

# **Interim Business and Regulatory Impact Assessment of Minimum Unit Pricing (MUP) Continuation and future pricing**

September 2023

# **Interim Business Regulatory and Impact Assessment: Minimum Unit Pricing (MUP): Continuation and Future Pricing**

## **EXECUTIVE SUMMARY**

Despite progress, alcohol-related harm continues to be one of the key public health challenges in Scotland. In 2021, there was enough alcohol sold in Scotland for every adult to drink 18.1 units of alcohol a week. This is the equivalent to around 36 bottles of spirits, or around 90 bottles of wine, per adult each year. This is nearly 30% more than the lower-risk UK Chief Medical Officers' guidelines of 14 units per week. Scotland has the highest alcohol-specific death rate in the UK, there were 1,276 alcohol-specific deaths in Scotland in 2022, and 35,187 alcohol-related hospital admissions in 2021/22.

The Scottish Government introduced minimum unit pricing (MUP) in May 2018, which sets the minimum price that a unit of alcohol can be sold for in Scotland – currently set at 50 pence per unit (ppu).

The policy aim of MUP is to reduce health harms caused by alcohol consumption by setting a floor price below which alcohol cannot be sold. In particular, it targets a reduction in consumption of alcohol that is considered cheap, relative to its strength. It aims to reduce both the consumption of alcohol at population level and, in particular, among those who drink at hazardous and harmful levels. In doing so, it aims to reduce alcohol related health harms among hazardous and harmful drinkers and contribute to reducing harm at a whole population level.

People who drink at hazardous and harmful levels in lower socio-economic groups suffer greater harms than those who drink at these levels in higher socio-economic groups due to the impact of multiple drivers of health inequality. MUP is also intended to address alcohol related health inequalities by reducing consumption and therefore harm among hazardous and harmful drinkers as a whole, having a positive effect on health inequalities given the greater harms people in lower socio-economic groups experience in relation to alcohol.

MUP is one of a range of population and individual level interventions set out in the Scottish Government Alcohol Framework that together are intended to improve the prevention and treatment of alcohol related harm in Scotland.

Scotland's MUP legislation contains a 'sunset clause' which means the legislation will expire at the end of 30 April 2024, unless the Scottish Ministers make an Order to continue its effect. It also requires the Scottish Government to assess the operation and effect of the policy five years after it comes into force, and to report on this to the Scottish Parliament. Alongside this, the Scottish Government have also conducted work to review the minimum price per unit.

Evidence shows that as alcohol becomes more affordable, drinking and alcohol-related harm increases, and that one of the best ways to reduce the amount of alcohol drunk by people in any country is by making alcohol less affordable.<sup>1</sup> The Scottish Government's approach to tackling alcohol harms is in line with the World Health Organisation's focus on affordability, availability and attractiveness of alcohol.<sup>2</sup>

The Scottish Government, in its [National Performance Framework](#) provides a clear vision for Scotland with broad measures of national wellbeing covering a range of economic, health, social and environmental indicators and targets. Building a better relationship with alcohol will significantly contribute to realising this.

MUP has been extensively evaluated during its first five years by [Public Health Scotland \(PHS\) who led a wide-ranging, comprehensive, five-year review of MUP](#). The evaluation comprised a portfolio of quantitative and qualitative studies across a number of areas including price and product range; alcohol sales and consumption; alcohol related harm; and economic impact on the alcoholic drinks industry. Their final report found:

“Overall, the evidence supports that MUP has had a positive impact on health outcomes, namely a reduction in alcohol-attributable deaths and hospital admissions, particularly in men and those living in the most deprived areas, and therefore contributes to addressing alcohol-related health inequalities. There was no clear evidence of substantial negative impacts on the alcoholic drinks industry, or of social harms at the population level.”<sup>3</sup>

That is why the Scottish Government is proposing to retain minimum unit pricing of alcohol as one of the interventions to tackle alcohol harms. In addition to the proposal to retain MUP, Ministers have suggested a preferred price going forward, set at a level that ensures the value of the minimum unit price continues to support the Ministerial ambition of reducing alcohol harm.

MUP is a price set in cash terms at a point in time and so will erode in real terms over time as inflation and the purchasing power of money reduces. National Records of Scotland latest publication on alcohol specific-deaths has shown there were 1,276 alcohol-specific deaths in 2022, and deaths were 4.3 times higher in the most deprived areas compared to the least deprived areas. An effective level of MUP needs to be in place in order to continue to reduce alcohol-related harm.

In addition to modelling on the impacts on consumption and health harms of changing the level of MUP, the following factors and evidence are relevant in considerations of a preferred price for MUP:

- Affordability of alcohol
- Alcohol prices including price distribution

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<sup>1</sup> [No place for cheap alcohol: the potential value of minimum pricing for protecting lives \(who.int\)](#)

<sup>2</sup> [Reducing harm due to alcohol: success stories from 3 countries \(who.int\)](#)

<sup>3</sup> The reduction in alcohol-attributable deaths and hospital admissions found as part of the evaluation are estimates

- Cost crisis
- Impact of Covid-19 restrictions on alcohol consumption and harms
- Covid recovery

## **Consultation**

Alongside the publication of this Interim BRIA, [a public consultation](#) on the proposals to continue MUP and to seek views on the preferred price per unit of 65 pence is open until 22<sup>nd</sup> November 2023.

The results of the public consultation, in addition to the wide range of evidence that exists, will enable the Scottish Government to make a decision on whether to continue the policy and, if so, at what price.

This public consultation follows targeted stakeholder engagement with a wide range of internal and external stakeholders carried out in 2022 and 2023.

## **Options**

In preparing this Interim BRIA the Scottish Government has considered the different options available and have provided a summary of those considerations.

In order to inform these options the Scottish Government commissioned the [University of Sheffield Alcohol Research Group \(SARG\) to undertake new modelling work to inform a review of the current 50ppu threshold](#). SARG is a world-leading centre for research on alcohol harms. Their work is widely used by policymakers, practitioners, and the general public.

### **Option 1: not continuing MUP as a policy**

The 'do-nothing' option would see the sunset clause come into effect and there would no longer be MUP for alcohol in Scotland from 1 May 2024.

During consultation with businesses, the impact of removing MUP was unclear. If the floor price is removed, it is likely that some alcohol products would reduce in price. What is unknown is whether this would happen quickly or whether there would be a more gradual reduction. The response would likely vary across different retailers and producers depending on product demand and competition.

The Sheffield Model estimates that relative to the impacts of 50ppu in 2019 shortly after it was first introduced, removing MUP would lead to an increase in average alcohol consumption across drinkers, increasing by 5.4%. This increased consumption shifts individuals up drinking categories, with an increase of 10,684 hazardous drinkers and 26,841 harmful drinkers estimated.

Increased alcohol consumption from the removal of MUP would be expected to result in increased health harms and costs to the NHS. The removal of MUP is estimated to lead to an increase of 131 deaths in year 1 after it had expired. The

increased mortality is estimated to be concentrated in the most deprived SIMD quintiles.

Hospital admissions would also be expected to increase if MUP was removed. At the population level it is estimated there would be an additional 1,751 admissions in the first year after it had expired.

Alcohol related disease imposes a significant burden on the NHS. The estimated impacts on NHS costs of removing MUP are forecast to amount to £10 million over the first 5 years (assuming MUP increased in line with inflation annually). As well as these costs, there will be increased costs relating to the need for more alcohol treatment and support services as alcohol harms increase.

As the removal of MUP is estimated to increase alcohol consumption and hence alcohol harms, which is not consistent with the policy aim of reducing alcohol-related harm, the Scottish Ministers are proposing that MUP as a policy should continue. If it were to be removed, alcohol consumption would increase and hence so would alcohol-related harms. This option is, therefore, not being proposed because it does not meet the aim of the policy going forward.

### **Option 2: continuing MUP at 50ppu**

Continuing MUP with a 50ppu price floor would mean that retailers would continue to be required to retail alcohol at or above the current MUP level in Scotland .

Maintaining the price at its current level of 50ppu would mean retailers would not be required to make any changes to prices in order to comply with the new legislation.

The evaluation has shown that 50ppu has been effective in reducing alcohol-related harms however, as time passes, its effectiveness is likely to decrease as the cash price level is eroded by inflation in real terms. The PHS evaluation final report referred to this as a consideration for policy-makers: the evaluation of MUP was conducted at 50ppu and, if MUP continues, it is likely benefits realised will only be maintained at similar levels if the value of MUP is maintained relative to the prices of other products. The report also mentions that increasing the level of MUP would potentially increase the positive impact on consumption and harms, but that any negative or harmful impacts might also increase.

The Scottish Ministers are proposing that, on balance, the current level of MUP at 50ppu should be increased. If MUP remained at 50ppu, alcohol consumption would increase and hence so would alcohol-related harms. This option is, therefore, not proposed because it does not most effectively deliver the intended public health impact.

### **Option 3: continue MUP at a level lower than 50ppu**

Retailers would be required to continue to retail alcohol above a minimum unit price, but that level would be lower than the current 50ppu. This MUP level would represent a decrease in both cash and real terms compared to its introduction in 2018.

Similar to the removal of MUP, a lowering of the level of MUP in cash terms is estimated to increase alcohol consumption and hence alcohol harms, which is not consistent with our policy aim of reducing alcohol-related harm.

As set out above, the Scottish Ministers are proposing that the current level of MUP at 50ppu should be increased in order to maintain its effectiveness going forward. A lowering of the current level would result in increased alcohol consumption and hence increased alcohol-related harms. This option is, therefore, not being proposed because it does not meet the aim of the policy going forward.

#### **Option 4a: continue MUP at levels above 50ppu**

As set out in the PHS evaluation, in order to maintain its effectiveness going forward, the current level of MUP may need to increase to ensure its value in real terms (i.e. relative to other products). This will ensure that the desired public health benefits of the policy are realised.

Setting a new price provides the opportunity to take account of the significant changes which have taken place since MUP was first introduced, including the high levels of inflation, the impact of the covid pandemic and the ongoing cost crisis.

Given the positive impact which evidence suggests MUP at 50ppu has had, the Scottish Ministers are seeking a price that will continue to achieve at least similar levels of public health benefit with a preference to achieving further reductions in alcohol related harm than seen at 50ppu.

