

**Explanatory Memorandum to the
draft Public Health (Minimum Price
for Alcohol) (Minimum Unit Price)
(Wales) Regulations 2019**

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This Explanatory Memorandum has been prepared by the Health and Social Services Department and is laid before the National Assembly for Wales in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Minister's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the draft Public Health (Minimum Price for Alcohol) (Minimum Unit Price) (Wales) Regulations 2019. I am satisfied that the benefits justify the likely costs.

Vaughan Gething AM

Minister for Health and Social Services

15 October 2019

PART 1

1. Description

1. The Public Health (Minimum Price for Alcohol) (Wales) Act 2018 (“the Act”) makes provision about the minimum price for which alcohol is to be supplied by alcohol retailers from qualifying premises in Wales to a person in Wales and establishes a local authority led enforcement regime.
2. Section 1 of the Act sets out the formula which is to be applied in calculating the applicable minimum price for this purpose. That formula is $M \times S \times V$.
3. M is the minimum unit price which is specified in regulations; S is the strength of the alcohol, expressed as a cardinal number (so for instance if the strength is 5%, the relevant cardinal number will be 5); and V is the volume of the alcohol in litres.
4. These regulations specify that the minimum unit price (M) for the purposes of the 2018 Act is £0.50.

2. Matters of special interest to the Constitutional and Legislative Affairs Committee

5. None.

3. Legislative background

6. The regulations are made pursuant to section 1(1)(a) of the Act.
7. In accordance with section 26(2) of the Act, these regulations are subject to the affirmative procedure.

4. Purpose and intended effect of the legislation

8. The purpose of these regulations is to specify the level of the minimum unit price for the purposes of the minimum pricing regime introduced by the Act.
9. The ultimate objective of these regulations is to tackle alcohol-related harm, including alcohol-attributable hospital admissions and alcohol-related deaths in Wales, by reducing alcohol consumption in hazardous and harmful drinkers. In 2017, there were 540 alcohol-specific deaths in Wales (increasing from 504 in 2016) and in 2017/18, there were almost 55,000 alcohol-attributable hospital admissions. Both the Act and these regulations are targeted at protecting the health of hazardous and harmful drinkers (including young people) who tend to consume greater quantities of low-cost and high-alcohol content products.
10. The Act provides for the introduction of a minimum price for the supply of alcohol in Wales, calculated according to the minimum unit price, the percentage strength of the alcohol and its volume. Introducing a minimum price for alcohol will not increase the price of every alcoholic drink, only those currently sold below that price.
11. While it is anticipated that minimum pricing will mean people will consume less alcohol, they will pay more for products previously sold at below the applicable minimum price. Revenue will go to drinks retailers, not the Welsh Government. Others in the supply chain may also see increased revenues.
12. The Welsh Government commissioned the Sheffield Alcohol Research Group at the University of Sheffield to model the potential impact to Wales of a range of alcohol pricing policies. On 8 December 2014 the report *Model-Based Appraisal of Minimum Unit Pricing for Alcohol in Wales*¹ was published. The model has since been updated with the most recent Welsh data, including alcohol consumption data from the National Survey for Wales and sales data for the Wales and West region. Revised estimates of the impact of different levels of minimum unit price (ranging from 35 pence to 70 pence, in five pence increments) were published on 22 February

¹ <http://wales.gov.uk/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

2018.² Prior to this, an interim report on the impacts of a 50p minimum unit price had been published in November 2017.³

13. Taking into account a range of factors, the Welsh Government considers that setting the minimum unit price at 50p will target consumption amongst hazardous and harmful drinkers, with the aim of delivering greater health benefits to those most at risk, whilst also taking account of impacts on moderate drinkers and interference in the market.

14. A detailed discussion about the impacts of a 45p, 50p and 55p minimum unit price can be found in Part 2 of this document – the Regulatory Impact Assessment (RIA).

5. Consultation

15. The Welsh Government has twice consulted about the principle of introducing a minimum price for alcohol in Wales – in 2014 as part of the Public Health White Paper⁴ and in 2015 on a draft Public Health (Minimum Price for Alcohol) (Wales) Bill.⁵

16. On 28 September 2018, the Welsh Government issued a consultation on its preferred level of the MUP for alcohol of £0.50 and draft regulations.⁶

17. The 12 week consultation on the preferred level of the MUP and the draft regulations was drawn to the attention of a wide audience of key stakeholders including the public, retailers, the alcohol industry, service

² Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government. <http://gov.wales/docs/caecd/research/2018/180222-comparative-impact-minimum-unit-pricing-taxation-policies-en.pdf>

³ Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Interim report. An update to the 50p example. Cardiff: Welsh Government

<https://gov.wales/docs/caecd/research/2017/171129-comparative-impact-minimum-unit-pricing-taxation-policies-interim-en.pdf>

⁴ 2014 Consultation on the Public Health White Paper Listening to you: Your health matters.

<https://gov.wales/betaconsultations/healthsocialcare/white-paper/?lang=en>

⁵ 2015 Consultation on the Draft Public Health (Minimum Price for Alcohol) (Wales) Bill.

<https://gov.wales/betaconsultations/healthsocialcare/alcohol/?lang=en>

⁶ <https://beta.gov.wales/setting-minimum-unit-price-alcohol>

providers and service users, public health stakeholders, Substance Misuse Area Planning Boards and third sector organisations, such as the Substance Misuse Network.

18. 148 written responses were received – and a summary of these responses (and the themes raised by stakeholders during meetings regarding the preferred level) was published on the Welsh Government website on 15 February 2019.⁷ The responses have been used to inform this Explanatory Memorandum and RIA, which accompanies the draft regulations laid before the National Assembly for Wales. A summary of consultation responses is also included in section 8 of the RIA..

⁷ https://beta.gov.wales/sites/default/files/consultations/2019-02/summary-of-responses_0.pdf

PART 2 – REGULATORY IMPACT ASSESSMENT

6. Options

19. The RIA for the Public Health Minimum Price for Alcohol (Wales) Bill considered options for achieving the Welsh Government's stated objective of reducing alcohol-related harms by reducing alcohol consumption, particularly amongst hazardous and harmful drinkers.⁸ Specifically, the RIA for the Bill included: Option 1 – do nothing; Option 2 – strengthen the existing policy; and Option 3 – introduce a minimum price for which alcohol can be sold or supplied in Wales.
20. No additional or alternative evidence has become available which significantly alters the analysis in the RIA for the Bill published in June 2018. Although minimum pricing for alcohol has recently been implemented in Scotland, findings from its evaluation have not yet been published. The Welsh Government will continue to monitor the position in Scotland.
21. In light of this, this RIA for the draft regulations focuses on the impacts of specifying different levels of a minimum unit price – and includes three options on this matter, namely:
- Option 1 – 50p minimum unit price (preferred level)
 - Option 2 – 55p minimum unit price
 - Option 3 – 45p minimum unit price
22. Options for a lower minimum unit price are not considered sufficient to achieve the desired public health and social impact of the legislation. Higher levels have not been included because evidence shows that when looking across the range of modelled minimum unit price thresholds, a clear pattern emerges. Higher levels lead to greater overall reductions in consumption and reductions in alcohol-related harms; however they are also less targeted, with a greater proportion of the alcohol purchased by moderate drinkers being affected and therefore a greater impact on their consumption. In other words, the higher the minimum unit price threshold, the greater the impact, but the less concentrated these impacts on the groups in the population at the greatest risk of harm.
23. The costs and benefits associated with each option are set out in section 7. This includes estimated costs to consumers, retailers, local authorities, the

⁸ <http://www.assembly.wales/laid%20documents/pri-ld11577-em/pri-ld11577-em-e.pdf>

courts, the Welsh Government and the UK Government. The costs and benefits are compared to a baseline, 'business as usual' scenario.

24. The costs and benefits have been assessed over a 20-year appraisal period, with cash flows discounted using HM Treasury's central discount rate of 3.5%.

7. Costs and benefits

Option 1: 50p minimum unit price

Costs

Consumers

25. Consumers who currently buy alcohol at less than the applicable minimum price will be directly affected.
26. Just under two-fifths (37%) of all alcohol⁹ is currently purchased at less than 50p per unit (see table1). However, this accounts for just under half of all off-trade alcohol (47% sold below 50p).¹⁰
27. The Sheffield model estimates costs will fall largely on hazardous and harmful drinkers who tend to favour cheaper alcohol which is most affected by a minimum unit price.
28. According to the analysis by the University of Sheffield published in 2018, there are just under two million people in Wales who consume alcohol; 72% of these are moderate drinkers; 23.5% are hazardous drinkers and 4.2% are harmful drinkers.¹¹
29. Moderate drinkers purchased 22% of their units below a 50p per unit threshold, with the figures for hazardous and harmful drinkers being higher (36% and 46% respectively), as shown in figure 1.
30. Under a 50p minimum unit price, a hazardous drinker will spend approximately £18 more per year, while a harmful drinker will spend approximately £48 more per year, with the greater effect being the

⁹ In Wales and the West.

¹⁰ Off-trade is defined as locations where alcohol is sold for consumption off the premises, e.g. shops and supermarkets. On-trade is defined as locations where alcohol is sold for consumption on the premises, e.g. pubs and restaurants. Source: Glossary in Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government.

