



Welsh Retail Consortium response to the National Assembly for Wales Health Committee's consultation on the Public Health (Minimum Price for Alcohol) (Wales) Bill

Introduction

The Welsh Retail Consortium is the leading trade association and authoritative voice for the Welsh retail sector. We represent the whole range of retailers, from large multiples and department stores through to independents, selling a wide range of both food and non-food items. Our members include all major supermarkets, accounting for over 90% of all grocery sales. Alcohol is an important element of those grocery sales, equivalent of 10% turnover in a typical supermarket.

WRC members fully accept their responsibility as responsible retailers and are working with their customers to promote and encourage moderate and responsible drinking. We recognise that more is needed to address the problems caused by those who drink irresponsibly and we will continue to work with stakeholders and Government to achieve the cultural change required. The WRC and our members are active participants of the Welsh Government's Alcohol Industry Network and we work closely with officials on issues of relevance to this group.

We welcome the opportunity to contribute to stage one of the legislative process following the introduction of the Public Health (Minimum Price for Alcohol) (Wales) Bill. In the event the legislation is passed our members, who have a proud record of retailing alcohol responsibly, stand ready to work with the Government to ensure this is implemented quickly and effectively

Following the recent decision in Scotland we strongly urge the respective Governments to work together on this issue to minimise the undoubted operational impacts that are likely to be particularly acute in Wales given the porous border. We would urge, where practical and reasonable, that the Welsh Government takes the same approach as in Scotland to ensure clarity and consistency both for retailers who operate in both nations and for the consumer.

Current retailer activity – supporting responsible behaviour

Our members have supported responsible consumption messaging throughout store and through contributions to the Drinkaware Trust, the independent organisation that has campaigned extensively to reinforce responsible drinking with both existing drinkers and parents.

We have taken the lead in encouraging more responsible behaviour towards alcohol through our new revised label that appeared on alcoholic products in supermarkets across the country earlier this year. The BRC/WRC and our members took the initiative to revise their existing alcohol labelling following updated advice from the UK's four Chief Medical Officers on the maximum number of units that should be consumed in a week as well as the recommended frequency of alcohol consumption.

WRC members have also been at the forefront of initiatives to prevent sales to underage customers. They pioneered the Challenge 25 policy, whereby all customers who appear to be under 25 are challenged for ID. Collectively, through the Retail of Alcohol Standards Group (RASG), our members

have ensured consistency in the way Challenge 25 is operated. The June report by the Retail of Alcohol Standards Group into the application and impact of Challenge 25 showed people in Wales had the second highest level of support for the scheme in the UK (84%). Since the scheme's introduction there has been a UK wide fall in alcohol consumption by 16-24 year olds of 24%.

Retailers are also an integral part of Community Alcohol Partnerships (CAPs), which work at a local level with enforcers and local communities to tackle under age sales and low level disorder. It is no surprise that retailers consistently outperform other sellers of alcohol in preventing underage sales. CAPs are evidence-based, tailored partnerships that bring all stakeholders together to resolve issues. Small and large retailers, trading standards, schools, the police and the licensing authority can make a real difference when working together, tackling the local and cultural issues associated with anti-social behaviour. Recent studies have shown a 41% decrease in anti-social behaviour together with a reduction in reports of under 18's drinking in public through the implementation of CAPs. Our members are committed to supporting and developing CAPs in Wales and to working with the community to ensure their long term success.

The investment in promoting the responsible sale and consumption of alcohol demonstrates how seriously our members regard the licensing regime and their selling of alcohol. We have always argued that the system should enforce rigorously against those alcohol sellers who act irresponsibly. We also believe, however, that changes to licensing legislation and controls on sales should follow the basic rules of better regulation. Any changes should be based on clear evidence that further regulation is needed and will be effective. It should also be proportionate and targeted and not simply blanket measures that affect all alcohol sellers regardless of their policy and performance.

The unintended consequences

We believe excessive alcohol consumption is due to complex reasons influenced by cultural and social factors. The measures we have embarked upon, clear information for drinkers and Drinkaware campaigns, targeting both existing drinkers and the next generation, are having an impact now and will continue to have an impact in the future.

It is important to look very closely at how the introduction of MUP could affect all consumers, including those moderate drinkers and those that are less affluent. We must ensure that public policy always takes into account the public impact and mitigates against the unintended consequences wherever possible. The potential to penalise those that drink responsibly, through what might be seen as a blanket measure, must be considered when identifying the best route to challenging negative behaviours.

Some retailers will see a greater impact from the introduction of a minimum price, particularly smaller retailers for whom alcohol is a more significant percentage of their overall turnover. Higher prices for alcohol could see consumers crossing over the border to buy alcohol more cheaply in England and there are a number of operational issues around the cross border impact that we outline below as part of the considerations needed during this legislative process. Our members have experience of this in Northern Ireland, where changes in the Euro exchange rate have encouraged shoppers either side of the border to change where they shop.