#### **55ppu**

Taking account of all the evidence and factors, the Scottish Ministers consider 55ppu to be too low a price. Whilst it provides the option closest to the level of interference in the market in terms of the distribution of prices in the off-trade that 50ppu did, it is estimated to have lower benefits than has been achieved by 50ppu. Based on the Consumer Price Index (CPIH) since MUP was introduced, the price would need to increase to at least 60ppu to obtain the equivalent scale of impacts as modelled for 50ppu in 2019. There are other factors that need to be taken into account, however, how the price compares with inflation is a significant element in maintaining the effectiveness of MUP. Therefore the Scottish Government consider that 55ppu is too low as it is unlikely the positive impact which evidence suggests MUP at 50ppu achieved in 2018.

This option is, therefore, not proposed.

#### **60ppu**

60ppu provides the option that is closest to maintaining the benefits of the policy at the same level as when it was introduced, and would uprate MUP in line with CPIH. It would likely result in a small increase in the share of products captured by MUP compared to when it was first introduced.

Given the level of alcohol related harms in Scotland, or instance as set out in the 29 August National Records of Scotland alcohol-specific deaths publication, Scottish Ministers are, given the level of population wide alcohol harms, proposing that the

MUP level is set to increase the public health benefits of the policy and to further reduce alcohol harms compared to the initial implementation of MUP . This option is therefore not proposed.

### **65ppu**

65ppu provides even greater positive health benefits than 60ppu, with modelling showing it could avert an additional 60 deaths in the first year and 774 fewer hospital admissions compared to 60ppu. The number of hazardous drinkers is estimated to fall by 15,742 and the number of harmful drinkers fall by 11,403, compared to 60ppu. The modelling estimates that the health benefits would be experienced most acutely by those in the most deprived groups of the population on average (22 fewer deaths in the most deprived SIMD quintile and 6 fewer deaths in the least deprived SIMD quintile in year one of the policy compared to a 60ppu MUP. However, it will have an increased impact on industry and market interference. This impact, however, must be considered within the context of rising alcohol harms as latest alcohol-specific deaths show there has been an increase of 2% in 2022.

As Scottish Ministers are seeking a level which will derive greater benefits than the current policy, raising the level to 65ppu is proposed as the preferred position on price for the purposes of this consultation. This strikes an appropriate balance of achieving increased health benefits while minimising unnecessary interference in the market.

### **Option 4b: Continue MUP at 70ppu, 75ppu or 80ppu**

Increasing MUP above 65ppu is recognised as being at too high a level for Scotland. The impact on consumers, dependent drinkers and the market would be very large. It is also likely that the possibility of unintended consequences would be increased, such as potential financial difficulties for dependent drinkers and increase in use of non-beverage alcohol.

At these levels, the price floor would begin to impact beyond lower price alcohol products that have been the core target of the policy intent to reduce alcohol that is cheap relative to its strength. The level of interference of 70ppu, 75ppu and 80ppu is, therefore, too high to justify the policy aims despite the greater health benefit that would be achieved. We, therefore, conclude that the options of increasing the current level of MUP to 70ppu, 75ppu or 80ppu is not acceptable and, therefore, do not proposed implementing any of these options

Taking into account all relevant factors, the Scottish Ministers consider a MUP of 65ppu offers a balance of reducing alcohol harms and impact on the alcoholic drinks market, and is the proposed preferred price.

### **Impact on businesses**

Products that currently retail below the preferred minimum price per unit will require to raise their price to comply with the legislation.

Evidence from the PHS evaluation highlights that there is no strong evidence of an adverse impact on the alcohol industry as a whole as a result of MUP. However, there is evidence that the impacts were felt differently across the sector, with

evidence of some producers experiencing lower profits, and some smaller retailers having reduced revenues. Similar results are expected with an updated minimum unit price, with products more likely to be directly impacted (such as spirits) seeing greater falls in sales than products which are currently priced above the preferred price.

## **Summary of the technical tests around EU, markets, Scottish Firms Impact Test etc**

### **United Kingdom Internal Market Act 2020**

At present MUP is excluded from the scope of the United Kingdom Internal market Act 2020 (IMA) on the basis of it being a statutory requirement which was in force before that Act came into force. The proposed change in price would amount to a substantive change for the purpose of section 9 of that Act. Accordingly, the Scottish Government has given consideration to whether the proposals would comply with the principle of non-discrimination for goods.

### **Scottish Firms Impact Test**

In 2020, there were 502 business units in Scotland with 11,500 jobs in the manufacture of beverages (both alcoholic and non-alcoholic) in Scotland. The manufacture of spirits, cider and beer had total employment of 10,000 and a total turnover of almost £4.2 billion in 2020, with a Gross Value Added of almost £2 billion. Sections 5 and 7 sets out the impact of a change in MUP on specific sectors of the alcohol industry including:

- Jobs
- Product supply chain
- Costs to retailers – off trade
- Costs to wholesalers
- Costs to producers
- Small retailers
- Small specialist retailers
- Small producers
- Small on-sale premises



# 1. TITLE OF PROPOSAL

Alcohol: Minimum Unit Pricing (MUP): Continuation and Future Pricing .

## 2. PURPOSE AND INTENDED EFFECT

### 2.1 Background

Despite progress, alcohol-related harm continues to be one of the key public health challenges in Scotland. In 2021, the latest year for which data are available, across the population aged over 16, population purchase of alcohol averages 18.1 units per week per person<sup>4</sup>. This is nearly 30% more than the lower-risk UK Chief Medical Officers' guidelines of 14 units per week. The high population-level alcohol consumption in Scotland causes a range of health and wider harms.

Overall population health has worsened in Scotland across key measures in the last ten years. Action across both primary prevention (tackling the causes of poorer health outcomes) and secondary prevention (mitigating or reducing the effects of partly established health harms) is key to supporting an improvement in population-wide health. Minimum unit pricing is part of the preventative approach to improving population health through behaviour change.

Minimum Unit Pricing was first implemented in 2018 and, according to analysis of its operation, has had a broadly positive impact on levels of alcohol-related harm. Public Health Scotland's overall conclusion was:

*'Overall, the evidence supports that MUP has had a positive impact on health outcomes, including alcohol-related health inequalities. There was no clear evidence of substantial negative impacts on the alcoholic drinks industry or social harms at the population level'.*

[The evaluation from PHS](#) found MUP was estimated to have reduced deaths wholly attributable to alcohol consumption by 13.4% and was likely to have reduced hospital admissions by 4.1% compared to what would have happened if MUP was not in place<sup>5</sup>. MUP was estimated to reduce alcohol sales by 3% with the greatest reductions in sales for products that increased the most in price over the timeframe of the evaluation. They also found no consistent evidence of impact, positive or negative, on wider social harm due to alcohol, however, there is some qualitative evidence of negative consequences, particularly for those with alcohol dependence on low incomes.

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<sup>4</sup> [Monitoring and Evaluating Scotlands Alcohol Strategy \(MESAS\), 2022 \(publichealthscotland.scot\)](#)

<sup>5</sup> [Evaluating the impact of alcohol minimum unit pricing on deaths and hospitalisations in Scotland: a controlled interrupted time series study - ScienceDirect](#)

There is no consistent evidence that MUP impacted either positively or negatively on the alcoholic drinks industry in Scotland as a whole. However, the Scottish Ministers note that some distributional impacts on some product types and businesses were found, for instance some instances of retailers delisting larger sizes of brands that had experienced the largest increase in price per unit, though no evidence of any product disappearing in all its package variants entirely.<sup>6</sup>

The legislation which underpins minimum unit pricing is the Alcohol (Minimum Pricing) (Scotland) Act 2012. The Act includes a 'sunset clause', which means that the legislation will expire after 6 years of being in force unless Scottish Ministers make an Order to continue its effect. Without such an Order, which would require the approval of the Scottish Parliament, the MUP provisions will expire on 30 April 2024. The Act also places a duty on Scottish Ministers to lay a report on the operation and effect of the minimum pricing provision as soon as practicable after 5 years of MUP being in force.

This Business and Regulatory Impact Assessment (BRIA) contains an assessment of two policy proposals: 1) continuing the effect of the MUP legislation and 2) in the event of continuation, an increase in the price per unit, to 65ppu.

The pence per unit (ppu), set when MUP was implemented in 2018, has remained at 50ppu, against a backdrop of general prices rising through inflation. The impact of MUP at 50ppu in 2018 will therefore, all other things being equal, have reduced over time with the impact of inflation. Continuing with MUP at 50ppu in 2024 would be unlikely to generate the intended benefits, as found in the evaluation to date, to the same extent. If the price were to remain at 50ppu, over time the benefits which have been evidenced to date would be reduced.

[The Scottish Government commissioned the Sheffield Alcohol Research Group \(SARG\)](#) to undertake new modelling work to inform a review of the current 50ppu threshold. The modelling uses 2019 as the baseline year (control arm) as this was the most recent year for which all data were available when data was input to the model. It takes account of the initial impacts of MUP at 50ppu and is prior to any impact COVID-19 has had on consumption and harms. The control arm of the model is that 50ppu remains in place, with the 50ppu threshold being updated each year in line with inflation using the CPIH<sup>7</sup>. When modelling changes the MUP threshold it is assumed these changes are introduced at the start of 2019 and that any new threshold is also updated in line with CPIH to keep 'prices in constant real terms'.

The modelling estimates that increasing MUP would lead to a reduction in alcohol-related harms such as hospital admissions, mortality, and years of life lost. Conversely, the model estimates that if MUP was lowered, consumption would increase leading to higher levels of alcohol-related harms.

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<sup>6</sup> [Evaluating the impact of minimum unit pricing for alcohol in Scotland: A synthesis of the evidence - Publications - Public Health Scotland](#)

<sup>7</sup> [Consumer Prices Index including owner occupiers' housing costs \(CPIH\) - Office for National Statistics](#)

For this reason, the second policy proposal assessed in this BRIA is in relation to the 'preferred price': the proposed minimum unit price as set out in the [Alcohol: Minimum Unit Pricing \(MUP\): Continuation and Future Pricing: Consultation document](#) of 65ppu.

## **Legislative Background**

In 2012, the Scottish Parliament passed the Alcohol (Minimum Pricing) (Scotland) Act 2012 (the 2012 Act) which made provision for a system of minimum unit pricing for alcohol. It amended the Licensing (Scotland) Act 2005, and introduced a new mandatory licence condition, which requires that alcohol must not be sold at a price below its minimum price.