¹¹ Angus, C. et al. (2018); Sheffield: SchARR, University of Sheffield. Table 5. Page 26.

anticipated drop in consumption. In contrast, moderate drinkers will spend on average £3 more per year.¹²

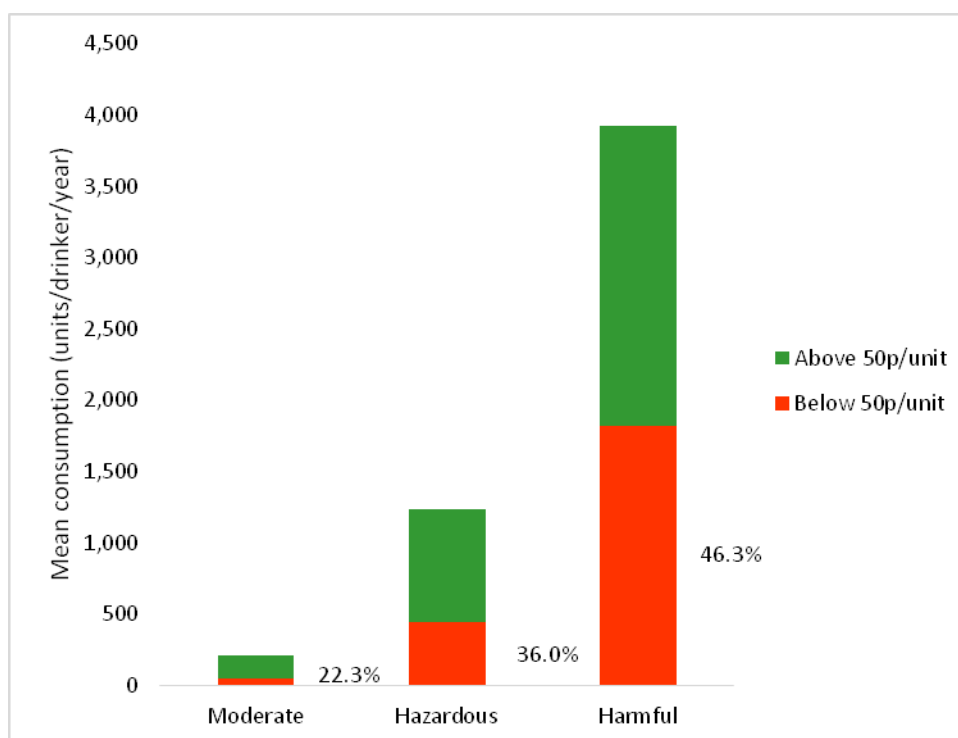


Figure 1: Proportion and total units purchased at below 50p / unit by drinker group¹³

31. In terms of alcohol consumed by different income groups, whilst people in poverty generally pay less per unit than people on higher incomes, this is seen in heavier, not lighter, drinkers.¹⁴

32. Furthermore, a greater proportion of those in the most deprived quintile are abstainers (27%) compared to those in the least deprived quintile (14%). This has been found in other studies using household survey data, with 50% of households in the poorest quintile buying no alcohol in a two week period compared to 15% of households in the richest quintile.¹⁵ Moderate drinkers in the most deprived quintile also already tend to consume less, at 3.7 units

¹² Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Table 10, page 17.

¹³ Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Figure 8, page 12.

¹⁴ Crawford, M.J., Parry A.M., Weston, A.R., Seretis, D., Zauter-Tutt, M., Hussain, A., Mostajabi, P., Sanatinia, R. and North, B. (2012) Relationship Between Price Paid for Off-Trade Alcohol, Alcohol Consumption and Income in England: A Cross-Sectional Survey. *Alcohol and Alcoholism*. Volume 47 (6). Page 741.

¹⁵ Ludbrook, A., Petrie, D., McKenzie, L. and Farrar, S. (2012) Tackling alcohol misuse. *Applied Health Economics and Health Policy*. January 2012. Volume 10. [Issue 1](#). Pages 51-63.

per week, compared to 4.4 for moderate drinkers in the least deprived quintile.

33. UK household expenditure data¹⁶ shows that while the poorest 10% of the population (the bottom decile) spend the highest proportion of their total household expenditure on alcohol (1.9%), this then reduces through the deciles, with the third decile spending the lowest (1.3%). Most deciles spend a roughly similar proportion (1.4% to 1.5%). Given that these proportions of total expenditure are relatively low, for the majority of moderate drinkers, a small increase in expenditure (anticipated at £2.10 per year for moderate drinkers in the most deprived WIMD quintile, or £3.80 per year for moderate drinkers in the least deprived WIMD quintile) is likely to have a limited impact on other household expenditure.
34. The increased costs of the policy are therefore focused on hazardous and harmful drinkers. For those in the least deprived quintile, the increased costs will be £25.40 per year for hazardous drinkers, and £87.60 for harmful drinkers, accompanied by a drop in consumption of 0.3% (3.6 units) and 0.7% (26.4 units) respectively. For those in the most deprived quintile who are hazardous or harmful drinkers, there is a reduction in overall spending of £1.10 and £206.20 respectively.¹⁷ The more significant impact is the reduction in consumption (8.4%; 102.7 units and 25.6%; 1,119 units a year, respectively).¹⁸ It should be acknowledged, however, that this impact could be significant for some harmful drinkers, particularly those who find they are unable to restrict their consumption significantly. This could have a knock-on impact on family budgets and households may have less money to spend on other items, especially within the poorest 10% where spend on alcohol is relatively high compared to total household expenditure.
35. It is difficult to predict what impact this may have on family spending if spend is transferred from a whole range of areas of household expenditure. It is not possible to provide estimates of any potential changes in the allocation of household expenditure. These are not yet known.

¹⁶ ONS, Family Spending in the UK: financial year ending March 2016 Edition Release (February 2017). Table 3.2E: Detailed household expenditure as a percentage of total expenditure by equivalised disposable income decile group 2016.

¹⁷ Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Tables 12 and 13, pages 19 and 20.

¹⁸ Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Tables 12 and 13, pages 19 and 20.

36. The small decline in consumption among moderate drinkers (a reduction of 1.1%) may lead to a cost to health services, resulting from a loss of the protective effect of alcohol for ischaemic heart disease, ischaemic stroke and type 2 diabetes. The impact is small because the protective effect is only evident for low levels of consumption, so the change would only affect those who are already moderate drinkers (who are predicted to change behaviour only slightly, reducing their consumption by 2.4 units per year).
37. However, the University of Sheffield model estimates that over 20 years, the net effect of introducing a 50p minimum unit price is a saving of 66 deaths and 1,281 hospital admissions.¹⁹
38. An increase in the price of alcohol will also lead to a reduction in utility (consumer satisfaction) for those who reduce their consumption in response. It is not possible to estimate what these reductions will be and it is assumed that they will be outweighed by an increase in utility from the health benefits accruing as a result of lower consumption. It is not possible to estimate any associated monetary values – and so these are not yet known.

Retailers

39. Both on-trade and off-trade premises will be affected by the introduction of a minimum unit price for alcoholic drinks. As highlighted earlier, it is likely to have a greater impact on off-trade premises than on on-trade, as the price of off-trade alcohol is generally lower than the price of on-trade alcohol.
40. Although on-trade drinks promotions are commonplace, the majority of alcohol sold in the on-trade retails at above 50p per unit. A 50p minimum unit price is estimated to lead to an overall increase in revenue for on-trade retailers of £1m (0.2% increase).²⁰
41. A majority (by volume) of all alcohol, except wine, is purchased at less than 50p per unit in the off-trade: 62% of off-trade beer is purchased at less than 50p per unit, 73% of cider, 32% of wine and 60% of spirits (see Table 1).

¹⁹ Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Table 14, page 21.

²⁰ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 43.

Table 1: Proportion of alcohol sold below a range of price thresholds by drink type and channel¹

| | | Price threshold | | | | | | | |
|----------------------|---------|-----------------|-----|-----|-----|-----|-----|-----|-----|
| | | 35p | 40p | 45p | 50p | 55p | 60p | 65p | 70p |
| Off-trade | Beer | 20% | 34% | 47% | 62% | 76% | 83% | 89% | 94% |
| | Cider | 48% | 56% | 66% | 73% | 79% | 84% | 86% | 89% |
| | Wine | 4% | 8% | 22% | 32% | 55% | 64% | 75% | 81% |
| | Spirits | 2% | 19% | 43% | 60% | 74% | 79% | 85% | 88% |
| | RTDs* | 0% | 0% | 1% | 1% | 2% | 2% | 8% | 13% |
| On-trade | Beer | 0% | 1% | 1% | 1% | 2% | 3% | 3% | 4% |
| | Cider | 0% | 0% | 2% | 3% | 4% | 5% | 6% | 7% |
| | Wine | 1% | 2% | 2% | 2% | 3% | 3% | 4% | 5% |
| | Spirits | 2% | 2% | 4% | 5% | 8% | 9% | 9% | 11% |
| | RTDs | 0% | 0% | 0% | 0% | 0% | 1% | 1% | 1% |
| All off-trade | | 9% | 19% | 35% | 47% | 65% | 72% | 81% | 85% |
| All on-trade | | 1% | 1% | 1% | 2% | 3% | 3% | 4% | 5% |
| All alcohol | | 7% | 15% | 27% | 37% | 50% | 56% | 63% | 66% |

*Ready to drink

42. For off-trade retailers, the Sheffield model suggests that any reductions in sales will be compensated by higher prices, resulting in overall increases in revenue owing to the relative inelasticity of demand for alcohol, although the overall impact on revenues is uncertain. A 50p minimum unit price is estimated to lead to an overall increase in revenue for off-trade retailers of £16.8m (9.9% increase).²² The implementation costs for retailers will however vary for smaller and larger businesses – although the extent to which these costs will vary is currently unknown.

43. Larger businesses which operate UK-wide may incur costs associated with a different pricing and promotion regime in Wales. The cost of re-pricing and labelling at the point of implementation is not considered to be excessive, as these stores regularly re-price their products, including in response to changes in alcohol duty at short notice. However, these costs are unknown.

44. Minimum pricing will apply to qualifying premises in Wales which operate an online or telephone delivery of alcohol when supplying to a person in Wales.

²¹ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 30.

²² Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 43.

The Welsh Government acknowledges that internet sales/click and collect/telephone orders may pose an implementation challenge for some retailers in Wales. As such, we specifically sought views on this matter in the consultation on the draft Public Health (Minimum Price for Alcohol) (Wales) Bill in 2015. Most respondents in favour of the proposal said that legislation would have little effect on those buying or selling alcohol online, particularly as those products often already exceed any likely minimum price and are often specialised products – for example, fine wines or unique product brands. One respondent said that online retailers whose main business relies on the sale of cheap, strong alcohol may be adversely affected.

45. The Welsh Retail Consortium has highlighted a number of other costs, including the need to update in-store systems, which are currently used to block till-point sales of alcohol below the cost-price. In their response to the consultation on the Bill issued by the Health, Social Care and Sport Committee, they set out their view that the implementation of MUP will be burdensome for some Welsh retailers to implement and deliver – and that creating new systems and processes is time consuming and requires investment from those businesses at a time when grocery retail margins are small.²³ However, these costs are unknown. One supermarket chain has estimated this could cost up to £1m and take between two and three years to implement and test.²⁴ Asda, for example, in their response to the consultation by the National Assembly for Wales’ Health, Social Care and Sport Committee commented: “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.”²⁵ Some representatives from the alcohol and retail industry have

²³ Welsh Retail Consortium Response to the National Assembly for Wales Health, Social Care and Sport Committee’s Consultation on the Public Health (Minimum Price for Alcohol) (Wales) Bill. MPA 38.

<http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=282&RPID=1012950534&cp=yess>

See also: Welsh Retail Consortium Response to the Welsh Government Consultation on the Public Health White Paper, June 2014.

²⁴ In correspondence with the Welsh Government. More recently, similar points were raised during the scrutiny sessions held by the Health, Social Care and Sport Committee, regarding the Public Health (Minimum Price for Alcohol) (Wales) Bill. ASDA, for example, in their response to the consultation by the Committee stated: “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.”

²⁵ MPA 48.

also suggested there may be a cost for maintaining different pricing and compliance systems across the border.²⁶

46. However, a significant number of these retailers (predominantly supermarket chains) already have differential pricing across different types/sizes of store, as well as being very familiar with implementing and different rules on alcohol price promotions and the recent introduction of a minimum price of alcohol in Scotland.

