



ACS response to Government Alcohol Strategy Consultation

Annex 1 – Risk Impact Assessment analysis

1. The Government's Alcohol Strategy Consultation asks for comments on the Risk Impact Assessments (RIAs) published alongside the consultation. However, as there are nine Impact Assessment covering detailed new policy proposals, and the consultation aims to limit responses to 400 words, ACS has attached this detailed critique of the RIAs as Annex 1 to our submission.
2. This includes comments on the following areas:

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Minimum Unit Price (MUP) RIA

Sheffield Alcohol Policy Model

3. The key concern with the MUP RIA is its reliance on the Sheffield Alcohol Policy Model (SAPM). As MUP has not been introduced anywhere else in the world, this computer model is credited with being the sole evidence base for minimum pricing policy, yet is based on simplistic assumptions of complex human behaviours. We are therefore concerned that the MUP RIA is based upon a very limited evidence base which is being relied on too heavily to make hard predictions for the possible outcomes of this policy.
4. Areas of concern include the failure of the model to take into account issues such as alcohol addiction and dependency when predicting the impact of minimum pricing on heavy drinkers, and its impact on groups in society outside of those based on youth or level of alcohol consumption. Further information on our concerns in these areas is available if required.

Retailer costs

5. We are aware of estimates that over 50% of prices in the off-trade will be affected by a MUP of 45p; however that figure does not take into account the differences in pricing and promotions between supermarkets and smaller retailers. While we do not believe the number of products affected will be this high in members stores, it will have a significant effect on certain categories, including high strength beer and cider, and spirits. There will therefore be associated costs with re-pricing these products, as even stores with electronic systems currently do not have in place a system of calculating total alcohol volume for each product and linking that to the store's pricing structure.
6. The following data is taken from the ACS submission on the change in VAT in 2009. This operational changeover was similar to that that would be required under MUP, both initially and on-going as the rate of MUP is amended or changed.



7. The RIA acknowledges that the figures estimating costs to retailers have been derived from conversations with a small number of retailers. MUP would present a significant change in alcohol retailing, therefore a **more thorough assessment based on more detailed engagement with retailers of all sizes is required to develop a more robust and realistic impact assessment.**

Illicit trade

8. ACS disagrees with the RIA that increasing prices are unlikely to impact on the illicit trade. The UK already has a significant problem with alcohol duty fraud. The HMRC Tax Gaps Report 2012 showed that alcohol duty fraud for beer alone increased in 2011 to £600 million, with alcohol fraud in total costing the Exchequer £1.2 billion. Increasing the margin between legitimate products and illicit alcohol could increase profit and make this market more attractive to illicit trade.
9. **A further assessment into the potential impact on the illicit trade is necessary to provide a more accurate picture of the likely risk in this area.**

Multi-buy promotions ban RIA

Predicted benefits

10. No clear estimates or quantifiable benefits for a ban on multi-buy promotions are listed in Table H1, as the RIA acknowledges there is *'little direct evidence... on how alcohol promotions affect an individual's consumption behaviour after purchase.'*
11. Where the RIA does aim to show a link to monetary savings, it refers to figures in the MUP RIA. In addition to our concerns set out above, this highlights the likely similar outcomes of these policies, and the fact that any savings may be achieved by MUP even without the introduction of this ban. As the RIAs for each policy area have been conducted separately, it is important that Government does not inadvertently 'double-count' potential benefits arising from these policy proposals.
12. The RIA is also inconsistent in the description of the impact of the two options set out for a multi-buy promotions ban. While Option 1 'do nothing' states that *'In this scenario, alcohol consumption and alcohol-related harms would remain as they currently are, at a cost of £21bn per year to society,'* Option 2 (introduce a ban as recommended) acknowledges that a ban would be introduced alongside MUP. Given the acknowledgement that this policy would not be brought in on its own, it is inaccurate and misleading to state that the outcome for Option 1 would be for alcohol-related health harms to remain as they are at a cost of £21 billion.
13. **Any RIA of the impact of a multi-buy promotions ban should therefore only count any predicted savings over and above the estimated impact of MUP, in order to avoid double counting.**

Scotland

14. As highlighted in the RIA, Scotland introduced a similar ban on multi-buy promotions in October 2011, and a preliminary descriptive analysis of the impact of the ban on quantity discounts was published in June 2012¹. However, while the RIA references the small decline in the volume of pure alcohol sold off-trade in Scotland during the 33 week post ban period from the corresponding period the year before, it fails to mention the report's findings that there was also a decline over the same period in England & Wales where no ban on promotions was in force. This gain therefore cannot be attributed to the introduction of a multi-buy promotions ban.
15. ACS calls on the Government to follow the example of the Northern Irish Executive and drop plans to introduce a ban on multi-buy promotions for the off-trade.