Implementation was delayed following challenge in the courts until the UK Supreme Court ruled the legislation was lawful in November 2017. Following consultation on the Scottish Government preferred price, the Alcohol (Minimum Price per Unit) (Scotland) Order 2018 was laid in March 2018 and approved in Parliament in April 2018. That legislation set the minimum price per unit for alcohol at 50 pence.

The 2012 Act also contains a 'sunset clause' that sets out that the minimum pricing provisions expire at the end of the six-year period, unless Scottish Ministers make provision (through the making of an Order agreed by the Scottish Parliament) to continue with the policy. This clause was inserted to enable robust evaluation of the overall impact of the policy following implementation to be conducted, and to assess the extent to which the policy has met its intended aim of reducing alcohol related harm.

The 2012 Act also placed a duty on Scottish Ministers to lay a report on the operation and effect of the minimum pricing provisions. The report (<http://www.gov.scot/ISBN/9781835213759>) has now been laid and contains detail on the extent to which the policy has, to date, met its intended aim of reducing alcohol harm. This information was drawn from the evaluation of the policy led by Public Health Scotland and from the findings of a call for evidence which included Ministerial roundtable events, and engagement with relevant stakeholders and expert groups including public health and business sectors.

The overall conclusion in the PHS final evaluation report on MUP is that the evidence supports that MUP has had a positive impact on health outcomes - MUP was estimated to have reduced deaths directly caused by alcohol consumption by 13.4% and likely to have reduced hospital admissions by 4.1% compared to what would have happened if MUP had not been in place.

The evaluation also concluded that MUP has contributed to reducing health inequalities, as the largest estimated reductions in deaths and hospital admissions wholly attributable to alcohol consumption were seen in those living in the 40% most deprived areas.

There was also strong and consistent evidence of a reduction in alcohol consumption following MUP implementation. The evaluation found that the reduction in consumption was driven by the heaviest purchasing households, and the majority

of households were not affected, leading to the conclusion that MUP was well targeted. As MUP resulted in a decrease in alcohol-attributable deaths and hospital admissions related to chronic conditions, the evaluation has taken this as further evidence that MUP has reduced consumption in those that drink at hazardous and harmful levels.

The evaluation noted that there was limited evidence to suggest that MUP was effective in reducing consumption for people with alcohol dependence (at a population level, this is estimated to represent around 1% of adults, based on Scottish Health Survey 'AUDIT' scores of 16+ which indicate drinking at harmful and possibly dependent levels<sup>8</sup>). People with alcohol dependence are a particular subgroup of those who drink at harmful levels and have specific needs. People with alcohol dependence need timely and evidence-based treatment and wider support that addresses the root cause of their dependence.

Overall, there was no consistent evidence that MUP impacted either positively or negatively on the alcoholic drinks industry as a whole.

The evaluation concluded that compliance with the legislation was high and that sales of alcohol below £0.50 per unit largely disappeared following the implementation of MUP. There was also strong evidence of an immediate increase in the average price per unit of alcohol sold through the off-trade in Scotland, relative to other areas in Great Britain, following the implementation of MUP.

Roundtable events provided an opportunity for relevant stakeholders and expert groups including across health and business sectors to consider their own experiences of MUP which generated additional insight and perspective for Ministers to reflect upon.

The Scottish Government has published the Alcohol (Minimum Pricing) (Scotland) Act 2012: Report on the operation and effect of the minimum pricing provisions 2018 – 2023, and laid it before the Scottish Parliament..

## 2.2 Objective

The [policy prospectus](#), setting out how the government will deliver for Scotland over the next three years, was published on 18 April 2023. It sets out three missions that will be central to the Scottish Government: equality, opportunity and community. With regard to alcohol specifically, there is a commitment that by 2026, Scottish Ministers will have:

*Taken decisive preventative action to reduce alcohol harm, including reviewing minimum unit pricing...*

The MUP policy aims to reduce health harms caused by alcohol consumption by setting a floor price below which alcohol cannot be sold. In particular, it targets a reduction in consumption of alcohol that is considered cheap, relative to its strength.

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<sup>8</sup> [The Scottish Health Survey 2021 - volume 1: main report - gov.scot \(www.gov.scot\)](#)

It aims to reduce both the consumption of alcohol at population level and, in particular, among those who drink at hazardous and harmful levels. In doing so, it aims to reduce alcohol related health harms among hazardous and harmful drinkers, and contribute to reducing harm at a whole population level.

People who drink at hazardous and harmful levels in lower socio-economic groups suffer greater harms than those who drink at these levels in higher socio-economic groups due to the impact of multiple drivers of health inequality<sup>9</sup>. MUP is also intended to address alcohol related health inequalities by reducing consumption and therefore harm among hazardous and harmful drinkers as a whole, having a positive effect on health inequalities given the greater harms people in lower socio-economic groups experience in relation to alcohol.

The overall purpose of this interim BRIA is to both assess the continuation of MUP as a policy and, if it is to continue, to assess the potential impacts of different options for continuation and the likely costs, benefits, risks and impact on different sectors of a minimum unit price for alcohol at a preferred price level. The interim BRIA also sets out further details of the preferred price for consultation purposes.

## 2.3 Rationale for Government intervention

### Alcohol as a public health challenge

The Scottish Government recognises alcohol as a major public health challenge, with harmful drinking carrying a risk of physical and mental health problems, as well as social and economic losses to individuals and society ([WHO 2022a](#)). Excessive alcohol consumption at a chronic level is associated with increased risk of high blood pressure, chronic liver disease and cirrhosis, pancreatitis, some cancers, mental ill-health, and accidents ([WHO 2009](#)). Links have also been established between harmful drinking and the incidence of infectious diseases such as tuberculosis and HIV/AIDS ([WHO 2022a](#)), and the risk of alcohol-related harm increases with greater levels of average alcohol consumption in a population ([Anderson and Baumberg 2006](#)). The harms associated with alcohol are not restricted to those consuming alcohol.

In 2021, people in Scotland bought enough alcohol for everyone aged over 16 to drink 18.1 units of alcohol every week (9.4 litres)<sup>10</sup>. This is nearly 30% more than the lower-risk UK Chief Medical Officers' guidelines of 14 units per week. Although at the lowest level since 1994, total alcohol sales in Scotland are 4% more than in England & Wales<sup>11</sup>. **Figure** shows the volume trend since 1994 for on-trade and off-trade sales.

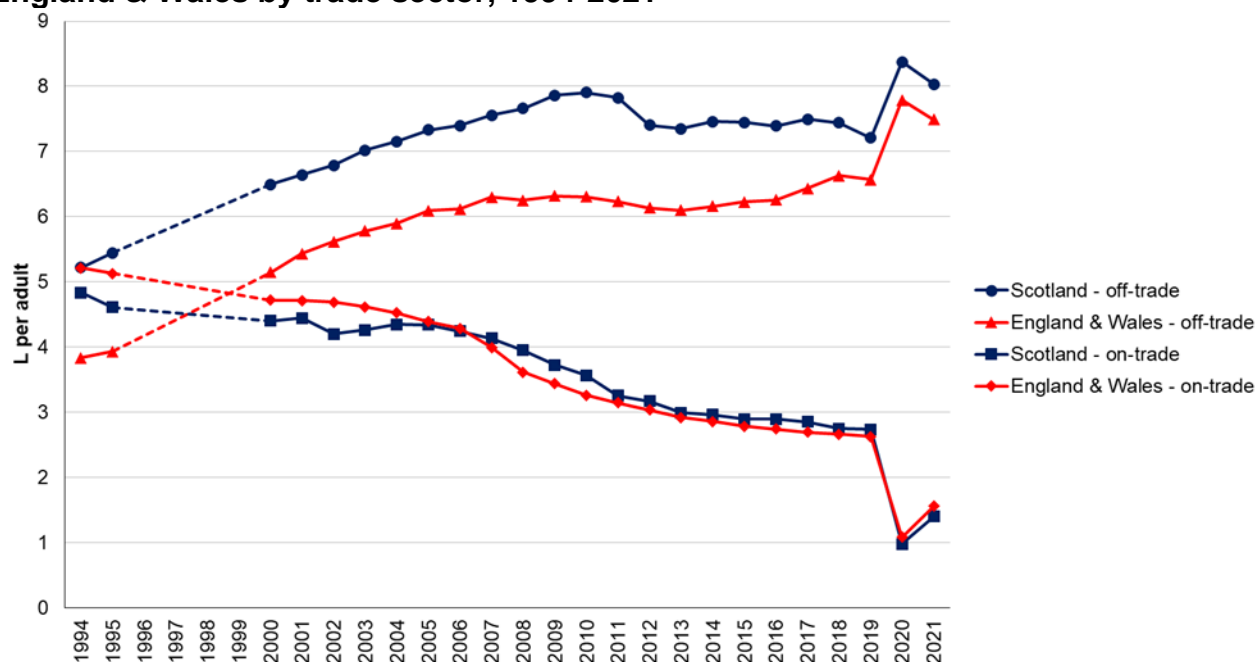
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<sup>9</sup> This is often cited as the 'alcohol harm paradox', Bellis MA, Hughes K, Nicholls J, Sheron N, Gilmore I, Jones L. The alcohol harm paradox: Using a national survey to explore how alcohol may disproportionately impact health in deprived individuals. BMC Public Health [Internet]. 2016 Feb 18;16(1):111. Available from: <https://doi.org/10.1186/s12889-016-2766-x>

<sup>10</sup> [Monitoring and Evaluating Scotlands Alcohol Strategy \(MESAS\), 2022 \(publichealthscotland.scot\)](#)

<sup>11</sup> [Monitoring and Evaluating Scotlands Alcohol Strategy \(MESAS\), 2022 \(publichealthscotland.scot\)](#)

**Figure 1: Volume of pure alcohol (litres) sold per adult in Scotland and England & Wales by trade sector, 1994-2021<sup>12</sup>**



It is well established that harms attributable to alcohol are related to both the quantity of alcohol consumed and the pattern of drinking<sup>13</sup>. A study found “Alcohol use is a leading risk factor for global disease burden and causes substantial health loss. We found that the risk of all-cause mortality, and of cancers specifically, rises with increasing levels of consumption, and the level of consumption that minimises health loss is zero”<sup>14</sup>.

The most recent [Scottish Health Survey 2021 \(SheS\)](#), published November 2022, shows that since 2014, the proportion of the population estimated to be drinking at hazardous or harmful levels has remained in the range 23% - 26%, with the 2021 figure of 23% the lowest in the time series.