47. The Wine and Spirit Trade Association mentioned the cost of reviewing promotional material in both their response to the Public Health White Paper in 2014 and in their response to the more recent consultation by the National Assembly's Health, Social Care and Sport Committee on the Bill.²⁷ There may also be costs associated with wastage since damaged products cannot be sold at less than the applicable minimum price.²⁸ These costs are unknown. Although we acknowledge there will be some costs associated with the change, larger retailers should be able to absorb facilitation and implementation costs, as they are likely to benefit from an increase in revenue as a result of minimum pricing. Approximately 84% of alcohol off-sales are from large multiple retailers, according to Nielsen.²⁹

48. Minimum pricing will apply to qualifying premises in Wales which operate an online or telephone delivery of alcohol when supplying to a person in Wales.

<http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=282&RPID=1012950534&cp=yess>

²⁶ The Wine and Spirit Trade Association (WSTA), for example, commented that the regulatory compliance cost for businesses in Wales appears low (given the cost of changing systems for all alcohol retailers including staff training cost, reworking pricing and promotion policies and technological changes to accompany this) – but also note that the actual cost of compliance for retailers will depend on the final regulations: “Should the regulations follow those of Scotland, including price and approach, then compliance costs will be reduced for national retailers.”

²⁷ WSTA Response to the Welsh Government Consultation on the Public Health White Paper, June 2014. See also the WSTA Response to the health, Social Care and Sport Committee Consultation on the Public Health (Minimum Price for Alcohol) (Wales) Bill. MPA 40.

<http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=282&RPID=1012950534&cp=yess>

²⁸ This was highlighted by the Welsh Retail Consortium, the Wine and Spirits Trade Association (WSTA) and Asda in their responses to the call for evidence on the Bill by the National Assembly's Health, Social Care and Sport Committee.

²⁹ Beeston, C., Robinson, M., Craig, N., and Graham, L. (2011) Monitoring and Evaluating Scotland's Alcohol Strategy. Setting the Scene: Theory of change and baseline picture – Glossary and Appendices. Edinburgh: NHS Health Scotland. Page 36.

The Welsh Government acknowledges that internet sales/click and collect/telephone orders may pose an implementation challenge for some retailers in Wales. As such, we specifically sought views on this matter in the consultation on the draft Public Health (Minimum Price for Alcohol) (Wales) Bill in 2015. Most respondents in favour of the proposal said that legislation would have little effect on those buying or selling alcohol online, particularly as those products often already exceed any likely minimum price and are often specialised products – for example, fine wines or unique product brands. One respondent said that online retailers whose main business relies on the sale of cheap, strong alcohol may be adversely affected.

49. Where retailers are continuing to use heavy discounts on alcohol to encourage customers, they may lose some footfall as a result. However this is difficult to calculate and large retailers are likely to be competing with other large retailers, who will all be affected in the same way and they will continue to be able to compete with discounts on other products. Associated costs as a result of a loss in footfall are unknown.

50. Smaller businesses, particularly those without head office support, may face higher implementation costs. For example, independent retailers may need to allocate a member of staff to do this for one day, at a cost of approximately £67 per shop (based on a retail assistant working for eight hours on a salary of £8.33 per hour).³⁰ Based on these figures, this would mean a total implementation cost of approximately £477,040 for all retailers, of which there are a total of 7,120 in Wales.³¹ Smaller retailers may find this

³⁰ These figures are based on the 2016 figure in the Annual Survey of Hours and Earnings, with an uplift to reflect an increase in earnings for 2017:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults>

According to the 2018 Annual Survey Hours of Earnings median gross weekly earnings for Sales and Customer Service occupations increased by 4.3 per cent between 2016 and 2017, so the 2016 figures have been uplifted by this amount.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018/relateddata>

<https://www.ons.gov.uk/releases/analysesbasedonannualsurveyofhoursandearningsprovisional2018andrevised2017>

³¹ Number of enterprise headquarters in Wales with the Retail Sector for 2016 = 7,120 (2013 = 7,095, 2014 = 7,030). Based on provisional figures for 2016: Retail assistant average hourly rate = £7.99. Retail managers average hourly rate = £10.56. As outlined in footnote 31, these figures have been uplifted by 4.3 per cent. The total number of retailers has been calculated using **Standard Industrial Classification** (SIC) codes. These are based on the UK enterprises

cost is off-set not only by increased revenues but also by their improved ability to compete with large retailers and supermarkets. However, while an estimate has been included for implementation costs, specific costs (or increases in revenue) are unknown.

51. Retailers will also need to familiarise themselves with the requirements of minimum unit pricing to ensure they comply. This could take managers of stores approximately four hours to fully familiarise themselves with changes and brief staff as required. Based on the hourly rate of retail managers (£11.01),³² and assuming one member of staff at this level per store, costs for this would amount to approximately £313,600 in the year before implementation. It is assumed that retailers will have an ongoing system to ensure store managers have up-to-date knowledge of alcohol licensing standards. Including a minimum unit price for alcohol as part of this may require an additional hour of familiarisation, at a cost of approximately £78,000 (for licensed retailers in Wales) in the future.

52. There remains uncertainty around retailers' precise responses to the introduction of minimum unit price and the impact on the market as a whole. There is little consensus from the industry on whether minimum pricing will affect sale prices which are above the minimum price – and whether premium brands will also raise prices in order to maintain the differential between these and value brands. The Welsh Retail Consortium has argued it will disproportionately affect own-brand alcohol.³³ The University of

industrial classification. The following three digit SIC codes were used - 471, 472, 473, 474, 475, 476, 477. The list of SIC codes can be found at:

<https://www.gov.uk/government/publications/standard-industrial-classification-of-economic-activities-sic>

³² 2016 Annual Survey of Hours and Earnings:

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2016provisionalresults>

According to the 2018 Annual Survey Hours of Earnings median gross weekly earnings for Sales and customer service occupations increased by 4.3 per cent between 2016 and 2017, so the 2016 figures have been uplifted by this amount.

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/annualsurveyofhoursandearnings/2018/relateddata>

³³ Welsh Retail Consortium Response to the National Assembly for Wales Health, Social Care and Sport Committee's Call for evidence on the Public Health Minimum Price for Alcohol (Wales) Bill. MPA 38.

<http://senedd.assembly.wales/mgConsultationDisplay.aspx?id=282&RPID=1012950534&cp=yess>

See also the Welsh Retail Consortium response to the Welsh Government Consultation on the Public Health White Paper, June 2014.

Sheffield model assumes the only change will be for prices to be raised to the minimum unit price threshold since the effect on costs and revenues for different types of retailers and producers cannot be accurately modelled. It is predicted that the cost of a decline in consumption will be outweighed by the higher revenues resulting from higher prices. The Welsh Government will learn from the implementation of minimum pricing in Scotland and its evaluation. The Welsh Government is also continuing to engage with WGAIN, the Welsh Government Alcohol Industry Network, ahead of (and post) implementation – whose members include producers and retailers.

53. Alcohol wholesalers will be indirectly affected as the volume of alcohol purchased at less than the applicable minimum price is expected to decline. The extent of the impact will depend on the quantity of alcohol sold to retailers which is then priced at less than the applicable minimum price for alcohol. They will not however be subject to any minimum pricing requirement in relation to their trade-to-trade sales.³⁴ Wholesalers may choose to increase prices in the knowledge that retail prices of certain goods have increased, but that will be for individual companies within the supply chain to determine. Similarly, the impact on producers is difficult to ascertain as the reaction on the supply side and where additional revenue will accrue in the supply chain is not known. Producers may choose, for example, to produce lower-strength products that will retail more cheaply or to focus on premium brands. The alcohol industry has already demonstrated innovation in this area, by removing more than a billion units from the UK alcohol market as part of the responsibility deal.³⁵

54. Retailers which do not comply with minimum pricing requirements may incur costs as a result of fixed penalty notices imposed or, possible prosecution and fines. These costs are unknown. However, learning from existing local authority enforcement policy, the Welsh Government anticipates that local authorities, may, wherever possible in appropriate cases, wish to exercise their discretion and work with retailers to resolve issues voluntarily.

³⁴ Where a retailer trades as a retail and wholesale business with both customer types shopping in the store, the retailer should ensure the minimum price for alcohol is charged to individuals purchasing alcohol for their consumption (that is where the sale in question would be a 'sale by retail' for the purposes of section 192 of the Licensing Act 2003) and that wholesale prices are only offered to other wholesale businesses and customers.

³⁵ Department of Health (December 2014) Responsibility Deal: Monitoring the number of units of alcohol sold – second interim report, 2013 data.

Local authorities

55. It is anticipated compliance inspections for minimum pricing will become part of the current inspection regime for premises selling alcohol. Moore et al. estimated that the cost of an inspection visit (by an environmental health officer or licensing officer) is approximately £125.³⁶ There may also be an additional cost for local authorities due to the need for longer or more frequent checks, particularly in the early days of the legislation. Similarly, although there may be some additional administration costs in issuing fixed penalty notices for non-compliance with minimum pricing, this will be off-set to some extent for local authorities. The Act provides that local authorities may use fixed penalty amounts received for their enforcement functions under the Act. Overall – these compliance costs are unknown.
56. There have been ongoing discussions between the Welsh Government and the Welsh Heads of Trading Standards regarding costs for enforcement and inspection activity. Following consideration of proposals by the Welsh Heads of Trading Standards, the Welsh Government will allocate funding of a total of £300,000 over three years (2019/20, 2020/21 and 2021/22) to the Welsh Heads of Trading Standards for the initial enforcement of the Act. The funding will end after the third year.
57. This £300,000 of funding will be allocated as follows: £200,000 in Year 1 (anticipated to be 2019/20); £70,000 in Year 2 (2020/21); and £30,000 in Year 3 (2021/22). There are 3,275 off-sales only premises across Wales and providing the majority of the funding in year one (2019/20) would allow local authorities to carry out an inspection visit at all of these premises in the first three months after implementation of minimum pricing for alcohol. It is anticipated that there will be a high level of compliance.
58. Where prosecutions are necessary, local authorities may face administrative and legal costs. The legal costs of bringing the prosecution are generally reclaimable against those being prosecuted if the case is successful, but there will be initial costs. Learning from the enforcement of carrier bag legislation suggests that overall costs for the enforcement of minimum pricing are likely to be low – however, these costs are unknown. Local authorities report that enforcement of the carrier bag legislation has mostly been effective through informal mechanisms (such as verbal warnings and repeat visits).

³⁶ Moore, S., O'Brien, C., Alam, M., Cohen, D., Hood, K., Huang, C., Moore, L., Murphy, S., Playle, R., Sivarajasingam, V., Spasic, I., Williams, A. and Shepherd, J. (2015) All-Wales Licensed Premises Intervention (AWLPI): a randomised controlled trial of an intervention to reduce alcohol-related violence. Public Health Research. Volume 3 (10).

