HEINEKEN

HEINEKEN UK Consultation Response – Pro Forma

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

The summary answers the consultation questions below should be read in conjunction with our further submission of more detailed evidence on minimum pricing.

Consultation Question 1:

The Government wants to ensure that the chosen minimum unit price level is targeted and proportionate, whilst achieving a significant reduction of harm.

Do you agree that this MUP level would achieve these aims? (Please select one option):
NO

Minimum pricing will not tackle binge drinking – despite this being the stated objective of the Government, the researchers behind the Sheffield Model used to support minimum pricing have questioned its impact stating *"People might say that the measure will have a huge impact on young people's binge drinking, but it is not clear that that will be the case"*. The Government's RIA states that it will "have a more limited impact on consumption amongst this group [young male hazardous drinkers]".

Alcohol consumption in the UK is falling – despite growing media and political concern about alcohol misuse, the Government's own statistics show that 78% of people in the UK drink alcohol responsibly. Since 2004 consumption has dropped by 13%. Across the board and in every age group and for men and women average consumption has fallen. The average adult drank 11.5 units a week in 2010 – that's a fall of 20% in five years from 14.3 units in 2005. The most pronounced changes have been to drinking levels among 16-24 year olds with average consumption down to 11.1 units and binge drinking down 8% for men and 10% for women since 2005.

Consumption is down and predicted to continue downwards – the Government estimates that minimum pricing at 45p will reduce consumption by 3.3%. The Public Health Responsibility Deal commitment itself will reduce consumption by 2015 by 2%, while the OBR predicts a further 2.4bn reduction by 2018 which equates to a 4.8% drop in consumption.

Consultation Question 2:

Should other factors or evidence be considered when setting a minimum unit price for alcohol?
YES

The effects of minimum pricing are only theoretical – the case is based around one theoretical, mathematical model which its creators have likened to weather forecasting. Minimum pricing exists in no other country and the Canadian system often quoted is completely different and operates from state run off licences. Prices are set based on increasing revenue not reducing harm and the off licences return a dividend to the Government. The Home Office has previously stated that alcohol price is only one factor affecting levels of alcohol consumption with individual, cultural, situational and social factors also influential. The IFS, IEA, ASI and CEBR as well as the Home Office and Treasury have all provided detailed critiques of the limitations and flaws in the model.

The costs and benefits of minimum pricing need to be taken in context – the RIA shows the total cost of alcohol misuse to be around £21bn per annum yet the benefits of minimum price amount to less than £100m in year 1. The evidence base for reduced crime and productivity costs is acknowledged to be weak. Meanwhile over the course of a 5 year Parliament the government will lose £1bn in cash from duty receipts and gain only £714.5m in health and crime savings, most of which are not cashable. The net loss to the Government over 5 years is £285.5m which in an austerity budget will require to be found from elsewhere.

Minimum pricing is not a tax – the RIA is clear that a 45p minimum price will cost consumers in England £1bn extra every year. This money does not go to the Government and the RIA predicts most of it will be retained by alcohol retailers. Over the first five years, consumers will pay out £5.2bn more and the Government will lose £1bn in reduced duty receipts. The result will be to increase UK inflation by 0.2%.

There is significant uncertainty that minimum pricing is legal – the UK Government has previously been on record to state that it is illegal. The Scottish Government is currently facing a legal challenge in the Court of Session and at European level the European Commission and a range of member states have lodged objections about the legality of the measure.

Consultation Question 3:

How do you think the level of minimum unit price set by the Government should be adjusted over time?

HEINEKEN does not support the introduction of a minimum unit price. If it was introduced the minimum unit price should be reviewed after a set period.

Consultation Question 4:

The aim of minimum unit pricing is to reduce the consumption of harmful and hazardous drinkers, while minimising the impact on responsible drinkers. Do you think that there are any other people, organisations or groups that could be particularly affected by a minimum unit price for alcohol?

It will hit responsible drinkers and those on low incomes – The Government states that a minimum price of 45p will increase the cost of two thirds of the alcohol sold in the off trade. Analysis by the IFS has demonstrated the minimum pricing has the greatest impact on the lowest income households who will see a larger increase in their food and drink spending than higher earning households that drink more. Low income households already have lower alcohol consumption patterns and therefore it is particularly unfair that they should pay more. CEBR has demonstrated that a 45p minimum price is highly regressive.

It will not help pubs; it will cause further damage – As a major brewer and owner of 1,300 pubs HEINEKEN understands the pressures facing the industry. Minimum pricing will make matters worse because it will have little impact on price differentials. In fact because off trade purchases are increasingly part of the weekly shop, while on trade visits are discretionary, there is a risk that it will simply reduce the funds available to spend in the pub. Recent polling has confirmed that it will lead people to consume less in pubs.

Cider makes a unique contribution to the rural economy in the UK – but will be hardest hit. In the UK 30% of all apples grown are used to make our ciders. We support our apple farmers with long term contracts to provide the stability they need. The industry makes a massive contribution to the economy of Herefordshire. Yet despite being a domestic success story, the Government predicts that a minimum price of 45p would increase the price of 85% of cider sold in the UK. The RIA estimates a 48.2% drop in off trade consumption as a result – nine times greater than the impact on beer or spirits consumption.

Minimum pricing has a number of unintended consequences – the Government estimates that illicit alcohol in the UK already costs the exchequer £1.4bn per annum in lost revenue. Recent history tells us that major price differentials will drive cross border sales (e.g. Calais to Dover, and Northern Ireland to Republic of Ireland) and there are fears that minimum pricing will increase duty unpaid, counterfeit and black market sales. None of these are accounted for in the Sheffield Model.