Social desirability bias (under-reporting of less socially acceptable behaviours in self-report studies like surveys) is known to be an issue in relation to survey estimates of alcohol consumption<sup>15</sup>, and so while evidence of population level reductions of harmful and hazardous drinking is welcome, it is important to interpret this evidence in the context of other well established international measures of population level consumption including sales data as above.

<sup>12</sup> [Monitoring and Evaluating Scotlands Alcohol Strategy \(MESAS\), 2022 \(publichealthscotland.scot\)](#)

<sup>13</sup> Rehm, J. et al. (2009) Global burden of disease and injury and economic cost attributable to alcohol use and alcohol-use disorders, *Lancet*; 373: 2223–33.

<sup>14</sup> [Alcohol use and burden for 195 countries and territories, 1990-2016: a systematic analysis for the Global Burden of Disease Study 2016 - PubMed \(nih.gov\)](#)

<sup>15</sup> [Social desirability biases in self-reported alcohol consumption and harms. \(apa.org\)](#)

In 2022 1,276 people died from causes wholly attributable to alcohol<sup>16</sup> - an increase of 2% on the previous year. This is equivalent to an average of 3 people dying every day.

A PHS report published in March 2023, *The impact of the COVID-19 pandemic on alcohol consumption and harm in Scotland and England: An evidence summary*<sup>17</sup> found that alcohol-specific death rates increased for both Scotland and England from 2019 to 2020 (Scotland 15.6% increase; England 19.3% increase) and then again between 2020 and 2021 (Scotland 4.2% increase; England 6.9% increase), with percentage increases greater for England than Scotland. The impact of the pandemic on alcohol consumption and harms is covered in more detail later in this section.

In addition to deaths wholly caused by alcohol, some deaths are partly attributable to alcohol consumption. Analysis<sup>18</sup> found there were an estimated additional 3,705 deaths attributable to alcohol consumption in 2015. Of these, 1,048 (28%) were due to cancers, 544 deaths were from heart conditions and strokes, and 357 deaths were from unintentional injuries e.g. falls.

In the 2021/22 financial year, there were 35,187 alcohol-related hospital admissions (stays) in general acute hospitals in Scotland<sup>19</sup>. That's around 670 hospital admissions every week at a time when the health service is meeting the challenges posed post-pandemic as it continues its recovery phase.

The most recent publication on avoidable mortality<sup>20</sup>, shows the rate of avoidable mortality rose by 4% in 2021, with alcohol and drug related disorders the third leading cause of avoidable deaths: 2,641 avoidable deaths (of which 1,245 were from alcohol) with a rate of 53 per 100,000 people. Deaths from alcohol and drug disorders are preventable, meaning that they can be mainly avoided through effective public health and primary prevention interventions. People living in the most deprived areas in Scotland are 4.1 times as likely to die an avoidable death compared to those in the least deprived areas. The increase in avoidable mortality rates in 2021 has disproportionately occurred in the most deprived areas.

Whilst recognised as a problem across the UK, the evidence shows that alcohol-related harm through alcohol misuse is greater in Scotland, with rates of alcohol-specific deaths highest in Scotland.<sup>21</sup> Mortality rates for chronic liver disease (Figure 2), of which alcohol consumption is one of the most common causes, are also

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<sup>16</sup> [Alcohol-specific deaths | National Records of Scotland \(nrsotland.gov.uk\)](https://nrsotland.gov.uk)

<sup>17</sup> [The impact of the COVID-19 pandemic on alcohol consumption and harm in Scotland and England: An evidence summary \(publichealthscotland.scot\)](https://publichealthscotland.scot)

<sup>18</sup> [Hospital admissions, deaths and overall burden of disease attributable to alcohol consumption in Scotland - ScotPHO](https://scotpho.org.uk)

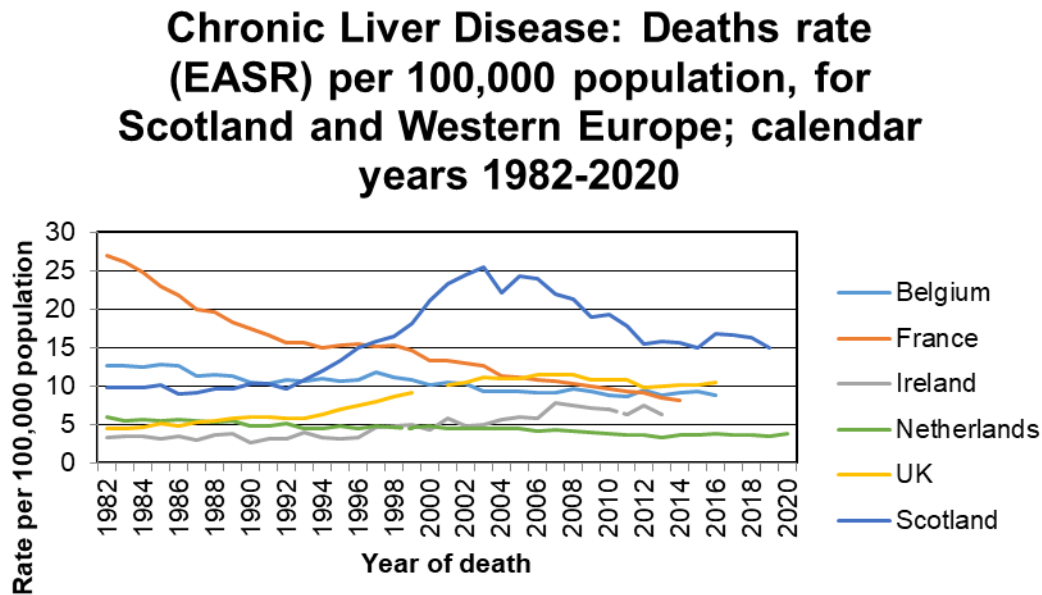
<sup>19</sup> Alcohol-related hospital statistics 2021/22 [Alcohol related hospital statistics - Scotland financial year 2021 to 2022 - Alcohol related hospital statistics - Publications - Public Health Scotland](https://publichealthscotland.scot)

<sup>20</sup> [Avoidable mortality | National Records of Scotland \(nrsotland.gov.uk\)](https://nrsotland.gov.uk) published 10 November 2022

<sup>21</sup> [Alcohol-specific deaths in the UK - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

markedly higher in Scotland compared to the UK as a whole and other Western European countries.<sup>22</sup>

**Figure 2: Chronic liver disease mortality rates in Western European countries<sup>23</sup>**



### Evidence-based strategies to reduce alcohol harms

The World Health Organization’s (WHO) overview<sup>24</sup> of alcohol states:

“Alcohol is a toxic and psychoactive substance with dependence producing properties. In many of today’s societies, alcoholic beverages are a routine part of the social landscape for many in the population. This is particularly true for those in social environments with high visibility and societal influence, nationally and internationally, where alcohol frequently accompanies socializing. In this context, it is easy to overlook or discount the health and social damage caused or contributed to by drinking.

Alcohol consumption contributes to 3 million deaths each year globally as well as to the disabilities and poor health of millions of people. Overall, harmful use of alcohol is responsible for 5.1% of the global burden of disease. Harmful use of alcohol is accountable for 7.1% and 2.2% of the global burden of disease for males and females respectively. Alcohol is the leading risk factor for premature mortality and disability among those aged 15 to 49 years, accounting for 10 percent of all deaths in this age group. Disadvantaged and especially vulnerable populations have higher rates of alcohol-related death and hospitalization”.

<sup>22</sup> [International comparisons - ScotPHO](#)

<sup>23</sup> [International comparisons - ScotPHO](#)

<sup>24</sup> [Harmful use of alcohol \(who.int\)](#)



WHO's publication, *Global strategy to reduce the harmful use of alcohol*<sup>25</sup>, sets out a variety of policy options that countries could consider in order to reduce alcohol consumption and alcohol harms. A *Global Alcohol Action Plan 2022-2030*<sup>26</sup> to implement the global strategy has been developed and was adopted by the 75<sup>th</sup> World Health Assembly in May 2022. The Plan aims to bring together the available evidence in alcohol control to tackle alcohol-related harms.

The latest edition of the WHO report, *Alcohol: No Ordinary Commodity*<sup>27</sup>, building on previous editions, reviews the numerous policy options available in terms of their ability to reduce alcohol consumption and alcohol-related problems. The 'best practices' are strategies and interventions that are proposed by WHO as being highly effective, supported by evidence, impacting on the target group and relatively low cost. Policy measures in this category are restrictions on affordability, availability, and accessibility; marketing controls and drink-driving deterrents. The one with the strongest research support is alcohol pricing and tax policy.

WHO points to three 'best buys' as the most effective measures to prevent and tackle alcohol-related harms – reducing the Affordability, Availability and Attractiveness of alcohol<sup>28</sup>. In collaboration with international partners and following the United Nations high-level meeting on prevention and control of noncommunicable diseases (NCDs), WHO launched the SAFER initiative<sup>29</sup> in 2019 to deliver health and development gains in order to meet global, regional and country health and development goals and targets and to reduce human suffering and pain caused by the harmful use of alcohol.

The SAFER initiative is a package of five evidence-based, high impact strategies which WHO recommends governments should prioritise to tackle alcohol-related harm:

**Strengthen** restrictions on alcohol availability.

**Advance** and enforce drink driving countermeasures.

**Facilitate** access to screening, brief interventions, and treatment.

**Enforce** bans or comprehensive restrictions on alcohol advertising, sponsorship, and promotion.

**Raise** prices on alcohol through excise taxes and pricing policies.

In terms of cost effectiveness of policies, WHO showed the best buys alcohol controls achieve high returns on investment: for every additional US\$ 1 invested in the most cost-effective interventions per person per year will yield a return of US\$ 9.13 by 2030, a return that is higher than a similar investment in tobacco control

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<sup>25</sup> [Global strategy to reduce the harmful use of alcohol \(who.int\)](#), published 2010

<sup>26</sup> [Political declaration of the third high-level meeting of the General Assembly on the prevention and control of non-communicable diseases \(who.int\)](#)

<sup>27</sup> [9780192844484.pdf \(oup.com\)](#), published December 2022 (chapter 16)

<sup>28</sup> WHO, *Tackling NCD's: Best Buys and other recommended interventions for tackling the burden of non-communicable diseases* (2017) [WHO-NMH-NVI-17.9-eng.pdf](#)

WHO and World Economic Forum, *From Burden to 'Best Buys': Reducing the Economic Impact of Non-Communicable Diseases in Low –and Middle-income countries*, [best buys summary.pdf \(who.int\)](#)

<sup>29</sup> [The SAFER technical package \(who.int\)](#)

(US\$ 7.43) or prevention of physical inactivity (US\$ 2.80). The notion that economic savings are greater than implementation costs for effective alcohol control policies is supported by recent OECD estimates, showing that every US\$ 1 invested in a comprehensive policy package yields a return of up to US\$ 16 in economic benefits.<sup>30</sup>

The WHO report, *No place for cheap alcohol: The potential value of minimum pricing for protecting lives*<sup>31</sup>, identifies minimum pricing policies as among the most effective measures for policy-makers to address alcohol-related harms through its potential to reduce alcohol consumption. The report illustrates how the effectiveness of minimum pricing of alcohol as a mechanism for reducing the health and social harms caused by alcohol is supported by a substantial body of evidence, drawing on direct evaluation studies as well as evidence from modelling studies.

