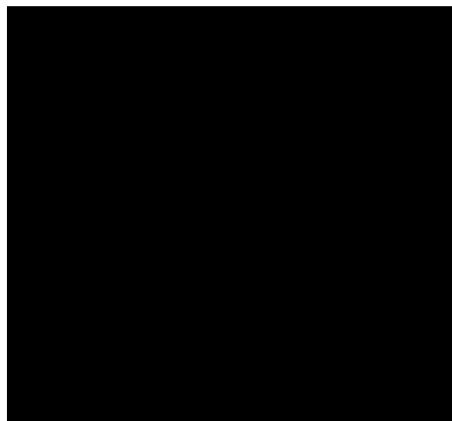


Home Office Consultation Response

*A consultation on delivering the
Government's policies to cut alcohol
fuelled crime and anti-social behaviour*



5th February 2013

Home Office consultation response

Introduction

The business is the number one wine company by volume in the UK and Australia, with a portfolio of brands ranging from the historic Hardys, the number one Australian wine brand in the UK and significant wine brand in Mainland Europe, through to Kumala, the number one South African wine brand in the UK.

The UK portfolio also includes Echo Falls, the third largest wine brand in the UK, Stowells, the number one wine brand in the on-trade, Banrock Station (Australia), the UK's number one environmentally-friendly wine brand and South African premium wines Fish Hoek and Flagstone.

The portfolio also includes various other premium branded wines and a Wine Fusion portfolio including, Stone's Ginger Wine, Stone's Ginger Joe alcoholic ginger beer and Babycham.

The Alcohol Strategy

fully supports the Government's aim of trying to reduce alcohol misuse and alcohol related harm. As a company always promotes the responsible consumption of its products and is currently an active member of the Government's Responsibility Deal Low Alcohol Working Group.

We welcome the opportunity to offer a response to the detail outlined in the Government's Alcohol Strategy, outlined last March.

There are key proposals in the strategy that believes to be deeply problematic, and will end up creating many more problems than any it might solve. Specifically we will address our concerns about the proposed introduction of Minimum Unit Pricing and a ban on multi-buys.

is a member of the Wine & Spirit Trade Association (WSTA) and we endorse that organisation's submission in response to the Consultation on delivering Government Policies to cut alcohol fuelled crime and anti-social behaviour.

In particular we support the WSTA's challenges to a number of key assumptions that underlie the policy proposals. These being that:

- alcohol consumption is growing in the UK
- alcohol in the UK is cheap
- alcohol is being sold at irresponsibly low prices at the cost of the community
- home consumption is the cause of alcohol related crime
- young people's drinking is the worst in Europe.

As the WSTA, in its submission, describes in detail the flaws in the assumptions listed above, we will not reiterate them although, clearly, we share the WSTA's concern that key policies are being driven by flawed or outdated information.

As the biggest wine company in the [REDACTED] believe we can provide additional insights into the potential business impacts of the proposed policies. The policies as currently proposed will not achieve the outcomes that are intended and will have negative impacts on business and responsible consumers.

Minimum Unit Pricing (MUP)

Q.1 Do you agree that this MUP level would achieve the reduction in harm?

Accolade Wines fundamentally disagrees with the concept of Minimum Unit Pricing and concurs with the arguments put forward by many opponents of the policy – who range from Cabinet Ministers, to Think Tanks, to business leaders.

These arguments include:

There is no evidence Minimum Unit Pricing will work

- It has yet to be tried
- Its benefits are calculated using a flawed model

There is no simple link between alcohol price, consumption and harm

- Countries like Italy have low levels of alcohol taxation and low prices and yet have low consumption, whereas in Ireland there are very high levels of taxation and high consumption.

While it is noted that there may be a link between higher prices and decreased sales of alcohol (although the reverse does not appear to be true)¹, linking price to irresponsible drinking and harm is clearly not supported by evidence. WHO statistics show that binge drinking in Italy and Spain, where alcohol prices are relatively low, are at a much lower level than in Finland or Iceland where prices are high². Most recently, new research from Griffith University demonstrates that while pricing policies may have an impact on consumption, they do not decrease alcohol abuse³.

