

MPA 48  
Bil Iechyd y Cyhoedd (Isafbris am Alcohol) (Cymru)  
Public Health (Minimum Price for Alcohol) (Wales) Bill  
Ymateb gan Asda  
Response from Asda



Health, Social Care and Sport Committee  
National Assembly for Wales  
Pierhead Street  
Cardiff  
CF99 1NA

December 2017

**Asda Consultation Response: Health, Social Care and Sport Committee Inquiry into the General Principles of the Public Health (Minimum Price for Alcohol) (Wales) Bill**

**About Asda**

Founded in the 1960s in Yorkshire, Asda is one of Britain's leading retailers and helps customers save money and live better through shopping in our stores, online and through their mobile devices. Asda has 646 stores across the UK employing more than 150,000 people, including 43 sites in Wales employing more than 10,000 colleagues. Our main office is in Leeds, Yorkshire and our George clothing division is in Lutterworth, Leicestershire.

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**Asda and alcohol**

Alcohol consumption in the UK has been on a sustained downward trajectory for more than a decade, with the most recent ONS data showing that the proportion of adults drinking alcohol at the lowest level on record: only 56% had had a drink in the week before being interviewed - a fall from 64% in 2005. Binge drinking and harmful drinking have also declined by 17% and 23% respectively since 2005, and the proportion of young people who are teetotal has risen over the same period.

There is, however, still a long way to go, and at Asda we accept that more can be done to tackle alcohol misuse. As a responsible retailer, we continue to demonstrate our willingness to act by implementing an extensive package of retail measures and advocacy work to ensure we sell alcohol responsibly and help our customers to make informed choices.

In 2010 we made a voluntary commitment not to sell alcohol at a price below the cost of excise duty plus VAT – the only retailer to commit to doing so – and we offer a wide range of low or alcohol-free products to help customers moderate their alcohol consumption. We were the first retailer to introduce Challenge 25 in every store and we use an independent verification system (Serve Legal) to ensure that all of our colleagues are applying the policy consistently and appropriately.

We have voluntarily delisted certain high alcohol products from our shelves and reduced the alcohol content of others. The products we have removed from sale include all strong white cider, including Frosty Jacks (7.5% ABV) and Diamond White (7.5% ABV) and all non-premium, high-strength beers and lagers including Tennent's Super (9% ABV) and Carlsberg Special Brew (8% ABV). We do not sell any carbonated product with more than four units of alcohol in a single-serve can or 15 units in a PET plastic bottle.

We support Community Alcohol Partnerships (CAP) that aim to tackle public underage drinking and alcohol related anti-social behaviour through co-operation between alcohol retailers and local stakeholders. We currently participate in 18 local partnerships across the UK and continue to work

closely with new CAPs as they develop. We would encourage communities in Wales to get in touch with the CAP team if they would like to set one up in their area.

We are a leading funder of alcohol education charity Drinkaware, and this year extended our partnership to deliver alcohol awareness information events to Asda shoppers in 100 of our top alcohol selling stores, including four in Wales. Due to the success of these events, which actively engaged over two thousand customers, we will be repeating the activity in January 2018.

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### **General principles of the Bill**

While we welcome the intention of the Welsh Government to tackle alcohol misuse, we believe that the introduction of minimum pricing will penalise responsible drinkers on low incomes and could result in significant and undesirable unintended consequences.

Evidence shows that a relatively small number of drinkers in the UK consume a disproportionately large amount of alcohol, with close to 70% of alcohol consumed by one fifth of the population. Heavy drinking amongst a minority drastically pushes up the average. Policies which aim to reduce per capita alcohol consumption through price controls not only fail to help problem drinkers, but punish the majority of responsible consumers.

Independent research by the Centre for Economic and Business Research (CEBR) shows that minimum pricing is a regressive measure that will have the biggest impact on those on the lowest incomes. This is despite the evidence showing that low earners drink less and are less likely to exceed recommended drinking guidelines than those in higher income groups. Recent evidence from the ONS shows that the highest earners (those earning £40,000 and above annually) are more likely to be frequent drinkers and twice as likely to “binge” on their heaviest drinking day when compared with the lowest earners.

Minimum pricing also fails to target irresponsible drinking: when calculating the elasticity of alcohol products, the Sheffield model’s analysis shows that, overall, heavier drinkers are least responsive to price changes. Responsible drinkers on a budget will be hit harder than irresponsible drinkers with higher incomes.

The architects of the Sheffield Study have admitted that minimum pricing will not tackle binge drinking. In fact, the research shows that those drinkers most commonly associated with alcohol-fuelled crime and antisocial behaviour are amongst the least likely to be affected.

There is widespread evidence from around the world that there is no simple link between alcohol price, consumption and harm. Indeed, other countries alongside the UK with the highest alcohol taxes and highest prices, such as Sweden and Ireland, also experience problems with alcohol misuse. France actually has higher levels of overall consumption than the UK, but they don’t see the same levels of alcohol related harm. This suggests that alcohol consumption is more closely associated with cultural factors than price and availability.