There is also a risk that own brand alcohol will be disproportionately affected by a minimum unit price. That will lead to reduced choice for consumers, and impact on those producers.

Key considerations

i) Practical Considerations

At what price will the MUP be set? We remain concerned that this figure has not be included in the bill and will be set by regulations; this provides uncertainty as to what level of impact the MUP will have operationally and on our consumers. We would strongly urge that there is parity with Scotland on the setting of the price, all modelling has been undertaken at this level and evaluation will be more effective if both nations are working within the same framework.

How will retailers be expected to manage markdowns of short dated or packaging damaged alcoholic products? These would currently retail below the MUP, and are unlikely to sell above that. There will be both a cost and waste impact on retailers.

What guidance will be put in place to manage cross border sales? In particular, putting the structures in place for online retailing will be complicated, and will require all retailers (and producers) to be aware and abide by the rules to ensure there is a fair and level playing field. Amongst this there will need to be guidance around how things like home shopping substitutions work. We request early engagement on these issues to ensure transparency, accountability and clarity in terms of guidance issued.

How will retailers be expected to manage colleague discounts? Similarly, what guidance will there be on coupons and meal deals.

With the price of alcohol rising there is likely to be an increase in retail crime, especially shoplifting. Will resource be put in place to support retailers?

A consistent enforcement approach is important to ensure different retailers are not unfairly impacted by the proposals. How will the enforcement regime work, what penalties and sanctions will be used, and what approach will be taken? We are keen to understand how better regulation in this respect can be delivered through the 22 local authority public protection and licensing teams.

ii.) Economic Considerations

The implementation of MUP will be burdensome to some Welsh retailers to implement and deliver. Creating new systems and processes is time consuming and requires investment from those businesses at a time where grocery retail margins are small and other cost pressures in the supply chain are significant. Whilst this is not a reason not to implement the policy, it is worth noting these costs will affect retailers. In order to reduce any additional burden on retailers of implementing MUP in Wales, we'd advocate, as far as possible, regulatory and operational alignment with the system being set up in Scotland.

It is inaccurate to assume retailers will be able to profit from the increased price of alcohol. Many lines which were previously below MUP levels will no longer be viable, and those lines which are sold at a higher price will be less popular. Consequently, there will be little profit increase due to the higher prices. Additionally, we do not know how alcohol producers will react in shifting their cost prices or changing their promotional strategies. The University of Sheffield academic modelling suggests that there will be 'additional revenue for the industry as a whole' but that 'no-one knows where this additional revenue will end up along the supply chain'.

Furthermore, whilst the price may rise on branded alcohol products, in many case these will only previously have been below the MUP level due to promotional activity. In these instances, ending the promotion merely means that the item returns to a normal price, with the original margin.

Consequently, the likelihood is that when costs and producer engagement is completed retailers will at best be in a position which is no worse than the status quo, and potentially the new systems will actually have cost implications for retailers.

It is of course worth noting there may be an impact on some suppliers whose products will now struggle against more established brands. We will need to take decisions about the range of products that we sell, but we would expect it to be very difficult to sell own brand products if they are raised close to the current price of the major brands.

iii.) Implementation

Retailers anticipate it will take around twelve months to bring forward the systems and processes necessary to implement MUP. That will vary between businesses, with larger retailers being more able to accommodate these changes more quickly.

Retailers would ask that Implementation does not take place during the final three months of the year as alcohol sales play a significant role in Christmas promotional activity and this would be challenging to implement simultaneously.

iv.) Data

A large number of claims have been made during the long debates over what impact MUP will have. Retailers would like to see clear and robust analysis and assessment of the policy so the exact impact of the policy can be accurately assessed. We welcome that the bill proposes a report on the operation and effect of the legislation to be published at the end of a five-year review period. There needs to be a strong evidence-based approach to any future changes in the MUP, and on its viability as an effective tool in changing negative consumer behaviours.

Conclusion

Key for retailers will be early clarity on how Minimum Unit Pricing of alcohol will work in Wales, and a fair timeframe to allow businesses to make necessary price changes.

Should the bill be passed we request a reasonable implementation period, of at least twelve months, and that clear guidance needs to be in place so retailers understand exactly how they can effectively implement the policy.

It's also crucial Ministers strike the right balance of taking measures to tackle problem drinking, without inadvertently hitting hard pressed households who consume alcohol responsibly in line with the recommended guidelines. At a time when consumers are already facing increased inflation, rising interest rates, and even potential rises in income tax this issue is even more pertinent.

We will continue to engage, through the Welsh Government Alcohol Industry Network and with key officials, to seek assurances to the considerations outlined above.

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