Court costs

59. Estimated court costs associated with the introduction of a minimum unit price are likely to be the same, regardless of the level of the minimum unit price.
60. While enforcement action will be taken by local authorities under the Act, the Welsh Government does not anticipate that breaches of minimum pricing will result in many court cases due to the anticipated high levels of compliance. Further, as noted, local authorities may, wherever possible and in appropriate cases, wish to exercise their discretion and work with retailers to resolve issues voluntarily with enforcement officers working with alcohol retailers to avoid repeat offences. It is anticipated that such work will form part of the normal work of enforcement officers. Guidance will be issued to help support the introduction of a minimum price for alcohol. In addition, there is provision for a fixed penalty notice to be issued before a prosecution is brought or in place of one. Therefore, it is not anticipated that there will be a large number of court cases. However, associated costs are unknown ahead of the implementation of the legislation.

Welsh Government

61. Estimated Welsh Government costs associated with the introduction of a minimum price for alcohol are the same regardless of the level of the minimum unit price.
62. There will be a small implementation cost to the Welsh Government in developing guidance on minimum pricing. The development of guidance (based on an estimate of 6,000 words), including engaging stakeholders to ensure the guidance is fit for purpose, is anticipated to take approximately five weeks over a period of three months of a full time equivalent (FTE) higher executive officer (equating to £4,280), and five weeks over a three month period of a FTE executive officer (equating to £2,740). These costs would be incurred in 2019-20. The total cost for preparing guidance would therefore be £7,020.³⁷
63. It is anticipated from previous guidance produced by the Welsh Government that design and translation would take approximately two months to complete. The design would require approximately a week of a FTE executive officer's time over the two-month period, which would equate to approximately £600. It is estimated that translation and proof reading would

³⁷ These are costs based on 2017/18 Welsh Government Pay Scales. Source: Updated Pay Band Costs and Revised Standardisation of DRC Forecasting Guidance.

cost approximately £600.³⁸ In addition there would be administration and management costs, estimated at one week of a FTE executive officer – again, approximately £600. The guidance would be shared electronically with local authorities, avoiding the need for printing and distribution costs. The total cost for design and translation of the guidance would therefore be £1,800, based on 2017/18 Welsh Government pay scales.

64. The Welsh Government would, if the minimum pricing provisions are not repealed at the end of the 6 year period, update the guidance after the review period as required. It is envisaged that this update could require one week of a FTE higher executive officer's time (equating to approximately £860), and a week of a FTE executive officer (equating to approximately £600 based on 2017/18 Welsh Government pay scales) to review the operation and mechanisms with all local authorities and evidence on their implementation. Design and translation costs would amount to half the original costs, a total of £900. It is proposed the review would then be repeated every four or five years. The total cost for a review of the guidance would therefore be approximately £2,360 every five years.
65. Section 29 of the Act places a duty on Welsh Ministers to take steps to promote awareness of the commencement of the minimum pricing regime introduced by the Act, ahead of that commencement. It specifies that the steps taken in this regard must include promoting awareness of the health risks of excessive alcohol consumption and of how the introduction of minimum pricing in Wales is intended to reduce alcohol consumption.
66. Communications to promote awareness of the Act's requirements and of how minimum pricing is intended to reduce the excessive consumption of alcohol were developed and published by the Welsh Government to coincide with Royal Assent, on 9 August 2018. This work continued during the consultation on the preferred level of the MUP and will continue in the lead up to (and following) implementation, later in 2019.
67. This work will include publicising the change in the law to businesses (for example via direct mail, websites, social media and trade publications, and to the public (for example via a PR campaign, launch event and web and social media). This will assist in avoiding confusion for retailers about how to handle differing minimum price levels set by the UK Government (through the ban on below-cost sales) and by the Welsh Government (through minimum pricing).³⁹

³⁸ Based on £75 per 1,000 words for translation, £21 per 1,000 words for proof reading.

³⁹ The Welsh Government is working closely with the Welsh Heads of Trading Standards, local authority colleagues, service providers and other relevant stakeholders (and will continue to do

68. It is proposed that training in relation to the legislation's requirements will be provided to enforcement staff from local authorities. It is anticipated that this will cost the Welsh Government £6,000 for training for 22 local authorities for half a day. This will not be a cost for local authorities, as this will form part of normal staff continual professional development training. It is proposed that power point / E-Learning materials will also be developed for local authorities (which could also then be used by service providers and stakeholders), in order to promote awareness of the requirements of the Act and its aims.
69. During the consultation period on the draft Bill, Directors of Public Protection Wales indicated support for the introduction of minimum pricing but highlighted concerns about additional burdens for local government associated with the local authority-led enforcement regime and the need for the Welsh Government to invest. This was also an issue raised during stage 1 scrutiny sessions held by the National Assembly's Health, Social Care and Sport Committee, regarding the Bill which was then before it. As highlighted above, following consideration of proposals from the Welsh Heads of Trading Standards, £300,000 will be allocated by Welsh Government to cover additional inspection and enforcement activity in the first three years of implementation.
70. The Act places a duty on Welsh Ministers to, as soon as practicable after five years from commencement of the minimum pricing regime, lay before the National Assembly and subsequently publish a report on the operation and effect of the Act during that period. At this stage, based on costs associated with similar evaluations and reviews conducted previously – including the Human Transplantation (Wales) Act 2013 – costs are estimated at £350,000, spread over five years. It is important to note that the total cost of the evaluation will depend on the balance of using and analysing routinely-available and bespoke data, undertaking future modelling work, the potential purchase of commercial data and research about the implementation and enforcement of the legislation. Plans for the evaluation of the introduction of a minimum unit price for alcohol were shared with the National Assembly's Health, Social Care and Sport

so ahead of implementation) to develop materials and campaigns to raise awareness of the changes within Wales and the aims of the legislation. This will be in addition to the guidance that the Welsh Government will issue. A national set of Welsh Government publicity and communications materials will be provided and these will remain available to local authorities, service providers and stakeholders. This follows the model used by the single use carrier bags campaign where materials were provided on the internet and local authorities and stakeholders printed and disseminated these documents as required.

Committee.⁴⁰ Different elements of the research and evaluation are now being commissioned. . A summary of these plans can be found in section 10 of this RIA (Post Implementation Review).

UK Government

71. The UK Government will be affected through a reduction in the level of the duty and VAT associated with any changes in the volume and pattern of the sale of alcohol products where minimum pricing successfully reduces alcohol consumption. Under a 50p minimum unit price, there is an anticipated 0.4% overall decrease in revenue (amounting to £1.9m per year), largely resulting from the decrease in off-trade duty receipts resulting from the reduction in alcohol consumption.⁴¹

Benefits

Individuals and society

72. A 50p minimum unit price is associated with a total societal reduction in health harms, crime and workplace absence estimated at £783m (in 2016 prices) over the 20-year period modelled.⁴² This figure includes reduced direct healthcare costs (£91m); savings from reduced crime (£188m); savings from reduced workplace absence (£14m); and a financial valuation of the health benefits (£490m), measured in terms of quality adjusted life years (QALYs, which are valued at £60,000 in line with Home Office guidelines).^{43 44}

73. A particular benefit is the degree to which it is targeted at hazardous and harmful drinkers, with whom the costs of alcohol misuse are most strongly

⁴⁰ <http://senedd.assembly.wales/mglIssueHistoryHome.aspx?IId=20029>

⁴¹ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 32. Page 59.

⁴² All costs and benefits in the Sheffield Model which relate to a 20 year period have been discounted at 3.5%.

⁴³ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 32. Page 59.

⁴⁴ A value of £60,000 per QALY is used as the QALYs are being valued from a societal perspective. This is higher than the value per QALY used by NICE. The value used by NICE is the maximum that the NHS can justify spending on a QALY due to resource constraints. See Public Health England (2015) A Guide to Social Return on Investment for Alcohol and Drug Treatment Commissioners. <http://www.nta.nhs.uk/uploads/a-guide-to-social-return-on-investment-for-alcohol-and-drug-treatment-commissioners.pdf>

associated. There is a strong impact on the consumption levels of these drinkers because they tend to favour cheaper alcohol, which is most affected by the policy. A 50p minimum unit price would reduce alcohol consumption by 6.8% for harmful drinkers, an absolute reduction of 268.7 units per year, compared to a reduction in alcohol consumption of 1.1%, which equates to 2.4 units per year, for moderate drinkers. Harmful drinkers contribute to 69% of the reduction in alcohol-related deaths and 44% of the reduction in hospital admissions.

74. Furthermore, as shown above, the patterns of drinking differ when examined by income group. Moderate drinkers in the most deprived quintile have a small decline in consumption levels in absolute terms (6.9 units per year) whereas moderate drinkers in the least deprived quintile are not estimated to change their consumption. For harmful drinkers in the most deprived quintile, since they tend to favour cheaper drinks, and drinks that have larger price elasticities, particularly off-trade beer and cider, minimum unit pricing has the largest effect and this effect is mainly reduced consumption (1,118.9 units per year) and a reduction in spending of £206.20 per year.⁴⁵
75. Minimum unit pricing is likely to have a beneficial effect even on the heaviest drinkers who have serious problems with alcohol. One study in Scotland found that since problem drinkers (drinking on average 198 units per week) were drinking as cheaply as they could already and lower unit prices were associated with increased consumption within this group, a minimum price is likely to have a “relatively large absolute effect on consumption”.⁴⁶ As highlighted earlier, NICE guidance notes that a minimum unit price can help problem drinkers – both those who are not in regular contact with the relevant services and those receiving treatment – by creating an environment that supports lower-risk drinking.⁴⁷
76. The model suggests that a minimum unit price of 50p will have a greater effect on the health of those in the most deprived WIMD quintile, with an estimated 12 fewer deaths and 203 fewer hospital admissions per 100,000 drinkers for those in the most deprived quintile compared to zero fewer deaths and two fewer hospital admissions per 100,000 drinkers for those in the least deprived quintile as set out in table 2 below. Ludbrook et al. also

⁴⁵ Angus C. et al. (2017); Sheffield: SchARR, University of Sheffield. Tables 12 and 13.

⁴⁶ Black, H., Gill, J. and Chick, J. (2011) The price of a drink: levels of consumption and price paid per unit of alcohol by Edinburgh's ill drinkers with a comparison to wider alcohol sales in Scotland. *Addiction*. Volume 106. Page 735.

⁴⁷ NICE Public Health Guidance 24 (June 2010) Alcohol-use disorders: preventing harmful drinking.

consider that reduced consumption could be more beneficial for those in poverty, since disadvantaged groups tend to have worse health outcomes than others, when alcohol consumption is the same.⁴⁸

77. The population benefits of minimum unit pricing in reducing alcohol-related health problems, crime and workplace absence are detailed below.