There is clear evidence that heavy drinkers, those who are at highest risk of harm through alcohol abuse, are less likely to reduce consumption as a result of price

¹ Maakela et al, (2008) Feb: 103(2) *Addiction Changes in volume of drinking after changes in alcohol taxes and travellers' allowances: results from a panel study*, pages, 181-91

² Wine and Spirit Trade Association Response – Finance Committee call for written evidence on the Alcohol (Scotland) (Minimum Pricing) Bill, at paragraph 2.2

³ Sourced at www.3news.co.nz/No-point-in-raising-alcohol-price---Key/tabid/1607/articleID/259902/Default.aspx

increases.

Long-term heavy drinkers have a relatively inelastic demand for alcohol and would not readily change their consumption behaviours in response to the introduction of a minimum price. The table below from international research indicates the elasticities of moderate and heavy drinkers to price increases.⁴

Product ^a	Moderate drinkers ^a	Heavy drinkers ^a
Beer ^a	-1.128 ^a	0.0282 ^a
Wine ^a	-1.515 ^a	0.0816 ^a
Spirits ^a	-0.928 ^a	0.00649 ^a

- Assuming these elasticities hold locally, to be effective a minimum price would have to be sufficiently high to offset this heavy-drinker inelasticity, thus increasing the impact on ordinary moderate consumers who impose few or no spill-over costs. This conclusion is supported by US analysis on older heavy drinkers which indicates that their consumption levels are not sensitive to price increases⁵.
- It is also worth noting other international evidence which suggests countries that have adopted a high-alcohol-price strategy still have high rates of harmful drinking. As the International Centre for Alcohol Policy concludes: *"Perhaps the most compelling evidence against taxation as an effective policy measure against abuse comes from countries where taxation rates have traditionally been high. In many of these, such as the Nordic countries or those in Eastern Europe, alcohol consumption and harmful drinking patterns remain high."*⁶
- Other studies have shown that moderate drinkers are the most responsive group to price increases and that light and heavy drinkers are much less price elastic than moderate drinkers⁷. In other words, the introduction of a minimum price for alcohol will have little effect on the drinking patterns of heavy drinkers – the target group in reducing alcohol abuse, but will have an unfair impact on moderate drinkers.

In Australia, a government bid to reduce the harmful consumption of "alcopops" spirit-based premixed drinks was ineffective as the incidence of emergency presentations by young people showed no change.

*"The increase in the tax on alcopops was not associated with any reduction in alcohol-related harms in this population in a unique tourist and holiday region. A more comprehensive approach to reducing alcohol harms in young people is needed"*⁸.

Another Australian and New Zealand study showed significant price increases would not deter young people from engaging in binge-drinking behaviour.

⁴ Ayyagari P, Deb P, Fletcher J, Gallo WT, Sindelar JL (2009), National Bureau of Economic Research, MA, USA *Sin Taxes: Do Heterogeneous responses undercut their value*,

⁵ Delaney L, Harmon C, Wall P, (2007) Behavioural Economics & Drinking Behaviour: preliminary results from an Irish College Study, UCD Dublin

⁶ International Center for Alcohol Policies (ICAP), May 2006 ICAP Reports 18,

⁷ Manning et al, (1999) *The demand for alcohol: The differential response to price*, Vol 14, Issue 2 *The Journal for Health Economics*, pages 123 – 148; Ayyagari, P, et al (2009) *Sin Taxes: Do Heterogeneous Responses Undercut Their Value? NBER Working Paper* No 15124

⁸ Steve R Kisely, Joanne Pais, Angela White, Jason Connor, Lake-Hui Quek, Julia L Crilly and David Lawrence, Medical Journal of Australia, 2011 *Effect of the increase in "alcopops" tax on alcohol-related harms in young people: a controlled interrupted time series*,

"Australian and New Zealand students were happy to pay higher prices for the same number of drinks, and would simply buy more if the strength of the alcohol was reduced. In fact, even when the cost was increased by up to 25 per cent, there was still no significant change in buying behaviour"⁹.