### **How proposals meet Scottish Government policy objectives**

The Scottish Government, in its [National Performance Framework](#) provides a clear vision for Scotland with broad measures of national wellbeing covering a range of economic, health, social and environmental indicators and targets. Given evidence on impact of minimum unit pricing of alcohol on health harms, the policy (as part of the wider Alcohol Framework) contributes primary to the National Outcome *We are Healthy and Active*.

The National Performance Framework is underpinned by the internationally recognised United Nations Sustainable Development Goals. MUP has a key contribution to two key aspects of that framework and the National Performance Framework:

**3.4** *By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.*

**3.5** *Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.*

There is strong evidence that a key contributor to health harms over recent decades has been alcohol consumption and that this, in turn, is partly driven by the affordability and availability of alcohol. The overall conclusion in the PHS final evaluation report on MUP is that the evidence supports that MUP has had a positive impact on health outcomes, namely an estimated reduction in alcohol-attributable deaths and likely to have reduced hospital admissions compared to what would have happened if MUP had not been in place. That is why the preferred Scottish Government policy position set out below is to retain minimum unit pricing of alcohol

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<sup>30</sup> OECD (2021), Preventing Harmful Alcohol Use, OECD Health Policy Studies, OECD Publishing, Paris, <https://doi.org/10.1787/6e4b4ffb-en>

<sup>31</sup> [No place for cheap alcohol: the potential value of minimum pricing for protecting lives \(who.int\)](#) paras 5.4 to 5.6

as part of our overall approach and range policies to tackle alcohol-related harms through improved prevention and treatment.

### **3. CONSULTATION**

This BRIA document accompanies a [9 week public consultation](#) on the proposals to continue Minimum Unit Pricing (MUP) and to seek views on the preferred price per unit of 65 pence. The results of that consultation will enable the Scottish Ministers to make a decision, in addition to the wide range of evidence that exists, on whether to continue the intervention and, if so, at what price should the minimum price per unit be.

Engagement has been undertaken with a wide range of internal and external stakeholders in drawing up the two proposals set out in the public consultation.

The New Deal for Business<sup>32</sup>, announced in April 2023, sets out the Scottish Ministers' economic vision for Scotland supporting a wellbeing economy where business and trade can thrive while caring for people and planet, and recognising that becoming a thriving and healthy country that delivers and optimises positive outcomes, requires all sectors to work together. As part of the Scottish Government's commitment to the New Deal for Business, engagement has been undertaken with potentially affected businesses and business organisations in advance of drawing up consultation proposals.

We will continue to work with businesses to ensure the policy implementation, should it continue, is effective and proportionate, while still delivering the beneficial outcomes for population health that are being sought. Generally, feedback from businesses in the PHS evaluation of MUP and the roundtables held by the Scottish Government was that MUP as a policy was now viewed as part of the business as usual approach within the industry.

#### **3.1 Consultation Within Government**

The following areas in Scottish Government were consulted in the preparation of this interim BRIA:

- Scottish Government Food and Drink Division
- Scottish Government Business Support Policy & Governance Division
- Scottish Government Tourism and Hospitality Division
- Scottish Government Criminal Justice Division (Licensing team)
- Scottish Government Deposit Return Scheme Division

Within Local Government and Public Bodies:

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<sup>32</sup> [Business: New Deal for Business Group - gov.scot \(www.gov.scot\)](https://www.gov.scot/business/new-deal-for-business-group)

- COSLA
- Licensing Standards Officers
- Police Scotland

Consultation took place with these policy areas and local government and public bodies given their role in various aspects of policy and delivery that relate to minimum unit pricing including impact on business and hospitality; impact on key sectors of economy in Scotland; future potential interaction with other policies; and the role of enforcement and licensing.

### **3.2 Stakeholder Consultation**

There have been two rounds of consultation, both of which have focused on targeted stakeholders where MUP would potentially impact on their business/ organisation/ community. This consultation was primarily to meet the requirements of the 2012 Act for Scottish Ministers to consult a range of relevant stakeholders in the preparation of a final report on the operation and effect of the minimum pricing provisions. This was also an opportunity, in the event of continuation, to gather views on a potential change of price in order to retain the intended benefits of the policy.

The targeted consultations have taken various forms:

- Targeted stakeholder roundtable events held in summer 2022 and 2023.
- Individual meetings (either instead of the roundtable events or as well as).
- Written responses.
- An online survey to capture views on the level was provided separately in order to feed into the price review.

The first round of targeted consultation took place from August to October 2022, with the second round of targeted consultation events taking place over the summer of 2023, after the end of the 5 year review period and following the publication of PHS's Evaluation Review Report in June 2023. The [Scottish Government's final report on the operation and effect of MUP](#) also contains information on the roundtables and written responses.

#### **Price Review Survey results**

As part of work to review the level of MUP a survey was produced to ask stakeholders in different sectors their views about the impact of MUP at different levels. The survey was sent in 2022 and was open from 27 July 2022 until 30 September 2022. This exercise was repeated with the same questions in 2023 and ran from 6 July until 23 July 2023. 26 responses were received from a range of individuals, third sector organisations, and businesses in 2022, and received 39 responses in 2023 including three detailed separate responses which were submitted separately but are included within the summary below.

## Individuals, Third Sector Organisations, and Service

### 2022 results – Summary of views from engagement

A reduction in MUP would increase the affordability of alcohol, leading to increased consumption, and therefore harms.

- People with alcohol dependence were unlikely to be motivated to cut down on their drinking through MUP alone.
- The pandemic and inflation have led to an ‘erosion’ in the policy’s ability to deliver as effectively.
- Increasing the level significantly could lead to unintended consequences and wider societal harm.
- The time required for long term interventions such as MUP means it is too early to know fully the impact the policy is having and more time should be given to fully understand the effects of the policy.
- Those who supported the continuation recommended linking the level to an automatic uprating mechanism.

### 2023 results – Summary

- Increase in MUP could lead to a reduction in services use (e.g. liver clinics and in-patient hospital services) due to a reduction in alcohol-related harm.
- Additional resources and investment are needed to provide treatment and support for alcohol dependent people. People with alcohol dependency are unlikely to reduce their drinking through MUP alone.
- A significant increase in MUP could negatively affect people with alcohol dependency and their families as they may prioritise spending on alcohol over necessities.
- A decrease in MUP could lead to anti-social behaviour, increased staffing due to an anticipated increase in alcohol-related harm and death and additional pressure for the health and social care system.
- A reduction in MUP would send the message that the policy has not worked despite MUP being seen as being overall effective in targeting harmful drinkers.
- Supporters of MUP suggested setting an automatic uprating mechanism with a price which varies depending on inflation levels.
- An increase in MUP (e.g. 65ppu) could counter the effect of inflation and continue the benefits of the original 50ppu level. However, there is a risk that such increases could impact on spending power away from more deprived communities or families.

The views of stakeholders in the two sets of roundtables, written submission and online survey have been taken into account when considering the preferred policy option on continuation, and on price, for the purposes of consultation.

This interim BRIA accompanies a further full public consultation which seeks views on the Scottish Government’s preferred policy option on continuation, and on the Scottish Government’s preferred price.

## **Business**

Businesses were a key group for the stakeholder roundtable events, as detailed above. They were also asked to fill in an online survey about the impact of any change in price in the event of continuation of MUP and how this might impact their business.

### **Business price review survey results**

Businesses were asked to consider the impact of changes to MUP on different products and any potential positive or negative impacts this would have on revenue, profits, and additional costs.

### **2022 Results – Summary**

- The current level of 50ppu seems to have had minimal impact on businesses, excluding cider.
- Respondents didn't support an increase for MUP, and were neutral regarding a decrease or removal of MUP.
- Retailers were generally seen to benefit the most from any potential increase in revenue as a result of an increase in MUP.
- There would be some potential costs associated with changing MUP mainly due to administrative changes.
- Majority of producers felt 3 months was sufficient lead time, retailers felt up to 12 months was required for any changes to MUP being implemented.
- DRS was raised as a serious concern for businesses and how this interacts with MUP.
- Treatment services were seen as a more targeted measure for helping those with alcohol dependence and MUP alone was too blunt a tool for all aspects of prevention and treatment required.

### **2023 Results – Summary**

- Some businesses were critical of MUP, while others were in favour of keeping the current level of MUP (50ppu) as it will be "business as usual". For those who supported an increase in MUP, 60ppu was viewed as appropriate.
- Some respondents were worried about the risk of unintended consequences, such as shoplifting, staff abuse, black market selling, shift to illicit drugs, if alcohol was made more unaffordable.
- Respondents believed that other methods of tackling alcohol harm would be more impactful than MUP, and there's a need to address societal problems which may lead to higher levels of consumption through targeted measures rather than a blanket approach.
- MUP is only one aspect of addressing harmful and hazardous drinking. Respondents believed more effective campaigns to shift Scottish people's attitudes towards alcohol and appropriate treatment for people with alcohol dependence is needed.

- Complex issues, including the interaction between the new duty changes, DRS and MUP, were discussed.
- It was believed that retailers are likely to retain the profit of MUP if the level is increased, however, this will not be straightforward, and it should not be assumed that any additional revenue becomes profit in the supply chain.
- The time needed to implement any changes varied between three and 12 months.