Costs to retailers

16. We are also concerned over the lack of information regarding projected costs for retailers, which include very wide-ranging estimates and, in some cases (such as projected costs of materials) none at all. As highlighted in the RIA, the impact on smaller businesses without electronic pricing and point of sale systems is likely to be significantly more time intensive, incurring greater costs for those with the most limited

resources. The RIA also does not contain any estimates for the cost of any staff training requirements.

17. In addition, the consultation is asking retailers and their representatives to take definitive policy positions, despite acknowledging that it is *'impossible to estimate at this stage the exact impact a ban on multi-buy promotions would have on business revenue.'* This information, and an accurate assessment of resulting operational costs, is vital to ensure any policy does not have serious unintended or disproportionate burdens and consequences for retailers.
18. **We urge the Government to conduct much more thorough engagement with retailers of all sizes before publishing the revised impact assessments, and to delay any policy decision until all relevant data has been gathered and made available to all relevant parties.**

Competition

19. The RIA acknowledges a limited understanding of the role of promotions within the retail environment. In order to effectively understand the impact of these policies within a store environment, it is important that officials are familiar with the business models and practices that will be affected.
20. Promotions play a key role in convenience store retailing, where average basket spend in 2012 was £5.63. The impact of a ban on multi-buy promotions on price perception in small stores is particularly important. Convenience retailers operating in a highly competitive marketplace are faced with significant customer preconceptions about the high price of the products they sell compared to the supermarkets. The use of in-store promotions is a way of communicating the value of deals on offer and seeking to retain or attract purchases that would otherwise be made as part of the weekly shop in a major supermarket.
21. A ban on these promotions would reinforce the advantage that supermarkets have and more customer purchases will divert to the supermarket retailers. They offer a way to show value for money to the consumer, while being vital in attracting business within a highly competitive market.
22. We therefore dispute the assertion that *'no retailer will suffer a loss of competitiveness in comparison to their rivals as a result of this policy'*. Given their key role to the business, restrictions to promotional activity could have potentially serious implications, especially for smaller businesses.

One In One Out (OIOO)

23. The RIA suggests that, as multi-buy ban would most likely be introduced alongside MUP, burdens on businesses would be combined rather than cumulative. The policies together would therefore only count as one 'IN' under the OIOO scheme (now the One In Two Out (OITO) policy).
24. However, these two policies, while both affecting pricing, each entail familiarisation by retailers, staff training costs, new materials and a new approach to pricing and promotions. The two policies will therefore present a greater burden on retailers than the introduction of any one policy on its own. **The separate burdens these policies entail must be counted separately in order to make an accurate estimate relevant to the OITO scheme for reducing regulatory burdens.**

CIPs RIA

Evidence base

25. Primarily, we are concerned by claims within the RIA that the evidence base referred to shows that '*a reduction in density would lead to a reduction in both alcohol related harm and crime and disorder.*²' The findings of the University of Sheffield Systematic Evidence Review (that is the cited reference point for this claim) do not support the assertion, as the studies used are all based on quantitative correlations of varying quality, none of which prove causal links between outlet density and alcohol-related harm. Of the 19 studies, 5 suggest a correlation between increased densities and increasing consumption, but none suggest that a reduction in density links to a proven reduction in consumption – a systematic review of this evidence is provided at Annex 2.
26. In addition, none of the studies references aimed to assess the effectiveness of policy interventions to limit outlet density; the research relies heavily on non-UK studies which may not be applicable to the UK context; the majority of studies did not provide a clear distinction between or evidence on any specific problem relating to the off-trade; and the data sources used vary greatly and are therefore largely incomparable.
27. Furthermore, studies referenced in the NICE evidence base³ that do try and separate the impact of density between the on- and off-trades demonstrate a correlation for on-trade, but not off-trade.
28. Attempts to produce evidence of a specific link between off-trade density and alcohol consumption in particular is even more scarce, as there is not the same link between premises and level of alcohol consumption as seen in the on-trade. For example, one suburban off-trade retailer may attract the same number of customers as two or three retailers located on a busier high street, and the removal of one license may mean that customers simply choose to switch their business to the nearest competitor rather than reduce consumption rates. These types of variables are more prevalent in the off-trade given the business model and lack of a link between off-trade customers and the immediate vicinity of the store.
29. In order to draw a conclusion between outlet density and alcohol consumption, the evidence also assumes a correlation between the ability to hold an alcohol license and the amount of alcohol sold. This is not the case. The level of alcohol sales for a large supermarket would be significantly greater than that of a small convenience store, yet both would only count for one license according to the evidence base being used.
30. There is also evidence available which appears to disprove the link between availability of alcohol and increased consumption. Despite an overall rise in the total number of alcohol licenses, alcohol consumption has decreased every year since 2002. In addition, since the relaxation of licensing laws to permit '24 hour drinking' in the UK in 2005, average weekly consumption has fallen by nearly twenty per cent.
31. In order for the RIA to fully assess the likely value and impact of this policy, **separate studies for both on and off trade should be conducted based on current UK data. Until this evidence is available, and given the lack of any causal link between outlet (specifically off-trade) density and alcohol consumption, we urge the Government not to introduce a health objective for CIPs.**