Health

78. The University of Sheffield model estimates substantial reductions in alcohol-related harms from all modelled policies, with an estimated reduction of 66 deaths and 1,281 fewer hospital admissions per year for a 50p minimum unit price.

79. Direct costs to healthcare services are estimated to reduce under all modelled policies, with savings of more than £90m over 20 years for a minimum unit price threshold of 50p (table 4).

80. This is consistent with evidence from other countries, which have implemented similar policies. In Canada, a 10% increase in average minimum alcohol prices was associated with a 32% reduction in wholly alcohol-caused deaths.⁴⁹

⁴⁸ Ludbrook, A., Petrie, D., McKenzie, L., Farrar, S. (2012) Tackling Alcohol Misuse. Applied Health Economics and Health Policy. January 2012. Volume 10 (1). Pages 51-63.

⁴⁹ Stockwell, T. and Thomas, G. (2013) Is alcohol too cheap in the UK? The case for setting a Minimum Unit Price for alcohol. Institute of Alcohol Studies Report.

Table 2: Estimated impact of a 50p minimum unit price on mortality and hospitalisation rates by deprivation⁵⁰

| | WIMD Q1 (least deprived) | WIMD Q2 | WIMD Q3 | WIMD Q4 | WIMD Q5 (most deprived) |
|---|--------------------------------|---------|---------|---------|-------------------------------|
| Baseline annual alcohol-attributable deaths per 100,000 drinkers | 28 | 30 | 35 | 45 | 75 |
| Post-intervention alcohol-attributable deaths per 100,000 drinkers | 28 | 29 | 32 | 42 | 62 |
| Absolute change | -0.1 | -0.9 | -2.7 | -3.6 | -12.3 |
| Relative change | -0.3% | -3.1% | -7.7% | -8.0% | -16.5% |
| | | | | | |
| Baseline annual alcohol-attributable hospital admissions per 100,000 drinkers | 1,390 | 1,542 | 1,741 | 2,124 | 2,823 |
| Post-intervention alcohol-attributable hospital admissions per 100,000 drinkers | 1,388 | 1,522 | 1,684 | 2,031 | 2,619 |
| Absolute change | -1.8 | -19.7 | -57.4 | -93.4 | -203.3 |
| Relative change | -0.1% | -1.3% | -3.3% | -4.4% | -7.2% |

Workplace absence

81. Workplace absence is estimated to fall under all modelled policies (as set out in table 3), with a reduction of 514 days absent per 100,000 drinkers per year by year 20 for a 50p minimum unit price. This has been valued at £14m over 20 years (as set out in table 4).

Crime

82. Crime is expected to fall, with an estimated 110 fewer offences per 100,000 drinkers per year under a 50p minimum unit price policy. The greatest estimated reductions are in hazardous drinkers. Costs of crime are estimated to reduce by £188m (in 2016 prices) over 20 years with a 50p minimum unit price (as set out in table 4).⁵¹

⁵⁰ Angus, C. et al. (2017); Sheffield: ScHARR, University of Sheffield. Table 16. Page 22.

⁵¹ Some of these savings will be accrued by the UK Government given that policing is a devolved matter. However, data are only available on the total amount of savings – as opposed to being able to apportion these savings to the UK Government / Welsh Government.

Table 3: Estimated impact of minimum unit price policies on alcohol-attributable workplace absence by drinker group⁵²

| | | All drinkers | Moderate | Hazardous | Harmful |
|--|----------------|--------------|----------|-----------|---------|
| Baseline annual alcohol-attributable days' absence | | 507,795 | 212,963 | 227,856 | 66,975 |
| Baseline annual alcohol-attributable days' absence per 100,000 drinkers | | 26,585 | 15,440 | 50,709 | 82,287 |
| | | | | | |
| Absolute change in absence days per year | 35p MUP | -1,838 | -457 | -1,110 | -272 |
| | 40p MUP | -3,737 | -911 | -2,330 | -497 |
| | 45p MUP | -6,270 | -1,519 | -3,997 | -754 |
| | 50p MUP | -9,808 | -2,621 | -6,138 | -1,049 |
| | 55p MUP | -14,476 | -4,359 | -8,787 | -1,331 |
| | 60p MUP | -20,489 | -6,766 | -12,076 | -1,647 |
| | 65p MUP | -27,468 | -9,738 | -15,762 | -1,968 |
| | 70p MUP | -35,086 | -13,169 | -19,603 | -2,315 |
| | | | | | |
| Absolute change in absence days per 100,000 drinkers per year | 35p MUP | -96 | -33 | -247 | -334 |
| | 40p MUP | -196 | -66 | -518 | -610 |
| | 45p MUP | -328 | -110 | -890 | -926 |
| | 50p MUP | -514 | -190 | -1,366 | -1,289 |
| | 55p MUP | -758 | -316 | -1,955 | -1,635 |
| | 60p MUP | -1,073 | -491 | -2,687 | -2,024 |
| | 65p MUP | -1,438 | -706 | -3,508 | -2,418 |
| | 70p MUP | -1,837 | -955 | -4,363 | -2,844 |
| | | | | | |
| Relative change | 35p MUP | -0.4% | -0.2% | -0.5% | -0.4% |
| | 40p MUP | -0.7% | -0.4% | -1.0% | -0.7% |
| | 45p MUP | -1.2% | -0.7% | -1.8% | -1.1% |
| | 50p MUP | -1.9% | -1.2% | -2.7% | -1.6% |
| | 55p MUP | -2.9% | -2.0% | -3.9% | -2.0% |
| | 60p MUP | -4.0% | -3.2% | -5.3% | -2.5% |
| | 65p MUP | -5.4% | -4.6% | -6.9% | -2.9% |
| | 70p MUP | -6.9% | -6.2% | -8.6% | -3.5% |

⁵² Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 31. Page 57.

Table 4: Estimated impact of minimum unit price policies on societal costs over 20 years following policy implementation ⁵³

| | | Direct healthcare costs | Valuation of QALYs gained | Costs of crime | Costs of workplace absence | Total ⁵⁴ |
|---|----------------|-------------------------|---------------------------|----------------|----------------------------|---------------------|
| Baseline annual alcohol-attributable costs over 20 years, discounted | | £1,992 | £6,500 | £7,487 | £668 | £16,647 |
| Cumulative absolute change over 20 years (£m), discounted | 35p MUP | -£20 | -£115 | -£34 | -£3 | -£171 |
| | 40p MUP | -£38 | -£213 | -£70 | -£5 | -£326 |
| | 45p MUP | -£62 | -£336 | -£119 | -£9 | -£526 |
| | 50p MUP | -£91 | -£490 | -£188 | -£14 | -£783 |
| | 55p MUP | -£127 | -£656 | -£276 | -£21 | -£1,079 |
| | 60p MUP | -£171 | -£858 | -£382 | -£29 | -£1,441 |
| | 65p MUP | -£222 | -£1,085 | -£502 | -£39 | -£1,849 |
| | 70p MUP | -£275 | -£1,317 | -£632 | -£50 | -£2,274 |
| Relative change | 35p MUP | -1.0% | -1.8% | -0.5% | -0.4% | -1.0% |
| | 40p MUP | -1.9% | -3.3% | -0.9% | -0.8% | -2.0% |
| | 45p MUP | -3.1% | -5.2% | -1.6% | -1.4% | -3.2% |
| | 50p MUP | -4.6% | -7.5% | -2.5% | -2.1% | -4.7% |
| | 55p MUP | -6.4% | -10.1% | -3.7% | -3.1% | -6.5% |
| | 60p MUP | -8.6% | -13.2% | -5.1% | -4.4% | -8.7% |
| | 65p MUP | -11.2% | -16.7% | -6.7% | -5.9% | -11.1% |
| | 70p MUP | -13.8% | -20.3% | -8.4% | -7.5% | -13.7% |

Retailers

83.A 50p minimum unit price is estimated to lead to an overall increase in revenue for retailers of £17.8m per year (2.6%) with increase in revenue for off-trade retailers of £16.8m (9.9%) and for on-trade retailers of £1m (0.2%).⁵⁵ It should be noted, however, that uncertainty remains regarding retailers' likely responses to the introduction of a minimum unit price in Wales. Retailers and producers may make a range of additional changes to both prices and products which may impact on resulting revenue changes to the Exchequer and retailers and other modelled outcomes.

⁵³ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 32. Page 59.

⁵⁴ Note that a) this figure includes both direct costs and indirect costs accrued across different parts of society (the NHS, the broader economy, society as a whole) and b) this figure should not be interpreted as representing the full burden (or the full policy impact) of alcohol on society as there are numerous impacts which are not included in the modelling (such as harm to others, public nuisance etc.).

⁵⁵ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Page 43.

Summary of costs and benefits for a 50p minimum unit price: Welsh Government's preferred level

84. Table 5 summarises the costs for introducing a 50p minimum unit price in Wales.

Table 5: Summary of costs for 50p minimum unit price⁵⁶

| | Year one costs £ | Year two costs £ | Year three costs £ | Year four costs £ | Year five costs £ |
|--|---|---|--------------------------|-------------------------|----------------------|
| Welsh Government costs | | | | | |
| Guidance costs | 8,820 | 0 | 0 | 0 | 2,360 |
| Communications | 100,000 | 0 | 0 | 0 | 0 |
| Training for LA staff | 6,000 | 0 | 0 | 0 | 0 |
| Evaluation and review | 70,000 | 70,000 | 70,000 | 70,000 | 70,000 |
| Inspection and enforcement costs | 200,000 | 70,000 | 30,000 | | |
| Total Cost to Welsh Government | 384,820 | 140,000 | 100,000 | 70,000 | 72,340 |
| UK Government – lower alcohol duty revenue | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 | 1,900,000 |
| Local authorities | | | | | |
| Staff costs for inspections and enforcement | <i>Anticipated to be low, enforcing minimum pricing is expected to be undertaken within the existing inspection regime.</i> | | | | |
| Total cost to local authorities | Not known. | | | | |
| Retailers | | | | | |
| Staff costs for familiarisation with the new legislation | 313,600 (four hours per license holder) | 78,000 (one hour per license holder) | 78,000 | 78,000 | 78,000 |
| Staff costs to change prices | 477,040 | 0 | 0 | 0 | 0 |
| Total cost to retailers* | 790,640 | 78,000 | 78,000 | 78,000 | 78,000 |
| Consumers** | £17.8m each year | £17.8m each year | £17.8m each year | £17.8m each year | £17.8m each year |

⁵⁶ Costs for the Welsh Government, retailers and local authorities are estimated to be the same for all three options.