### **Additional Engagement with Business**

In addition to the roundtable events and price review survey, meetings were held with the following groups/ businesses to help understand how MUP has impacted them specifically and what a change in price might mean for them:

- British Beer and Pub Association
- Diageo
- Heineken
- Molson Coors
- Scottish Hospitality Group
- Scottish Licensed Trade Association
- Scottish Wholesale Association
- Treasury Wine Estates

### **Main issues raised during targeted consultations and SG response**

This section will also be updated following the public consultation.

#### **Deposit Return Scheme's interaction with MUP:**

Many businesses were concerned about the potential interaction between Scottish Government's deposit return scheme (DRS) and MUP and whether this would be counter to the aims of MUP.

Their concern centred on the effect of a flat rate, per container deposit which could make multipacks of lower strength alcohol products more expensive at the point of sale compared to a single container of a higher strength alcohol product, or a larger single container of equivalent strength alcohol product.

When introduced, the deposit will be fully returnable and retailers will be required to display information clearly about returns. Under the Deposit Return Scheme, it is expected that most people will use returned deposits to cover future deposits on drinks containers. Evidence from other deposit return schemes on purchasing behaviours suggests that, once refunds are taken into account, the impacts are likely to be low, and was not expected to cause consumers to change their choice or preference for a certain brand.<sup>33</sup>

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<sup>33</sup> [A Deposit Return Scheme for Scotland: Final Business and Regulatory Impact Assessment \(BRIA\) \(www.gov.scot\)](http://www.gov.scot)

Given the change in timescales for DRS and the ongoing work with other nations on interoperability ongoing consideration will be given to the interaction of MUP and DRS and will update impact assessments appropriately.

The scheme is not expected to launch until October 2025 and work will continue to ensure that the combined impact of DRS and MUP are proportionate and deliver the aims of both policies.

**Improved awareness raising amongst those most impacted by MUP – those drinking the most alcohol and alcohol support and treatment services:**

Although MUP is not the sole intervention intended to target people with alcohol dependence, it is recognised that they will be impacted by any changes to the level given that they form a subset of hazardous and harmful drinkers.

In the event of continuation of the policy, work will be done in advance of any change to the level to ensure that treatment services are aware of a new price so they can prepare to provide support to people with alcohol dependence.

**Response from alcohol support and treatment services on potential increased number of people seeking their services:**

Those who work to provide support and treatment felt that when MUP was first introduced there was little warning for people with alcohol dependence who were more likely to be impacted by MUP.

Work with Alcohol and Drug Partnerships will be carried out in advance of any change to the level of MUP so services are prepared for any change in demand.

**Perception that Scottish Government is focussing more on drugs than alcohol:**

The perception that tackling drug deaths was more of a priority to Scottish Government than tackling alcohol harms was raised.

Alcohol and drug-related harms are equally important as are related public health issues in Scotland. In March 2023 the First Minister moved responsibility for Alcohol Policy to the Ministerial portfolio which had previously focused on Drugs Policy. The creation of a Minister for Drugs and Alcohol Policy signals our recognition of the need to address both public health emergencies together.

In addition, the Scottish Government's alcohol and drug strategies have a shared aim to improve and save lives, at the core of which is ensuring that every individual is able to access the treatment and recovery they choose.

Work is ongoing to ensure people with alcohol use disorder continue to receive the same quality of care as those with drugs misuse. The forthcoming UK-wide Alcohol Treatment Guidelines will include advice for alcohol treatment services and will form the basis of new Scottish treatment standards aligned with the existing Medication-Assisted Treatment Standards for drug treatment. There is also ongoing development of alcohol treatment targets alongside Stage Two of the Drugs Targets Implementation in 2024.



**Perception that MUP becomes the only policy to tackle alcohol harm – what other major policies are being pursued? MUP is more about prevention long term, what is being done about those needing treatment now?:**

Scottish Ministers remain committed to the Alcohol Brief Intervention (ABI) delivery programme, which has been in place for ten years. Work is ongoing with Public Health Scotland (PHS) to review the evidence on current delivery of ABIs to determine how the system could better meet the needs of individuals.

Work is ongoing to support the UK Government on reviewing and updating clinical guidelines for alcohol treatment. The guidance will look to introduce new approaches to treatment and will apply to a broad range of settings including primary care, hospital and justice settings. Development of the guidance is supported by a UK-wide expert group, which includes Scottish representatives.

In the Cross-Government Plan published in January 2023 (in response to the Drug Deaths Taskforce recommendations) the Scottish Government has committed to develop Alcohol and Drug Treatment and Recovery Standards, effectively expanding the Medication-Assisted Treatment standards currently being implemented for drugs. Those wider standards will encompass the UK alcohol treatment guidelines as appropriate.

**Impact of an increased level of MUP when businesses are recovering from COVID-19 pandemic and the current cost crisis:**

This criticism was made mainly by alcohol drink producers and retailers rather than hospitality organisations due to the fact MUP does not directly impact on-trade businesses' price points.

As part of PHS's evaluation, they found MUP impacted on the price of some products more than others, particularly some ciders and spirits. This was reflected in alcohol sales, with the greatest reductions in sales observed among these products. Retailers found that loss in sales was generally offset by an increase in price; the impact on profits overall is not clear.

**Short timeline last time for implementing MUP criticised by businesses:**

The short implementation time was a criticism made by businesses when MUP was implemented in 2018. Further consideration is being given to how best to update business and work to give as much advance notice as possible should a new Minimum Unit Price be introduced.

**Impact of cost crisis on drinkers:**

The current cost crisis was an important consideration in deciding whether MUP as a policy should continue and at what price. Further detail on how we have considered the cost crisis can be found in the section on setting a preferred price.

**Banded approach to MUP**

An alternative mechanism raised by one business was to introduce a 'banded approach' where there is a higher level of MUP for higher strength products, and a lower level for lower strength. This was felt to be a more targeted approach that could have better outcomes for harmful drinkers.

The Scottish Government response to this is that a MUP targets the amount of pure alcohol in a product. It is the alcohol that causes the harms and it is these harms that we are trying to reduce. In doing this, MUP treats all products equally in terms of the amount of alcohol present – the higher the alcohol level, the more units of alcohol a product would contain at equal volume and therefore the higher the minimum price would be.

### 3.3 Public - Public Attitudes Surveys

As part of the PHS evaluation of MUP, a study<sup>34</sup> was carried out on public attitudes to MUP in 2019 and then compared to attitudes to MUP prior to it being implemented. Data were drawn from the 2013, 2015 and 2019 waves of the Scottish Social Attitudes Survey with the same questions on MUP being asked in each wave.

The key findings were:

- In 2019, respondents were almost twice as likely to be in favour of MUP (49.8%) than to be against it (27.6%).
- Comparing public attitudes to MUP in 2015 (41.3% in favour, 33.4% against) to 2019 suggests that attitudes have become more favourable during the same time frame in which MUP was implemented.
- The most common reasons for being in favour of MUP were concerned with alcohol as a problem in Scotland in general.
- The most common reasons for being against MUP were concerned with whether or not MUP will work in reducing alcohol-related harm.
- Reasons for being for or against MUP tended not to change over time.
- All sub-groups by deprivation, sex, and age had more in favour of MUP than against.

The study concluded that the public is generally more in favour of MUP than against it in 2019, and that attitudes appear more favourable between 2015 and 2019 – the same time frame in which MUP was implemented.

Further public attitudes research was commissioned by the Scottish Government in 2023, which asked the same questions as in previous surveys but used a different methodology so findings are not comparable.<sup>35</sup>

The 2023 survey found that:

- 43% of respondents were in favour of MUP, while 38% were against it.
- The most common reasons for being in favour of MUP was to help tackle problems caused by alcohol in general.
- The most common reasons for being against MUP was that it punishes everyone for what some drinkers do.
- Men, people aged 55-64 and 75+, and people from the most deprived areas were more likely to be against MUP than in favour.

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<sup>34</sup> [Public attitudes to Minimum Unit Pricing \(MUP\) for alcohol in Scotland \(publichealthscotland.scot\)](https://publichealthscotland.scot)

<sup>35</sup> <https://www.gov.scot/isbn/9781835213285>

- People from the lowest income households (up to £25,999) were most likely to be strongly in favour of MUP and least likely to be against MUP compared to other income groups, but were less likely to be in favour of MUP overall than average.

### **Conclusions from consultations**

It has been concluded from the feedback given to date, that MUP has not had a significant negative impact on the majority of businesses, that there are mixed views from the business sector on the continuation of MUP, with not all in support. Public health stakeholders have been positive about the impact of MUP on alcohol-related harms and support the continuation of the policy.

Consideration has been given to the views of businesses and public health stakeholders in regard to a change in price. It is clear a careful balance must be met when deciding on a potential new level in order to ensure that it does not negatively impact businesses whilst also be high enough to have a positive impact on health. This balance is considered further in the 'Options' section.

This BRIA will be updated following the conclusion of the public consultation.

## **4. OPTIONS**

If it is decided that MUP should continue, the Scottish Ministers will need to consider at what value to set the minimum price per unit. The minimum unit price is intended to be set at a level that delivers the desired public health benefit in a way that balances public health benefits with potential impacts on the alcohol industry and business.

Various factors overall impact on the different options considered as part of this BRIA – including evidence on trends in alcohol affordability, the impact of different measures of inflation, and the impact of MUP on the alcohol drinks market to date on prices and price distribution. Some of these factors are set out in turn in the first half of this section, in order to give the overall context for considering future options, which are set out in the second half.

### **4.1 Background - Consideration of factors and evidence relevant to the MUP policy**

#### **Affordability of Alcohol**

Alcohol is a commodity, and like any other commodity, its affordability affects its consumption. Affordability is important in relation to pricing policies to tackle alcohol harms. There is much evidence over the years showing that making alcohol more

expensive reduces consumption<sup>36, 37, 38</sup> and, hence, reductions in alcohol harms follow<sup>39</sup>.

Various factors influence the overall affordability of different alcohol products including the price of alcohol products themselves; the price of other goods and services, and levels of income at the disposal of consumers. These various factors are used to form the basis of what is known as the Alcohol Affordability Index, which tracks long-term trends in alcohol affordability in the UK. Figure 3, below, depicts these trends over recent decades in the UK.