It fails to target irresponsible drinkers or tackle harmful drinking

Studies have shown that rising alcohol prices are unlikely to deter binge drinking – in fact binge drinkers will continue to binge. This view is supported by Associate Professor Anthony Shakeshaft, Deputy Director of the National Drug and Alcohol Research Centre at the University of NSW.

"But we have also shown that when price goes up, our inclination is to drink on fewer days during the week to preserve our financial ability to binge drink on the weekend. So price alone is unlikely to reduce binge drinking significantly"¹⁰.

Will negatively impact on moderate consumers

The only certainty within a Minimum Unit Price policy is that it will punish moderate drinkers – the same studies that have demonstrated that heavy drinkers are price inelastic in their behaviours have shown that moderate drinkers are most likely to change their behaviours in response to price signals.

Q.3 Are there groups or organisations other than drinkers that could be particularly affected by MUP?

A minimum unit price policy discriminates against more efficient producers by preventing them from setting a price that reflects their better business models.

In the UK [REDACTED] imports wines from Australia, New Zealand, South Africa and California, all New World producers which have reduced their cost of production by introducing efficiencies in the vineyard and winery. For example Australia has exploited innovations such as mechanical harvesting and pruning to substantially reduce costs in the vineyard. Our business has also led the way in shipping branded wine by bulk container for bottling in-market – reducing cost by increasing the efficiency of shipping.

Introducing Minimum Unit Pricing discriminates against producers in low cost or efficient countries.

The fact that wine is an agricultural product could also create difficulty for retailers. The alcohol strength of wines, like those of other producers, are influenced by the growing conditions of each harvest. If it is a particularly hot summer, then the grapes will have naturally higher sugar content, leading to naturally produced wines that will be slightly higher in alcohol.

This could create great complexity and cost for retailers when they cannot be sure what the ABV, and therefore minimum price, will be given that the ABV could vary from vintage to vintage.

⁹ Steve R Kisely, Joanne Pais, Angela White, Jason Connor, Lake-Hui Quek, Julia L Crilly and David Lawrence, Medical Journal of Australia, 2011 *Increasing cost of alcohol won't stop youth drinking*, AUT University, Associate Professor Andrew Parsons, March 2012

¹⁰ Sydney Morning Herald, 17 July 2012 *We all need to act on drinking problem*,

Ban on Multi-buy promotions

Q.5 Do you think there should be a ban on multi-buy promotions in the off-trade?

No. [REDACTED] opposes the policy as it will do little to reduce alcohol related harm and will discriminate against those with market leading products such as our business.

[REDACTED] invests over £1m a year in insight into the UK wine market – buying all key industry data as well as owning a consumer panel of over 50,000 shoppers, giving us unique insights into wine purchasing behaviour. This is released into trade as The WineNation Report every year. One of the key findings from this year's report (launched in November) was the failure of the multi-buy ban in Scotland.

Introduced in October 2011, figures analysing sales and consumer behaviour demonstrated that the policy had negligible impact. Between July 2011 and July 2012, volume declined by -3.1% in Scotland as 3.2 million fewer bottles of wine were bought by Scottish households. However, in England and Wales, where there was no ban on multi-buys, there was a decline of -2.8%. Therefore, given the total UK-wide trend the impact of the multi-buy ban in Scotland appears to be negligible.

Recommendations

[REDACTED] notes that each of the measures in the consultation attempt to reduce the total consumption of alcohol by reducing its affordability. However no specific measures are being promoted to tackle harmful consumption behaviours.

We suggest that educational campaigns be introduced targeting young people and their parents in order to retune what is considered acceptable behaviour in relation to the consumption of alcohol. A culture that endorses inebriation and celebrates alcohol fuelled violence and misdemeanours should be eliminated.

As currently presented the Government's policies may be highly effective in reducing total alcohol consumption by hitting the moderate consumer in the pocket and totally ineffective in achieving the policies' stated objectives of reducing alcohol-related health problems associated with problem drinkers as well as tackling anti-social behaviour.