** This is an aggregate estimated cost. There may be other costs associated with implementation for larger stores, for example software updates, wastage, reviewing promotions; however, it is very difficult to estimate these at this stage. These costs should also be covered by the increased revenues resulting from higher prices.*

*** It should be noted that the £17.8m a year cost to consumers is a £17.8m a year gain to retailers and is therefore treated as a transfer payment.*

85. For comparison purposes, the costs should be discounted over a 20-year period to be consistent with the benefits. This translates into total Welsh Government costs of £0.7m and total retailer costs of £1.9m.⁵⁷

86. One of the largest cost impacts of the policy would be the reduced revenue from alcohol duty as a result of lower consumption. This equates to £27m over the 20-year period. However, in terms of the calculation of net costs and benefits, taxation is normally treated as a transfer, which means there is no overall change.

87. In addition to the above, the policy would involve a substantial transfer from consumers to retailers. This is estimated to be of the order of £18m per annum. This £18m is the gain to retailers caused by consumers paying more than they would have done without minimum pricing for alcohol. In terms of the calculation of net costs and benefits this transfer payment has no effect because it is a cost to consumers but a benefit to retailers. This does not affect the overall cost/benefit directly but there may be distributional consequences.

88. In terms of benefits: The introduction of a minimum unit price at 50p is estimated to lead to a reduction in health costs of £581m; a reduction in crime costs of £188m; and a reduction in workplace absence costs of £14m over a 20-year period. This results in a net benefit over 20 years of £781m.

⁵⁷ The total discounted retailer costs assume that the familiarisation costs of £75,000 occur every year over the twenty year period.

Option 2: 55p minimum unit price

Costs

Consumers

89. 50% of all alcohol ⁵⁸ is currently purchased at less than 55p per unit. This accounts for just under two-thirds of all off-trade alcohol (65 per cent sold below 55p).⁵⁹

90. While a higher minimum unit price is estimated to result in greater reductions in consumption (and associated reductions in alcohol-related harms) among hazardous and harmful drinkers (see section on health benefits), it is also estimated to have more of an impact on moderate drinkers.⁶⁰

91. Moderate drinkers purchase just over a third (34%) of their units below a 55p minimum unit price, with the figures for hazardous and harmful drinkers being higher (49% and 62% respectively).

92. A 55p minimum unit price is estimated to result in consumption reductions of 5.0 per cent (30.3 units per year) at population level. Consumption reductions are estimated to be largest among harmful drinkers (8.6%, 339.3 units per drinker per year) and hazardous drinkers (4.4%, 55.0 units per drinker per year). The smallest effects would be seen among moderate drinkers (1.9%, 4.0 units per drinker per year).⁶¹

93. Of the total reduction in units consumed under a 55p minimum unit price, 48% would occur among harmful drinkers, 43% among hazardous drinkers and 10% among moderate drinkers.⁶²

94. Following these consumption changes, spending on alcohol is estimated to increase by 2.4% or £14 per drinker per year under a 55p minimum unit price. The largest spending increases would be seen among harmful

⁵⁸ In Wales and the West.

⁵⁹ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 8. Page 30.

⁶⁰ As highlighted by Angus, C. et al. (2018): "At all potential MUP levels, the heavier the drinker, the greater the proportion of their alcohol which will be affected by the policy. However, the proportion of moderate drinkers' consumption which is affected also rises as the MUP threshold increases, from 4% at 35p to 22% at 50p and 50% at 70p/unit." Sheffield: ScHARR, University of Sheffield. Page 29.

⁶¹ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 16. Page 37.

⁶² Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Figure 14. Page 39.

drinkers (3.0%, £88 per drinker per year) with smaller increases seen for hazardous drinkers (2.5%, £30 per drinker per year) and moderate drinkers (1.8%, £5 per drinker per year).⁶³

95. Moderate drinkers in the most deprived quintile are estimated to increase their spend by 1.7% (£3) compared to an increase of 1.7% (£7) for the least deprived quintile. Hazardous drinkers in the most deprived quintile are estimated to increase their spend by 0.1% (£1) and harmful drinkers in this quintile are estimated to reduce their spend by 7.9%.⁶⁴

96. A 55p minimum unit price is estimated to have a greater impact on moderate drinkers, capturing just over a third of the alcohol they purchase compared to just over a fifth at the 50p level. Although the difference in the impact on spend is small, this is because moderate drinkers in the most deprived quintile reduce consumption by more than the other quintiles (5.5% reduction for the most deprived, compared to 3.4% reduction for the next most deprived and only 0.1% for the least deprived).⁶⁵

Retailers

97. A higher minimum unit price is estimated to have more of an impact on both off-trade and on-trade sales. For example, half of all alcohol is currently purchased at less than 55p per unit, but this accounts for nearly two-thirds of all off-trade alcohol (65% sold below 55p) and 3% of all on-trade alcohol.

98. Higher proportions of all alcohol (compared to a 50p and 45p minimum unit price) are purchased at less than 55p per unit in the off-trade: 76% of off-trade beer is purchased at less than 55p per unit, 79% of cider, 55% of wine and 74% of spirits (see Table 1).

99. Stakeholders from the retail and alcohol industry have continued to express a preference for parity with the Scottish minimum pricing regime so far as is possible to do so as to minimise implementation and compliance costs. However, the potential differences in implementation costs for retailers (for different levels of a minimum unit price) are unknown and so at this stage, this RIA includes estimated implementation costs for a minimum unit price of 55p (and 45p) as being the same as those for a 50p minimum unit price: £1.9m discounted over a period of 20 years.

⁶³ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 19. Page 41.

⁶⁴ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 51. Page 90.

⁶⁵ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 49. Page 88.

Local Authorities, Courts and Welsh Government

100. The estimated costs for local authorities, courts and the Welsh Government would be the same regardless of the level of the minimum unit price (see Table 5).

UK Government

101. Annual revenue to the Exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.4% or £2.1m following the introduction of a 55p minimum unit price.⁶⁶

Benefits

Individuals and society

102. For a 55p minimum unit price, the discounted total reduction in societal costs of alcohol over 20 years arising from reductions in alcohol-attributable harm is estimated to be £1,079m, or a reduction in total costs of 6.5%. This is comprised of a 6.4% or £127m reduction in direct healthcare costs, a 10.1% or £656m reduction in losses of Quality Adjusted Life Years (QALYs), a 3.7% or £276m reduction in the direct and QALY-related costs of crime and a 3.1% or £21m reduction in costs associated with workplace absences (see Table 4).

Health

103. A 55p minimum unit price is estimated to lead to 87 or 11.2% fewer alcohol-attributable deaths per year and 1,807 or 5.1% fewer alcohol-attributable hospital admissions per year.⁶⁷

104. Of the total reduction in deaths arising from a 55p minimum unit price, an estimated 66% occur among harmful drinkers, 52% occur among the most deprived quintile and 39% occur among harmful drinkers in the most

⁶⁶ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 21. Page 43.

⁶⁷ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 22. Page 45.

deprived quintile. The equivalent figures for reductions in alcohol-attributable hospital admissions are 41%, 45% and 20%.⁶⁸

Crime

105. Crime is expected to fall, with an estimated 162 fewer offences per 100,000 drinkers per year under a 55p minimum unit price policy. The greatest estimated reductions are in hazardous drinkers. Costs of crime are estimated to reduce by £276m (in 2016 prices) over 20 years with a 55p minimum unit price (as set out in table 4).⁶⁹

Workplace absence

106. Workplace absence is estimated to fall (as set out in table 3), with a reduction of 758 days absent per 100,000 drinkers per year by year 20 for a 55p minimum unit price. This has been valued at £21m over 20 years (as set out in table 4).

Retailers

107. Retailer revenue is estimated to increase by a larger amount under a higher minimum unit price.

108. Specifically, total annual revenue to retailers from alcohol sales is estimated to increase by 15.9% or £27.1m in the off-trade and 0.5% or £2.5m in the on-trade, under a 55p minimum unit price. This amounts to an estimated increase in revenue to retailers of £29.7m under a 55p minimum unit price, compared to £17.8m under a 50p minimum unit price.⁷⁰

Summary of costs and benefits for a 55p minimum unit price:

109. Costs for the Welsh Government, retailers and local authorities are estimated to be the same for all three options (see Table 5).

110. Under a 55p minimum unit price, the reduced revenue from alcohol duty as a result of lower consumption equates to £29.8m over the 20-year

⁶⁸ Angus, C. et al. (2018); Sheffield: ScHARR, University of Sheffield. Figure 22, page 48. Table 25, page 50.

⁶⁹ Some of these savings will be accrued by the UK Government given that policing is a devolved matter. However, data are only available on the total amount of savings – as opposed to being able to apportion these savings to the UK Government / Welsh Government.

⁷⁰ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield Table 21.

period. However, as highlighted for option 1, in terms of the calculation of net costs and benefits, taxation is normally treated as a transfer, which means there is no overall change.

111. A 55p minimum unit price would also involve a substantial transfer from consumers to retailers. This is estimated to be £29.7m per annum (compared to £18m for a 50p minimum unit price). As highlighted for option 1, this £29.7m is the gain to retailers caused by consumers paying more than they would have done without the introduction of a minimum unit price. In terms of the calculation of net costs and benefits this transfer payment has no effect because it is a cost to consumers but a benefit to retailers.⁷¹

112. In terms of benefits: For a 55p minimum unit price, the discounted total reduction in societal costs of alcohol over 20 years arising from reductions in alcohol-attributable harm is estimated to be £1,079m, or a reduction in total costs of 6.5%. This is comprised of a 6.4% or £127m reduction in direct healthcare costs, a 10.1% or £656m reduction in losses of Quality Adjusted Life Years (QALYs), a 3.7% or £276m reduction in the direct and QALY-related costs of crime and a 3.1% or £21m reduction in costs associated with workplace absences. This results in a net benefit over 20 years of £1,076.5m.

Option 3: 45p minimum unit price

Costs

Consumers

113. Fewer units (27% of the total) are currently sold below a 45p minimum unit price (see Table 1).

114. In particular, a lower minimum unit price is anticipated to have less of an impact on reducing levels of consumption (and associated reductions in alcohol-related harms) among hazardous and harmful drinkers (see section on health benefits). Moderate drinkers purchase 16% of their units below a 45p minimum unit price, with the figures for hazardous and harmful drinkers being higher (26% and 35% respectively).⁷²

115. A 45p minimum unit price is estimated to reduce consumption by 2.4% (14.9 units per year) at population level. As with other levels considered in

⁷¹ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 39. Page 69.