**Figure 3: Trends in the affordability of alcohol, disposable incomes and retail prices, United Kingdom 1987-2021**

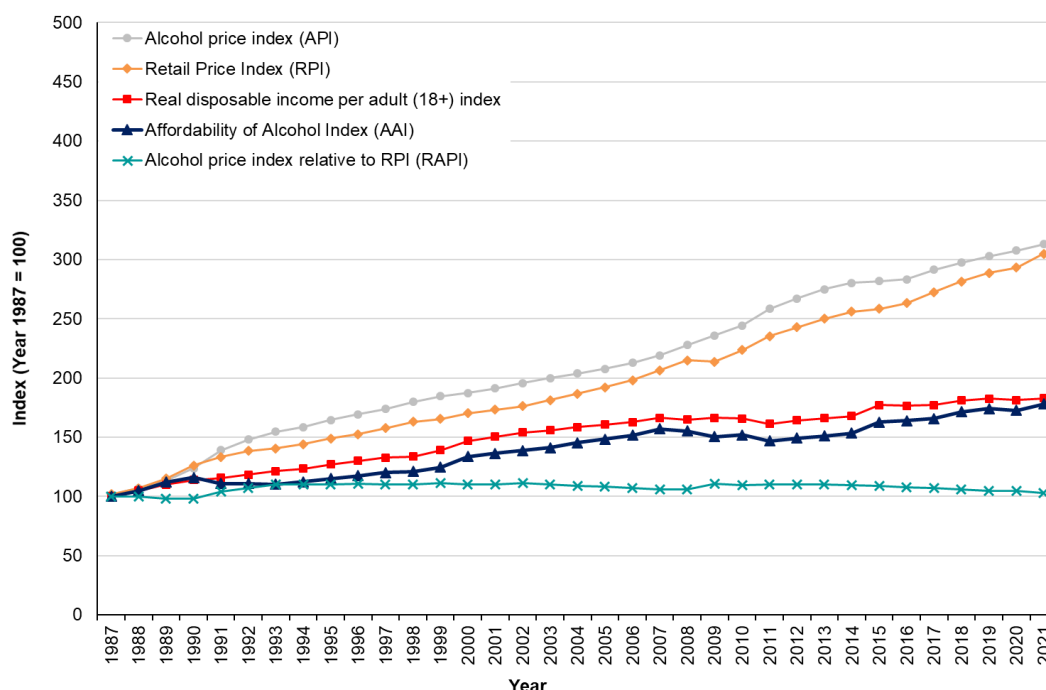


Figure 3 illustrates the overall increasing affordability of alcohol since 1987. Alcohol sold in the UK was 78% more affordable in 2021 than it was in 1987<sup>40</sup>. Alcohol affordability decreased slightly in 2020 due to a real-terms decrease in disposable income but increased again in 2021.

<sup>36</sup> Gallet CA (2007). [The demand for alcohol: a meta-analysis of elasticities\\* - Gallet - 2007 - Australian Journal of Agricultural and Resource Economics - Wiley Online Library](#)

<sup>37</sup> Wagenaar AC, Salois MJ, Komro KA (2009). [Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies - PubMed \(nih.gov\)](#)

<sup>38</sup> Fogarty J (2010). [THE DEMAND FOR BEER, WINE AND SPIRITS: A SURVEY OF THE LITERATURE - Fogarty - 2010 - Journal of Economic Surveys - Wiley Online Library](#)

<sup>39</sup> Elder RW, Lawrence B, Ferguson A, Naimi TS, Brewer RD, Chattopadhyay SK et al. (2010). [The Effectiveness of Tax Policy Interventions for Reducing Excessive Alcohol Consumption and Related Harms - PMC \(nih.gov\)](#)

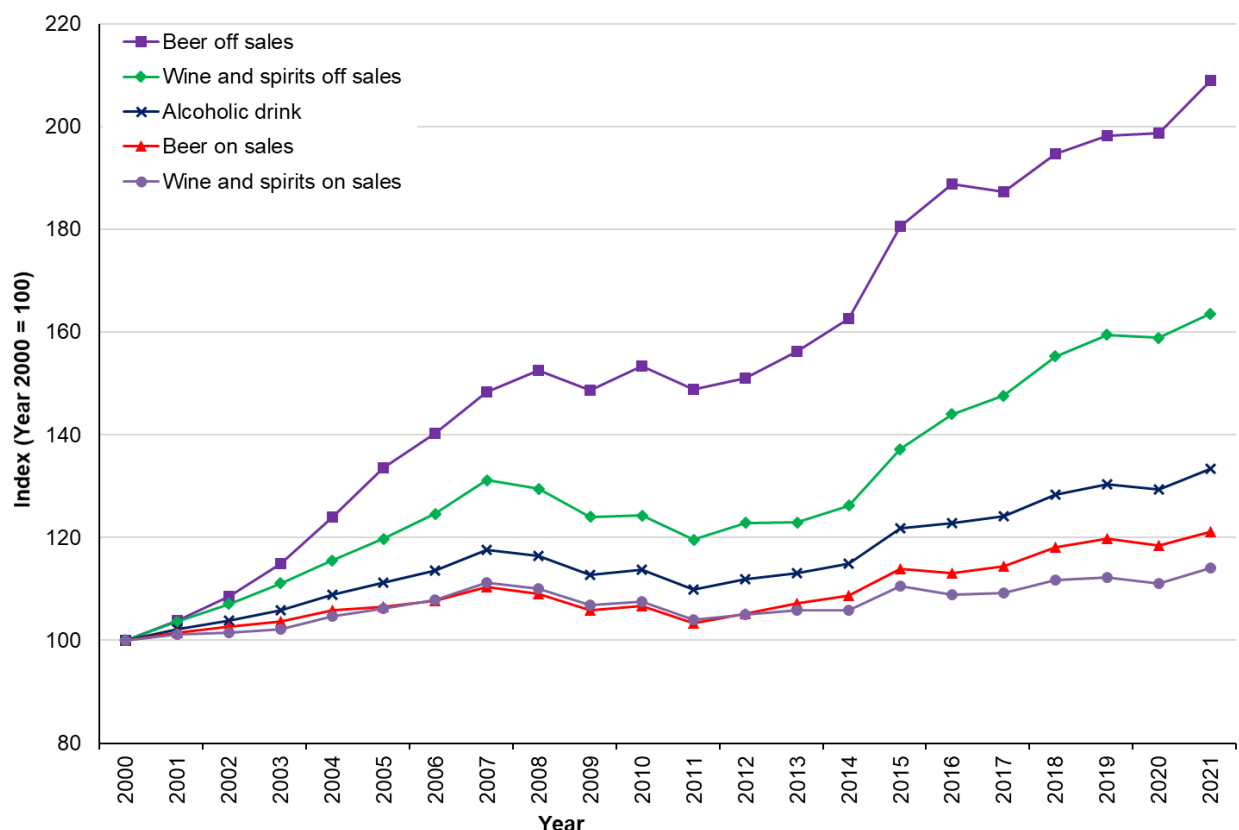
<sup>40</sup> [PHS Monitoring Report 2022](#)

MUP is a price set in cash terms at a point in time and so will erode in real terms over time as inflation reduces the purchasing power of money. The inflationary indicators are relevant in considering a change to the level of MUP.

In terms of deciding a preferred price, Ministers have weighed up a number of factors. The decision on which specific price to select is based on a combination of the level of reduction of alcohol harms that would be achieved balanced against the level of interference in the market and the level of any unintended consequences. Similarly, a new price should deliver the public health benefits sought and it is clear that alcohol harm remains very high in Scotland, despite the contribution MUP has made to date to reduce it.

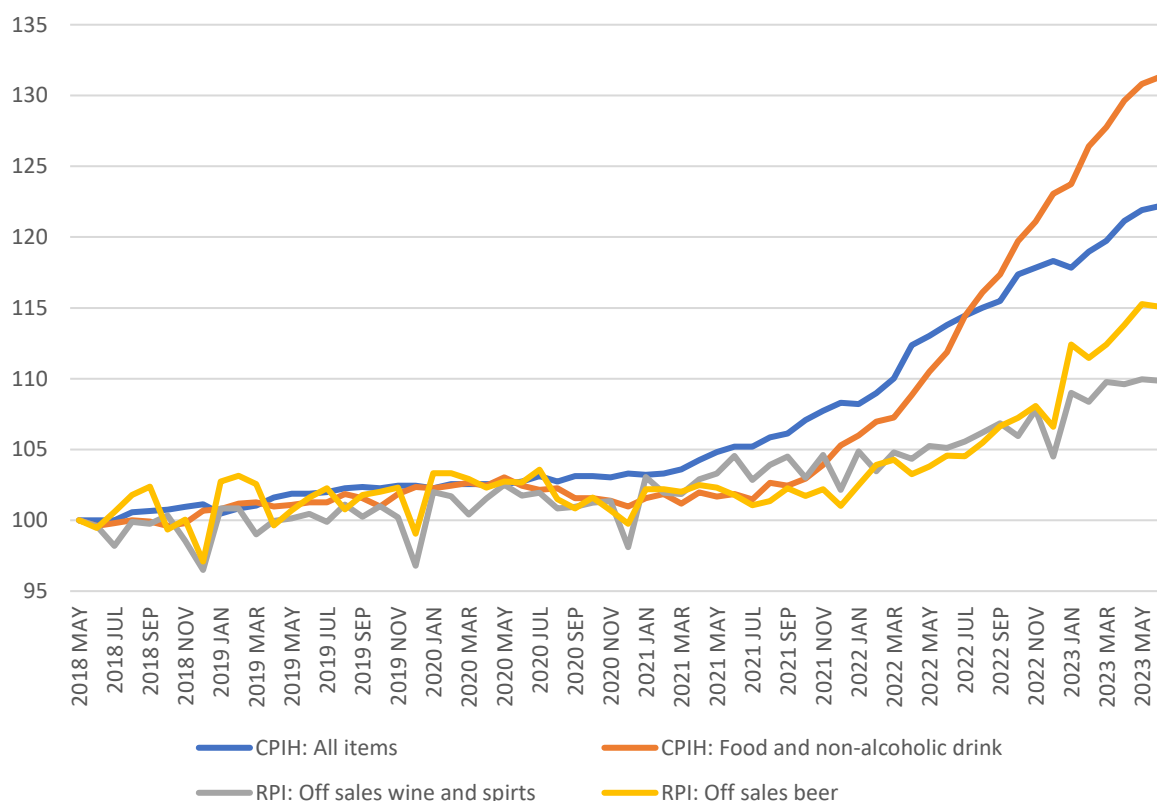
Within the alcohol market there has been a large variation in price changes across different product categories and purchasing channels (i.e. on trade and off trade). This is reflected in Figure which highlights that increases in affordability of alcoholic drinks is being driven by off sales (Figure highlights overall change in alcoholic drink prices in both the on and off-trade, and drink specific price changes in the on and off trade respectively).