² RIA page 6 – Section B 'Rationale'

³ Kuntsche et al. 2005, Regression analysis; Kuntsche et al. 2008, Multi-level modelling

Benefits

32. Given this lack of evidence, we are therefore very concerned by the claims made in the RIA which suggests that this study can be used to derive a robust estimate of the monetised benefit of this policy. We are also concerned that this is based on the highly unusual practice of assuming that the impact will be at the top end of the scale presented by the evidence base (3.7% where the scale presented from 5 studies is between 0.3% and 3.7% and the mean is 1.9%). Our experience of previous RIA processes, including those put forward for other policies included in this consultation, is to take an estimate at the low or mid-point of the suggested scale and thereby avoid exaggeration of the possible benefits.
33. There is also further risk of 'double counting' of benefits, as highlighted above in relation to a ban on multi-buy promotions, as the impact assessment also uses the Sheffield Alcohol Policy Model (the SchARR model) to analyse the health and crime impacts of introducing this policy.

Costs to retailers

34. The assessment made of the likely costs and harms to retailers that may result from the policy implementation is also wholly inadequate. Firstly, the RIA refers to the costs of employed managers working in premises having to familiarise themselves with the policy. While this may be appropriate for multiple retailers and larger premises, this ignores the large number of small and independently owned businesses, where often the owner themselves, or a member of their family, would be required to fill this role.
35. Of the 49,480 convenience stores in England Scotland and Wales alone, 77% are independently owned, and 27% employ only their family members.⁴ These owners do not have specialist training or resources in policy issues or regulatory compliance, and must balance the need to familiarise themselves with new policies alongside the day to day challenges of running their stores.
36. Even for those stores who do employ managers, an estimate of 30 minutes time per premises does not take into account stores where more than one person would need to be fully aware of the policy, or of any further staff training requirements. We therefore feel the RIA significantly underestimates the cost to the sector as a whole of familiarisation with this policy.
37. However, despite these oversights, the key concern is that the burden of this policy does not relate primarily, as suggested, to the cost of familiarisation with CIPs when they are introduced, but instead to the increasing burdens associated with running premises in CIP zones. The proposed introduction of a health objective for CIPs demand more resources from retailers in terms of having to meet the higher evidence threshold in order to obtain an alcohol license. Variations to licences will also become significantly more burdensome, and with CIP policies bringing a presumption that new license applications will be rejected, it can be predicted that the number of appeals will also rise, leading to further legal costs and demands on retailers' time.
38. The extension of CIPs would also have a detrimental effect on the value of businesses within the designated cumulative impact zone. Currently, where a retailer wishes to sell his business, any new owner would have to submit a new application for an alcohol

⁴ ACS Local Shop Report 2012

license. A presumption that new licenses would be rejected would limit the potential product mix of the store, and therefore the value of the business as a whole. This is another potential cost to retailers which has not been considered as part of the RIA and should be factored in to any revised impact assessment.

39. Where a premise is granted a license within a cumulative impact zone, it is increasingly likely that local authorities will choose to place additional conditions on that license. These can vary from significantly increased training requirements for staff, to limitations on the products sold in store, or the inclusion of specific security measures on site.
40. The RIA is unable to estimate these costs for retailers given the lack of detail in the consultation as to what the evidentiary requirements may be for proving a license does not add to health harms within the local area. This information is vital if retailers and their representatives are to be able to determine the full extent of the potential impact of this policy.