⁷² Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 7. Page 29.

this RIA, consumption reductions (although smaller than a 50p or 55p minimum unit price) are estimated to be largest among harmful drinkers (4.9%, 193.1 units per drinker per year) and hazardous drinkers (1.9%, 24.0 units per drinker per year). The smallest effects would be seen among moderate drinkers (0.7%, 0.7 units per drinker per year).⁷³

116. Of the total reduction in units consumed under a 45p minimum unit price, 55% would occur among harmful drinkers, 38% among hazardous drinkers and 7% among moderate drinkers. Drinkers from the most deprived quintile would account for 53% of the reduction in units consumed.⁷⁴

117. Following these consumption changes, spending on alcohol is estimated to increase by 0.7% or £4 per drinker per year under a 45p minimum unit price. The largest spending increases would be seen among harmful drinkers (0.8%, £24 per drinker per year) with smaller increases seen for hazardous drinkers (0.7%, £8 per drinker per year) and moderate drinkers (0.6%, £2 per drinker per year).⁷⁵

118. Those in the most deprived quintile are estimated to reduce their spending on alcohol by 1.3% or £6 per drinker per year, following the above consumption changes. Drinkers in other deprivation quintiles are estimated to increase their spending by between £4 and £7 per drinker per year.⁷⁶

Retailers

119. A lower minimum unit price is estimated to have less of an impact on both off-trade and on-trade sales. 27% of all alcohol (35% of all off-trade alcohol and 1% of all on trade) is currently purchased at less than 45p per unit, compared to 37% under a 50p minimum unit price and 50% under a 55p minimum unit price (see Table 1).

120. Implementation costs are estimated to be the same as those for other levels: £1.9m discounted over a period of 20 years.

⁷³ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 16. Page 37.

⁷⁴ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Figure 14. Page 39.

⁷⁵ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 19. Page 41.

⁷⁶ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 20. Page 42.

Local Authorities, Courts and Welsh Government

121. The estimated costs for local authorities, courts and the Welsh Government would be the same regardless of the level of the minimum unit price.

UK Government

122. Annual revenue to the Exchequer from alcohol duties and VAT in Wales is estimated to fall by 0.3% or £1.6m following the introduction of a 45p minimum unit price.⁷⁷

Benefits

Individuals and society

123. For a 45p minimum unit price, the discounted total reduction in societal costs of alcohol over 20 years arising from reductions in alcohol-attributable harm is estimated to be £526m, or a reduction in total costs of 63.2%. This is comprised of a 3.1% or £62m reduction in direct healthcare costs, a 5.2% or £336m reduction in losses of Quality Adjusted Life Years (QALYs), a 1.6% or £119m reduction in the direct and QALY-related costs of crime and a 1.4% or £9m reduction in costs associated with workplace absences (see Table 4).

Health

124. A lower minimum unit price is estimated to have a reduced impact on alcohol-related deaths and hospital admissions. A 45p minimum unit price is estimated to lead to 45 or 5.8% fewer alcohol-attributable deaths per year and 857 or 2.4% fewer alcohol-attributable hospital admissions per year.⁷⁸

125. Of the total reduction in deaths arising from a 45p minimum unit price, an estimated 70% occur among harmful drinkers, 60% occur among the most deprived quintile and 47.4% occur among harmful drinkers in the most deprived quintile. The equivalent figures for reductions in alcohol-attributable hospital admissions are 46%, 51% and 26%.

⁷⁷ Angus et al. (2018); Sheffield: ScHARR, University of Sheffield. Table 21. Page 43.

⁷⁸ Angus et al. (2018). Sheffield: ScHARR, University of Sheffield. Table 22. Page 45.

Crime

126. Crime is expected to fall, with an estimated 69 fewer offences per 100,000 drinkers per year under a 45p minimum unit price policy (but this fall is less than for a 50p or 55p minimum unit price). A 45p minimum unit price is estimated to lead to 1.5% or 1,315 fewer alcohol-attributable crimes per year. The largest reduction is seen in crimes committed by hazardous drinkers at 2.0% or 830 fewer crimes per year, compared to 1.0% or 371 fewer crimes per year for moderate drinkers and 1.4% or 114 fewer crimes per year for harmful drinkers.⁷⁹

127. Costs of crime are estimated to reduce by £119m (in 2016 prices) over 20 years with a 45p minimum unit price (as set out in table 4).⁸⁰

Workplace absence

128. The number of working days lost to alcohol-attributable workplace absences is estimated to fall by 1.2% or 6,270 days per year under a 45p minimum unit price. The largest reduction is seen in days absent for hazardous drinkers at 1.8% or 3,997 fewer days absent per year, compared to 0.7% or 1,519 fewer days absent per year for moderate drinkers and 1.1% or 754 fewer days absent per year for harmful drinkers.

Retailers

129. The estimated increase in revenue to retailers will be lower under a 45p minimum unit price.

130. Total annual revenue to retailers from alcohol sales is estimated to increase by 5.6% or £9.6m in the off-trade and reduce slightly by 0% or £0.2m in the on-trade. This amounts to an estimated increase in revenue to retailers of £9.4m under a 45p minimum unit price, compared to £17.8m under a 50p minimum unit price.⁸¹

⁷⁹ Angus et al. (2018). Sheffield: SchARR, University of Sheffield. Table 30. Page 55.

⁸⁰ Some of these savings will be accrued by the UK Government given that policing is a devolved matter. However, data are only available on the total amount of savings – as opposed to being able to apportion these savings to the UK Government / Welsh Government.

⁸¹ Angus et al. (2018). Sheffield: SchARR, University of Sheffield. Table 21. Page 43.

Summary of costs and benefits for a 45p minimum unit price

131. Costs for the Welsh Government, retailers and local authorities are estimated to be the same for all three options (see Table 5).
132. Under a 45p minimum unit price, the reduced revenue from alcohol duty as a result of lower consumption equates to £22.7m over the 20-year period. However, as highlighted for option 1, in terms of the calculation of net costs and benefits, taxation is normally treated as a transfer, which means there is no overall change.
133. A 45p minimum unit price would also involve a substantial transfer from consumers to retailers – but this is lower than for a 50p and 55p minimum unit price. This is estimated to be £9.6m per annum. As highlighted for options 1 and 2, this is the gain to retailers caused by consumers paying more than they would have done without the introduction of a minimum unit price.
134. In terms of benefits: The discounted total reduction in societal costs of alcohol over 20 years arising from these reductions in alcohol-attributable harm is £526m or a reduction in total costs of 3.2%. This is comprised of a 3.1% or £62m reduction in direct healthcare costs, a 5.2% or £336m reduction in losses of Quality Adjusted Life Years (QALYs), a 1.6% or £119m reduction in the direct and QALY-related costs of crime and a 1.4% or £9m reduction in costs associated with workplace absences. This results in a net benefit over 20 years of £523.5m.

Summary of costs and benefits for all options

135. Table 6 below summarises the costs and benefits for each of the three options.

Table 6: Summary of costs for all options⁸²

| | | Option 1 50p minimum unit price | Option 2 55p minimum unit price | Option 3 45p minimum unit price |
|---------------------------------|---|--|--|--|
| Costs | WG | £0.7m | £0.7m | £0.7m |
| | Retailers | £1.9m | £1.9m | £1.9m |
| | | | | |
| Benefits | Health | £581m | £784m | £398m |
| | Crime | £188m | £276m | £119m |
| | Workplace absence | £14m | £21m | £9m |
| | | | | |
| Net Benefit / (Cost) | | £781m | £1,078m | £523.5m |
| | | | | |
| Other | +/- retailers revenue | £17.8m increase per year (impact of minimum unit price paid to retailers) | £29.7m increase per year | £9.4m increase per year |
| | UK reduction in alcohol duty revenue from fewer alcohol sales | -£27m based on a reduction of £1.9m per year | -£29.8m based on a reduction of £2.1m per year | -£22.7m based on a reduction of £1.6m per year |

⁸² The figures for options one to three are discounted over a 20 year period at 3.5%. This is to make the calculations consistent with the modelling work undertaken by the University of Sheffield, which assessed a 20 year period. The 3.5% is standard discounting where costs/benefits occur over multiple time periods. A rate of 3.5% is used for government projects. We use a 20 year period here as this was the timeframe incorporated into the Sheffield modelling.

Conclusion and preferred option

136. The Welsh Government's preferred level is a 50p minimum unit price (Option 1).
137. Modelling suggests that a 50p minimum unit price will target the consumption levels of hazardous and harmful drinkers (who tend to consume greater quantities of low-cost and high-alcohol content products), whilst minimising impacts on moderate drinkers.
138. A 50p minimum unit price will target nearly half (47%) of all off-trade alcohol being purchased and just under half of alcohol purchased by harmful drinkers, whilst only capturing just over a fifth of alcohol purchased by moderate drinkers.⁸³ This is an important factor which has contributed to our preference for a minimum unit price of this level – we want to target cheap alcohol (which is favoured by heavier drinkers and predominantly sold in the off-trade) while balancing this against intervention in the market.
139. Under a 50p minimum unit price, over half of the estimated reduction in consumption would be accounted for by harmful drinkers. There would consequently be minimal impact on moderate drinkers, accounting for less than ten per cent of the reduction in consumption, again in line with the targeted aim of the legislation.
140. For a minimum unit price above 50p, there are greater estimated impacts on those living in poverty and estimated reductions in consumption. However, there are also greater estimated impacts on moderate drinkers living in poverty.
141. A 50p minimum unit price is also consistent with the level of minimum unit price currently applicable in relation to Scotland. Retailers and representatives from the alcohol industry have continually stated their preference for consistency as far as is possible.
142. Option 2, a 55p minimum unit price, would capture a greater proportion of alcohol purchased by harmful drinkers (just over three-fifths, compared to

⁸³ Off-trade is defined as locations where alcohol is sold for consumption off the premises, e.g. shops and supermarkets. On-trade is defined as locations where alcohol is sold for consumption on the premises, e.g. pubs and restaurants. Source: Glossary in Angus, C., Holmes, J., Brennan, A. and Meier, P. (2018) Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Wales: Final report. Cardiff: Welsh Government

<https://gov.wales/docs/caecd/research/2018/180222-comparative-impact-minimum-unit-pricing-taxation-policies-summary-en.pdf>

just under half for a 50p minimum unit price) and is also estimated to achieve a greater reduction in alcohol consumption and a higher estimated impact on alcohol-attributable deaths and hospital admissions. However, a 55p minimum unit price would have a greater impact on moderate drinkers.

143. Option 3, a 45p minimum unit price, only captures 27% of total units purchased, 35% of alcohol purchased by harmful drinkers and just over a quarter of alcohol purchased by hazardous drinkers (26%). As such, a minimum unit price at this level is estimated to lead to smaller reductions in levels of consumption, particularly amongst hazardous and harmful drinkers, resulting in lower anticipated reductions in alcohol-related deaths and alcohol-related hospital admissions than can be achieved under higher levels of MUP.

8. Consultation

144. As highlighted in section 5 of the Explanatory Memorandum, the Welsh Government consulted on its preferred level of the MUP of 50p for 12 weeks, from 28 September to 21 December 2018.