### **Cost of living**

As a value retailer, we believe minimum pricing will unfairly increase the basket-spend for the vast majority of our responsible customers, many of who are on limited incomes, at a time when household incomes continue to be squeezed and inflation continues to rise. In the two most recent

Asda Income Tracker reports, produced alongside the Centre for Economics and Business Research, we found that the discretionary income of the average family in Wales had stagnated at £170 a week, behind the UK average of £198, whilst food price inflation rose to 4% in October reaching a four year high. In this context, minimum pricing would represent a significant additional burden on our Welsh customers at a time when they can least afford it.

It's important to remember that pricing is subjective, and for many of our customers our prices are not 'cheap', they are affordable. Minimum pricing wrongly assumes that everyone who looks for value for money is a binge-drinker.

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### **Unintended consequences**

Minimum pricing is an artificial market intervention which currently exists in no comparable country on a nationwide basis, and it is therefore hard to assess what its impact will be on sophisticated market dynamics. It is likely to have a number of significant unintended consequences, in addition to increasing prices for responsible drinkers.

The likelihood of cross border trade is significant, as demonstrated by our experience in Northern Ireland. As well as being the top performers in the chain, our border stores significantly outperform the rest of the chain on alcohol sales, with many customers driving over an hour and a half from across the Republic of Ireland. Importantly, when they travel they also do so for their wider grocery shopping. Retailers with no physical presence in the Republic of Ireland now have almost 2% of the grocery market due to cross border trade.

We have nine Asda superstores within 40 minutes' drive of Welsh borders, including two superstores within five miles of the Severn Bridge – where tolls will soon be scrapped – and three within five miles of the border in North Wales. We would expect distortions in trade in these concentrated areas where customers are likely to make purposeful trips to buy alcohol in England. In these circumstances, we expect some customers will divert their entire grocery shopping away from Welsh stores, putting trade and potentially jobs at risk.

Online sales are a fast growing market and this Bill will provide a boost to that growth. It is very likely that many customers will choose to purchase alcohol online from retailers based in England if a significant price gap opens up. This raises the prospect of a digital divide where often lower income groups will be faced with higher prices, while more affluent consumers will avoid price hikes through internet purchases. It will put Welsh businesses, including Asda's Welsh stores, at a competitive disadvantage.

Major price differences with England will also promote black market sales through both organised crime and 'white van man' deliveries, often in the most deprived areas without concern for selling to under 18s. It will be easier for counterfeit alcohol to be passed off as cheap alcohol from England.

A large proportion of in-store theft already occurs in our beers, wines and spirits aisle, with a particular concentration on spirits, and we expect this to increase should prices rise with the introduction of minimum pricing.

Minimum pricing is also likely to cause a significant increase in waste, which has serious implications for sustainability and cost. From time to time all retailers will have unsold or redundant stock, which includes items with a limited shelf life, products with label and packaging damage, and deleted lines.

Reducing the price of these items by even the smallest amount usually allows all this stock to be sold. Under minimum pricing, however, such stock clearance discounts will be prohibited, and retailers will be forced to resort to disposal. Given that most alcohol products are packaged in glass, both the monetary costs and the environmental impacts of this disposal will be high. At Asda, our aim is to send zero waste to landfill, from any part of our operations, and this unintended consequence of minimum pricing will be a serious consideration for the business.

### **Business costs of implementation**

In addition to the likelihood of increased thefts and the impact of cross-border sales, there are significant costs for businesses in Wales – large and small – associated with the implementation of complex new systems to handle minimum pricing. As an indication of the scale of these costs, preparing our pricing systems for the implementation of minimum pricing in Scotland cost Asda more than £1million and took approximately three years.

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### **Evaluation and implementation**

At Asda we do not believe that minimum pricing is the solution to tackling alcohol misuse. If the Welsh Government is determined to proceed, however, and believes that it has the legislative competence to bring forward a legal and workable scheme, then there are some key considerations that must be taken into account.

The Scottish Government is due to implement minimum unit pricing, likely to be set at a price of 50p per unit, on 1 May 2018. It is imperative that any system of minimum pricing introduced in Wales mirrors that introduced in Scotland, including the price per unit, to avoid worsening the market distortions and creating further complexity and cost for businesses operating across the UK. The system should also replicate the Scottish approach in terms of the practical details of retailer implementation, including, for example, the treatment of meal deals containing alcohol products and customer goodwill vouchers.

The Welsh Government should allow for a sufficient implementation period for businesses to upgrade their systems and prepare for the likely unintended consequences. We believe that an implementation period of a minimum of two years after the Bill reaches Royal Assent would be appropriate.

We welcome Section 21 and 22 of the Bill that will legislate for the reporting of the effectiveness of the Act at the end of a five year period and will feed into whether the Government of the time make regulations to prevent the repealing of the Bill. The legislation must be robustly monitored on a wide range of indicators including consumption and harm levels, the knock-on impact on substance misuse, the impact on responsible drinkers on low incomes, rates of illicit trade and the extent of cross-border trading. There must also be a detailed and independent evaluation of the claims made in the Sheffield study, including about the reductions in crime and harm. The evaluation must be open to consultation from a broad range of stakeholders, including industry.

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### **For further information:**

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