Competition

41. Each of the cost presented in the previous section will affect business profitability and ability to compete in the local area. In the case of a small start-up business, the legal and operational expertise required to develop the evidence base necessary to prove that a business will not contribute to health related or crime and disorder harm will be a significant barrier to entry and investment, whereas bigger businesses are likely to have the expertise and the resource to invest in managing this more difficult process.
42. 70% of independent owners are also new investors in the convenience sector, providing essential products, services and employment opportunities within communities with each new business start-up. These disproportionate burdens will therefore distort the market away from small, independent entrepreneurs, in favour of large multiple retail groups.
43. We are also concerned by the suggestion that for off licence premises the revenue associated with alcohol sales constitutes 'excess profit'. Convenience stores offer a wide range of products and services to their communities. Average basket spend in a convenience store in 2012 was £5.63, and in order to be successful these businesses need to be able to attract a high volume of customers. Experience of our members shows that customers expect the product mix in store to include the sale of alcohol products, therefore inability to obtain an alcohol license can seriously affect the viability of a business.
44. CIPs policies are also highly protectionist. The justification in the RIA that small numbers of premises can still compete on price (given the proportionately greater burdens) is not substantiated with evidence. The result of this impact on smaller stores is that convenience stores will be significantly less likely to open and invest in areas where they are not permitted to have an alcohol licence. This will mean a reduction in employment opportunities and access to products and services within communities. A much fuller assessment is required of the impact of CIPs on competition, innovation and consumer choice.

Removing the duty to advertise licensing applications in a newspaper or circular RIA

Double counting

46. RIA recognises that ‘the Government is consulting upon a number of de-regulatory licensing measures. This means that the estimated “outs” are subject to interdependencies; and may, at consultation stage, contain “double counting” that will be addressed at implementation stage.’ This is the only stage in the nine separate RIAs where the issue of potential ‘double counting’ and reference to other policies has been highlighted. This double counting can also occur for benefits as well as costs, and therefore that a full cost benefit analysis should be conducted of all policy measures likely to be taken forward to ensure the proposals will not place disproportionately high burdens on businesses in relation to the potential gains.

Administrative costs

47. The RIA highlights that, in addition to the cost of placing the advertisement in a newspaper, retailers also incur some administrative costs in preparing the advertisement and arranging for its publication. However, it also acknowledges that this is minimal as retailers will still have the requirement to prepare this information for the notice on the premises.
48. Therefore the potential administrative cost savings are minimal, and that the RIA heavily over-rates this potential saving (£6.3m-£8.2m) for the purposes of the One In Two Out policy for regulations. This is especially clear when compared to the predicted costs and time for retailers to familiarise themselves with policy for a health objective for CIPs (also 30 minutes), or the projected costs for the implementation of a ban on multi-buy promotions (£9.3 million). The burdens associated with these latter policies are in no way comparable to the potential savings from removing the duty to advertise licensing applications in a newspaper or circular.

Removing the Prohibition on the Sale of Alcohol in Motorway Service Areas RIA

Costs

49. ACS supports the removal of the prohibition on alcohol sales in motorway service areas (MSA) (Option 2). While we support the general assessment and assumptions made in the RIA, there are a number of areas where we feel the costs and risks have been overstated.
50. The impact assessment states that all supermarket-type premises will apply for a license. This is unlikely to be the case, as an alcohol license would only be sought if there was a viable business case. This is likely to be higher in cases where the MSA is located close to a local community and also provides goods and services to those customers. The costs are therefore likely to be lower than estimated for businesses and, as highlighted in the RIA, primary costs for local authorities should be covered by the license fee.

Benefits

51. One benefit we feel it is important to highlight is that the proposal will create consistency across UK policy in this area. The Licensing Act 2003 prohibits the sale of alcohol at MSA which are still owned by the Government, however since 1992 an increasing number are located on private land. While guidance has aimed to prevent alcohol sales at all premises, we are aware of 16 out of the 107 MSA sites that are currently licensed to sell alcohol.

Risks

52. The RIA states *'increased availability is likely to lead to an increase in the overall consumption of alcohol'*⁵, yet as highlighted above, this is not supported by consumption statistics over the past decade. Since 2002 average weekly consumption in England and Wales has fallen year on year, yet the total number of alcohol licenses, and therefore availability, has increased.
53. The RIA also highlights concerns over the impact this policy may have on consumption of groups such as football fans travelling to games. As it is illegal to consume alcohol on vehicles with more than 7 seats, we fail to see the likely impact of this policy in this area. As coaches can prohibit fans from drinking alcohol on board, they are less likely to purchase significant quantities of alcohol at MSA sites.
54. The risks associated with this deregulation are minimal, as the proposals would simply allow these premises to become subject to national licensing rules, which would mean they still would have to satisfy local authorities that they were compliant with the licensing objectives.

⁵ Removing the Prohibition on the sale of alcohol in motorway Service Areas RIA, pg 10