145. The consultation was intended to gain views from a range of stakeholders to inform the level of the minimum unit price to be specified in regulations, for the purposes of the 2018 Act. The consultation was not about the principle of minimum unit pricing, as the Welsh Government has consulted twice before (in 2014 and 2015) on this matter.

146. The consultation was published on the Welsh Government website. Information on the consultation documents and how to respond was widely distributed and shared via social media. Information was also shared with the NHS Equalities Leads, Welsh Government Equalities Networks, the Children's Commissioner, the Older People's Commissioner, the Future Generations' Commissioner, the End Child Poverty Network, Alcohol Brief Intervention Practitioners and Public Health Wales Alcohol Leads. Articles were also included in the Chief Medical Officer's Newsletter and the Department for Health and Social Services Newsletter.

147. Meetings were also held with stakeholders, service providers, Area Planning Boards, the Welsh Heads of Trading Standards, retailers and representatives from the alcohol industry. Three engagement meetings were held with service users (in Gwent, RCT and Cardiff and the Vale) and Children in Wales ran two workshops with children and young people (in north and south Wales). A list of all stakeholder meetings and a summary of

the key themes to emerge from this engagement is included as part of this summary.⁸⁴

148. Based on analysis by the University of Sheffield on the impacts of minimum unit pricing published in November 2017 and February 2018⁸⁵ (plus the wider evidence base set out in the Explanatory Memorandum and Regulatory Impact Assessment for the Bill)⁸⁶ the consultation document on the preferred level of the minimum unit price noted the following: “Taking into account a range of factors, the Welsh Government considers a 50p minimum unit price would be a proportionate response to tackling the health risks of excessive alcohol consumption and strikes a reasonable balance between the anticipated public health and social benefits and intervention in the market.”⁸⁷

149. Of the 148 written responses received, 95 commented on the Welsh Government’s preferred minimum unit price of 50p.

- Of those 95 respondents who commented specifically on the proposed level of the MUP of 50p, 43 were responses from organisations and 52 were from individuals.
- 58 (61%) of the respondents who commented on the proposed price of 50p per unit were supportive of the Welsh Government’s preferred level.
- 9 (9%) of the respondents who commented on the proposed price of 50p per unit stated that the minimum unit price should be higher than 50p per unit.

⁸⁴ The list of stakeholder engagement meetings and an overview of their views on a 50p MUP and issues raised was included as part of the summary of consultation responses published on 15 February (see Table 1, page 26).

https://beta.gov.wales/sites/default/files/consultations/2019-02/summary-of-responses_0.pdf

⁸⁵ An Interim Report on the impacts of a 50p Minimum Unit Price was published in November 2017. A full report on the impacts of different levels of MUP ranging from 35p to 70p in five pence increments was published in February 2018. These reports can be accessed here:

<https://gov.wales/statistics-and-research/research-likely-impact-public-attitudes-towards-minimum-unit-price-alcohol/?lang=en>

⁸⁶ The Explanatory Memorandum and RIA for the Bill were last updated in June 2018. The latest version can be accessed here: <http://www.assembly.wales/laid%20documents/pri-ld11577-em/pri-ld11577-em-e.pdf>

⁸⁷ Welsh Government Consultation Document (September 2018) Minimum Unit Pricing for Alcohol.

<https://beta.gov.wales/setting-minimum-unit-price-alcohol>

- 13 (14%) of the respondents who commented on the proposed price of 50p per unit stated that the minimum unit price should be lower than 50p per unit. Five of these specifically stated that the level of the MUP should be zero.
- 15 (16%) of respondents commented on the price but were not explicit about whether or not they support the proposed price of 50p per unit.
- Out of the 148 responses, 55 stated that there should be no minimum unit price introduced for alcohol.
- A small number of responses stated it would not be appropriate for them to comment specifically on the level of the MUP (or said they did not have a view). This included a small number of Third Sector organisations and those representing retailers / the alcohol industry.

150. When commenting on the preferred level of the MUP, a number of key themes emerged from the responses of those supporting a 50p MUP. Particular reference was made to the research carried out by the University of Sheffield and the **anticipated health gains** of introducing a 50p MUP, whilst also recognising the need for balance and proportionality, in terms of interference in the market. Responses commented that a 50p MUP was “a fair price” / “a sensible place to start” / “a good place to start” / “a reasonable price to set” – and that “there is an overall logic to the proposals”.

151. Another key theme to emerge was the importance of **consistency and parity with the level of the MUP in Scotland**. This was emphasised in responses from retailers, networks representing retailers and the alcohol industry, Third Sector organisations, as well as by public health stakeholders and health boards, local authorities and APBs.

152. Amongst the consultation responses supporting a higher MUP, the key issue raised was that the Welsh Government had already consulted on a 50p MUP in 2015 and so the preferred level should now be higher. Some responses also commented on the public health benefits of a higher MUP – and the greater anticipated reduction in alcohol-related deaths and hospital admissions, from an MUP above 50p. A number of responses also commented on needing to take inflation into account, since the Welsh Government consulted on minimum pricing as part of the Public Health White Paper in 2014 and on the draft Public Health (Minimum Price for Alcohol) (Wales) Bill in 2015. It was also suggested that a higher MUP could also have more of an impact on cultural change and reducing consumption amongst children and young people.

153. Amongst the responses supporting a lower MUP, the key issue raised was the potential impact of MUP on moderate drinkers and concerns over impacts on retailers, the Welsh economy and tourism. Calls were also made for the level of the MUP to be zero.
154. Amongst the responses not supportive of a 50p MUP (or minimum pricing in general), a number of key themes emerged. In particular, concerns were raised over the impacts of a 50p MUP on households living in poverty. In particular, a number of responses highlighted the impacts of introducing an MUP for alcohol on household budgets. Specific concerns were raised that introducing a MUP for alcohol will have unintended consequences for families with children, if parents choose to continue drinking and have to pay more for alcohol, and could therefore have less money for food and fuel and potential increases in debt. The concept of being punished for being a moderate drinker was a particularly strong theme to emerge, with a number of respondents commenting on MUP being an example of the “nanny state”. Those not supportive of a 50p MUP questioned the policy rationale and evidence base on using price as a lever to reduce hazardous and harmful drinking and raised particular concerns over whether dependent drinkers would reduce consumption following an increase in the price of alcohol.
155. Responses also highlighted potential impacts and unintended consequences for vulnerable groups, including dependent drinkers and people who are homeless; potential impacts on crime – including shop-lifting and the sale of illegal and illicit alcohol; a possible increase in the number of people switching from alcohol to other substances; impacts on cross border shopping; and a potential for an increase in demand for substance misuse services.
156. The summary of consultation responses stated that the Welsh Government “would continue to consider these potential issues” – highlighting recently commissioned research looking at the risk of switching from alcohol to other substances, which will report ahead of implementation (see section 10 of the RIA). The summary of consultation responses also highlighted the extra £2.4 million in funding announced for 2019/20 for the seven Area Planning Boards who are responsible for commissioning front line substance misuse services.
157. The outcome of the consultation was that the Welsh Government remains of the view that a 50p MUP should be specified in the Regulations for the purposes of the 2018 Act.

9. Competition Assessment

158. A Competition Assessment on the introduction of minimum pricing for alcohol was undertaken as part of the RIA for the then Public Health (Minimum Price for Alcohol) (Wales) Bill.

159. Both the Competition Filter Assessment and the Second Stage Competition Assessment for the introduction of a minimum price for alcohol can be found on pages 138 to 163 of the RIA for the Bill – and so this assessment is not repeated here.

160. The revised EM and RIA for the Bill, published on 5 June 2018, can be accessed here:

<http://www.assembly.wales/laid%20documents/pri-ld11577-em/pri-ld11577-em-e.pdf>

10. Post implementation review

161. The Act provides that the majority of its provisions will come into force on a day appointed by the Welsh Ministers. The current policy intention is that the substantive provisions of the Act be commenced in September 2019. This is intended to allow sufficient time for those affected to prepare accordingly.

162. In accordance with the Act's provisions, the Welsh Ministers will as soon as practicable after five years from commencement of the minimum pricing regime, lay before the National Assembly and subsequently publish a report on the operation and effect of the Act. In preparing that report, they must consult with the National Assembly for Wales and with those persons they consider appropriate.

163. It is proposed that the effect of the Act and regulations made under it will be measured in a number of ways. Methods will include research and evaluation with stakeholders as well as routine health data, monitoring data, and a formal evaluation and review.

Routine health data

164. The National Survey for Wales collects and reports on alcohol consumption on an annual basis – new data are published during the summer and will be reported annually as part of ongoing monitoring for alcohol policy.

165. Data on alcohol-attributable mortality and alcohol-attributable hospital admissions are included in the annual profile for substance misuse produced and published by Public Health Wales each autumn.

Monitoring data

166. Monitoring data will be collected from local authorities about compliance with the legislation.

Formal evaluation and review

167. It is intended that the overarching evaluation of the Act will take the form of a contribution analysis.

168. Contribution analysis is a theory-based evaluation method, appropriate to the review of complex, multi-level programmes of work where direct causal attributions are not possible.⁸⁸ The approach is applicable here as the introduction of a minimum price for alcohol is not the only factor which may impact on alcohol consumption and alcohol-related harm. The evaluation approach needs to take account of this and assess the contribution the policy has made to any observed changes in outcomes. Theoretically, it is considered reasonable to assess the contribution of the programme if:

- There is a theory of change illustrating links between actions and outcomes.
- Planned activities were implemented.
- Evidence is available to support the above.
- Other factors that could have an impact on outcomes have been considered.

169. This approach aims to make a reasonable assessment of the contribution of the policy to meeting its overall aim. There are a number of strands of work that will contribute to the generation and reviewing of evidence, including routine data and commissioned studies.

Commissioned Studies

170. A number of specific studies will be (and have been) commissioned to provide the evidence to feed into the contribution analysis. They include research into the impact of MUP on retailers; qualitative work with service providers and service users (looking at the potential risk of switching from alcohol to other substances); and an assessment of introducing an MUP on the wider population of drinkers.

Internal Review of the Level of the Minimum Unit Price

171. Welsh Government officials will also carry out an internal review of the level of the initially-specified minimum unit price after the first two years, following the date of the bringing into force of the minimum pricing regime.

172. To inform consideration of the level (and any decision on whether the initial level of the minimum unit price specified in regulations should be changed and new regulations made), this review will consider compliance,

⁸⁸ Mayne, J. (2008) Contribution analysis: An approach to exploring cause and effect. The Institutional Learning and Change (ILAC) Initiative.

as well as data on alcohol consumption, and key outcomes such as alcohol-related deaths and hospital admissions.

173. The internal review will be led by Welsh Government policy officials supported by Knowledge and Analytical Services. The internal review process will also be peer reviewed. The key findings and any recommendations from the internal review will be published.