively).
- Introducing a 55p MUP in Wales would be associated with an estimated 5.0% fall in consumption, equivalent to 30.3 units per drinker per year.
- Consumption reductions under a 55p MUP are estimated to be largest among harmful drinkers (8.6%, 339.3 units per drinker per year) and hazardous drinkers (4.4%, 55.0 units per drinker per year). The smallest effects would be seen among moderate drinkers (1.9%, 4.0 units per drinker per year).
- Consumption reductions under a 55p MUP are also estimated to be largest among the most deprived quintile of drinkers (15.6%, 85.1 units per drinker per year) with a reduced effect among the next most deprived quintile (6.0%, 35.2 units per drinker per year) and small effects among the least deprived quintile (0.6%, 3.6 units per drinker per year).
- Of the total reduction in units consumed under a 55p MUP, 48% would occur among harmful drinkers, 43% among hazardous drinkers and 10% among moderate drinkers. Drinkers from the most deprived quintile would account for 45% of the reduction in units consumed.
- Following these consumption changes, spending on alcohol is estimated to increase by 2.4% or £14 per drinker per year under a 55p MUP. The largest spending increases would be seen among harmful drinkers (3.0%, £88 per drinker per year) with smaller increases seen for hazardous drinkers (2.5%, £30 per drinker per year) and moderate drinkers (1.8%, £5 per drinker per year).
- Those in the most deprived quintile are estimated to reduce their spending on alcohol by 1.3% or £6 per drinker per year, following the above consumption changes. Drinkers in other deprivation quintiles are estimated to increase their spending by between £14 and £21 per drinker per year.
- Annual revenue to the exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.4% or £2.1m following the introduction of a 55p MUP. Total annual revenue to retailers from alcohol sales is estimated to increase by15.9% or £27.1m in the off-trade and 0.5% or £2.5m in the on-trade.

Modelled effects of introducing an MUP of 55p on alcohol-related harm

- A 55p MUP is estimated to lead to 87 or 11.2% fewer alcohol-attributable deaths per year and 1,807 or 5.1% fewer alcohol-attributable hospital admissions per year.
- Of the total reduction in deaths arising from a 55p MUP, an estimated 66% occur among harmful drinkers, 52% occur among the most deprived quintile and 39% occur among harmful drinkers in the most deprived quintile. The equivalent figures for reductions in alcohol-attributable hospital admissions are 41%, 45% and 20%.
- A 55p MUP is estimated to lead to 3.5% or 3,086 fewer alcohol-attributable crimes per year. The largest reduction is seen in crimes committed by hazardous drinkers at 4.3% or 1,815 fewer crimes per year, compared to 2.8% or 1,073 fewer crimes per year for moderate drinkers and 2.4% or 198 fewer crimes per year for harmful drinkers.
- The number of working days lost to alcohol-attributable workplace absences is estimated to fall by 2.9% or 14,476 days per year under a 55p MUP. The largest reduction is seen in days absent for hazardous drinkers at 3.9% or 8,787 fewer days absent per year, compared to 2.0% or 4,359 fewer days absent per year for moderate drinkers and 2.0% or 1,331 fewer days absent per year for harmful drinkers.
- The discounted total reduction in societal costs of alcohol over 20 years arising from these reductions in alcohol-attributable harm is £1,079m or a reduction in total costs of 6.5%. This is comprised of a 6.4% or £127m reduction in direct healthcare costs, a 10.1% or £656m reduction in losses of Quality Adjusted Life Years (QALYs), a 3.7% or £276m reduction in the direct and QALY-related costs of crime and a 3.1% or £21m reduction in costs associated with workplace absences.

EXAMPLE 4: Introducing an MUP of 60p:

Modelled effects of introducing a MUP of 60p on alcohol consumption, spending and revenue

- In 2016, 56 per cent of units were purchased below 60p per unit. Moderate drinkers purchased 40 percent of their units below this threshold, with the figures for hazardous and harmful drinkers being higher (55% and 67% respectively).
- Introducing a 60p MUP in Wales would be associated with an estimated 6.7% fall in consumption, equivalent to 40.7 units per drinker per year.
- Consumption reductions under a 60p MUP are estimated to be largest among harmful drinkers (10.7%, 419.5 units per drinker per year) and hazardous drinkers (6.3%, 77.7 units per drinker per year). The smallest effects would be seen among moderate drinkers (3.0%, 6.2 units per drinker per year).
- Consumption reductions under a 60p MUP are also estimated to be largest among the most deprived quintile of drinkers (19.1%, 104.2 units per drinker per year) with a reduced effect among the next most deprived quintile (8.2%,48.1 units per drinker per year) and small effects among the least deprived quintile (1.1%, 6.9 units per drinker per year).
- Of the total reduction in units consumed under a 60p MUP, 44% would occur among harmful drinkers, 45% among hazardous drinkers and 11% among moderate drinkers. Drinkers from the most deprived quintile would account for 41% of the reduction in units consumed.
- Following these consumption changes, spending on alcohol is estimated to increase by 3.5% or £21 per drinker per year under a 60p MUP. The largest spending increases would be seen among harmful drinkers (4.5%, £130 per drinker per year) with smaller increases seen for hazardous drinkers (3.6%, £43 per drinker per year) and moderate drinkers (2.6%, £7 per drinker per year).
- Those in the most deprived quintile are estimated to reduce their spending on alcohol by 1.3% or £6 per drinker per year, following the above consumption changes. Drinkers in other deprivation quintiles are estimated to increase their spending by between £20 and £31 per drinker per year.
- Annual revenue to the exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.6% or £3.0m following the introduction of a 60p MUP. Total annual revenue to retailers from alcohol sales is estimated to increase by 22.9% or £39.1m in the off-trade and 0.8% or £3.9m in the on-trade.

Modelled effects of introducing an MUP of 60p on alcohol-related harm

- A 60p MUP is estimated to lead to 113 or 14.5% fewer alcohol-attributable deaths per year and 2,476 or 6.9% fewer alcohol-attributable hospital admissions per year.
- Of the total reduction in deaths arising from a 60p MUP, an estimated 64% occur among harmful drinkers, 48% occur among the most deprived quintile and 35% occur among harmful drinkers in the most deprived quintile. The equivalent figures for reductions in alcohol-attributable hospital admissions are 38%, 42% and 17%.
- A 60p MUP is estimated to lead to 4.8% or 4,290 fewer alcohol-attributable crimes per year. The largest reduction is seen in crimes committed by hazardous drinkers at 5.8% or 2,448 fewer crimes per year, compared to 4.2% or 1,603 fewer crimes per year for moderate drinkers and 2.8% or 239 fewer crimes per year for harmful drinkers.
- The number of working days lost to alcohol-attributable workplace absences is estimated to fall by 4.0% or 20,489 days per year under a 60p MUP. The largest reduction is seen in days absent for hazardous drinkers at 5.3% or 12,076 fewer days absent per year, compared to 3.2% or 6,766 fewer days absent per year for moderate drinkers and 2.5% or 1,647 fewer days absent per year for harmful drinkers.
- The discounted total reduction in societal costs of alcohol over 20 years arising from these reductions in alcohol-attributable harm is £1,441m or a reduction in total costs of 8.7%. This is comprised of a 8.6% or £171m reduction in direct healthcare costs, a 13.2% or £858m reduction in losses of Quality Adjusted Life Years (QALYs), a 5.1% or £382m reduction in the direct and QALY-related costs of crime and a 4.4% or £29m reduction in costs associated with workplace absences.