**Figure 4: Trends in drink type-specific alcohol affordability, United Kingdom, 2000-2021**



The rising affordability of off-sales alcohol is also shown in Figur5, highlighting how the price of alcohol sold through the off-trade has increased at a slower rate in comparison to the general retail inflation rate since the introduction of MUP in 2018.

**Figure 5: Off-sales inflation (RPI beer and RPI spirits and wine) relative to food inflation (CPI) and general retail inflation (RPI), (May 2018=100)**



The Cost Crisis has also impacted on alcohol affordability with changes to both alcohol prices and to real incomes. As Figure shows, in recent years alcohol prices have risen faster than in the past, but still at a lower rate than the general level of inflation, and food and non-alcohol in particular. Alcohol has therefore become cheaper relative to other goods and services.

Between 2018/19 and 2021/22, real disposable incomes for the lowest income households in Scotland fell (with the exception of the third decile), while it increased in all the higher income deciles. As everyone buys different things, inflation in reality is felt differently by different individuals and different groups of the population. The ONS estimate that CPIH annual inflation was 10.5% for low-income households in the UK compared to 9.1% for high-income households, in the year to October 2022. This is down to rising energy and food costs having more bearing on the inflation rate experienced by lower income households who spend a greater share of their expenditure on these<sup>41</sup>.

However, any increase in alcohol prices needs to be seen in the context of those that drink. Non-drinkers in the most deprived groups will not be impacted as they do not purchase alcohol (most recent Scottish Health Survey data found 24% in most deprived quintile were non-drinkers compared to 12% in least deprived quintile<sup>42</sup>).

<sup>41</sup> Inflation and cost of living for household groups, UK: October 2022. ONS

<sup>42</sup> [Chapter 8 Alcohol and Drugs - The Scottish Health Survey 2021: summary report - gov.scot \(www.gov.scot\)](https://www.gov.scot/resources/consultations-published/chapter-8-alcohol-and-drugs-the-scottish-health-survey-2021-summary-report/)

Moderate drinkers within this group are likely to either not be affected or only marginally affected as, by definition, they do not drink much alcohol (in 2021, 56% in most deprived quintile were moderate drinkers compared to 59% in least deprived quintile<sup>43</sup>). It is those drinkers in the most deprived groups that are drinking at hazardous and harmful levels that will be impacted most (in 2021, 20% in most deprived quintile were hazardous or harmful drinkers compared to 29% in least deprived quintile<sup>44</sup>).

Public Health Scotland conducted a rapid health impact assessment in December 2022 to explore the impact of the rising cost of living on health.<sup>45</sup> They reviewed evidence and reported that reduced affordability can be an effective mechanism to reduce alcohol consumption at a population level,<sup>46</sup> which has been seen in past recessions when overall levels of alcohol use have declined. However, they also point out that studies have found that harmful drinking has increased within specific sub-groups in times of recession. Risk factors include job loss and long term unemployment, and pre-existing vulnerabilities.<sup>47</sup>

### **Illustrative inflationary indices for considering uprating price level of MUP**

A minimum unit price of 50ppu was set in May 2018. Table and Tabl illustrate the notional level of MUP each year which would keep the initial price constant in real terms using different indices and relative to a selection of illustrative base years, all else being equal. Forecasts are also shown for the next two years where possible, see footnotes for further explanation on the limitations.

The **Consumer Prices Index including owner occupiers' housing costs (CPIH)** is the most comprehensive measure of consumer price inflation, while the **Consumer Prices Index (CPI)** is a measure that is internationally comparable.

The **Retail Price Index** is also a measure of price inflation, but is based on a different methodology for calculating the changing purchasing patterns of consumers. While it is still published for legacy uses, it is no longer a national statistic and the ONS does not encourage its use, pointing to evidence that it is likely to overstate inflation.

**GDP deflators** can be viewed as a measure of general inflation in the domestic economy, i.e. not limited to consumer purchases. The GDP deflator reflects movements of hundreds of separate deflators for the individual expenditure components of GDP. The series allows for the effects of changes in price (inflation) to be removed from a time series, i.e. it allows the change in the volume of goods and services to be measured.

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<sup>43</sup> [Chapter 8 Alcohol and Drugs - The Scottish Health Survey 2021: summary report - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-health-survey-2021-2022/summary-report/pages/8/)

<sup>44</sup> [Chapter 8 Alcohol and Drugs - The Scottish Health Survey 2021: summary report - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-health-survey-2021-2022/summary-report/pages/8/)

<sup>45</sup> <https://www.publichealthscotland.scot/media/16542/population-health-impacts-of-the-rising-cost-of-living-in-scotland-a-rapid-health-impact-assessment.pdf>

<sup>46</sup> Moore SC et al. [Alcohol affordability: implications for alcohol price policies. A cross-sectional analysis in middle and older adults from UK Biobank](https://doi.org/10.1186/s12916-022-02020-2). J. Public Health 2022; 44, e192–e202.

<sup>47</sup> Dom G et al. [The Impact of the 2008 Economic Crisis on Substance Use Patterns in the Countries of the European Union](https://doi.org/10.1186/s12916-016-0613-2). Int. J. Environ. Res. Public. Health 2016; 13.

**Alcohol Affordability Index** is calculated using the retail price index, the alcohol price index and household disposable income. It is therefore a measure of the relative affordability of alcohol compared to other goods and taking into account changes in income. The alcohol affordability index is produced using UK-wide data. The alcohol affordability index is therefore weighted towards England and may not fully reflect any difference in these data between the constituent UK countries.

**Table 1: Illustration of the value of 50 pence in 2012 across subsequent years using a selection of price and affordability indexes**

Year	CPIH	CPI	RPI	GDP Deflator	AAI
2012	50.0	50.0	50.0	50.0	50.0
2013	51.3	51.5	51.6	51.1	50.6
2014	52.2	52.5	53.0	51.7	51.4
2015	52.4	52.5	53.5	52.1	54.5
2016	52.8	52.7	54.4	53.1	54.9
2017	54.1	54.1	56.3	54.0	55.5
2018	55.4	55.4	58.2	55.0	57.4
2019	56.4	56.5	59.9	56.1	58.3
2020	56.9	56.9	60.5	59.6	57.8
2021	58.3	58.3	62.9	59.5	59.7
2022	63.0	63.8	70.3	62.7	
2023	67.7	68.8	77.8	64.5	
2024	68.2	69.4	79.7	65.7	

Note: CPI, CPIH, RPI All based on monthly figures from June of each year, GDP deflators and AAI annual figures. Forecasts for CPI and RPI from OBR inflation forecasts, Q22023 to Q22024. CPIH 2024 uses CPI forecast.

**Table 2: Illustration of the value of 50 pence in 2018 across subsequent years using a selection of price and affordability indexes**

Year	CPIH	CPI	RPI	GDP Deflator	AAI
2018	50.0	50.0	50.0	50.0	50.0
2019	50.9	51.0	51.4	51.1	50.8
2020	51.4	51.3	52.0	54.2	50.3
2021	52.6	52.6	54.0	54.1	52.0
2022	56.9	57.6	60.4	57.0	
2023	61.1	62.1	66.9	58.7	
2024	61.6	62.6	67.9	59.8	

Note: CPI, CPIH, RPI All based on monthly figures from June of each year, GDP deflators and AAI annual figures. Forecasts for CPI and RPI from OBR inflation forecasts, Q22023 to Q22024. CPIH 2024 uses CPI forecast.

All indices are calculated at a UK level, with insufficient data to estimate a separate Scottish series. While prices fluctuate across regions as well as time, these national series are representative for the UK, so are likely to be strongly influenced by price activity in England. There will be some mechanical impact of the MUP on these series, to the extent that alcohol prices form one component of the basket. However,



the weighting of alcoholic beverages in the CPIH basket is 0.02, and the changes to MUP affect the distribution of prices in one smaller part of the UK market, Scotland, so overall, MUP itself will have had negligible impact on inflation measures.

CPIH is considered to be the most appropriate inflation index to use. It is an ONS national statistic and is the index used in the Sheffield analysis to compare the impact of different potential MUP thresholds. For these reasons CPIH has been used to uprate into current prices the different levels of MUP analysed in the Sheffield model to allow consideration of the modelled impacts in the context of current prices.

### **Impact on the alcoholic drinks market to date**

There are four primary sources of data used throughout this document when considering alcohol prices:

*Public Health Scotland (Monitoring and Evaluating Scotland's Alcohol Strategy)*  
Public Health Scotland's MESAS reports include the most comprehensive price information, for both the on and off-trade, covering years prior to MUP's introduction up until 2021. This source also provides comparisons with the price distribution for England and Wales. Data is presented as the average unit price over the year.

The price distribution data does not include sales from the discounters (Aldi, Lidl).

This data is used throughout the report to highlight trends in affordability and price distribution over time, and comparisons with prices in England and Wales.<sup>48</sup>

#### *Scottish Government analysis of Circana Ltd data*

The Scottish Government purchased Electronic Point of Sales off-trade sales data from Circana Ltd, a consumer behaviours market intelligence firm.

This data covers a more recent period and allows us to provide price distribution estimates for the full calendar year 2022. It also allows us to undertake a more detailed analysis of the top selling brands in Scotland rather than focus on drink categories. Data is presented as the average unit price over the year.

Similar to the PHS data, this does not include sales from the discounters (Aldi, Lidl).

This data is used, primarily, in the costs and benefits section and competition assessment to provide the most recent high level price distribution and also brand level analysis of prices across different drink categories.

#### *Tesco*

A snapshot of prices from Tesco.com is also used. This provides product specific prices on a certain day in both Scotland and England for comparison. A similar analysis had been undertaken ahead of the introduction of MUP, and the price comparison between the years has been included if the product is still retailed (in the same size and strength).

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<sup>48</sup> [MESAS monitoring report 2022 - Publications - Public Health Scotland](#)

### *Public Health Scotland MUP Evaluation: Products and Prices Study*<sup>49</sup>

The study provides average sales value and volume for the Top 50 selling products in the convenience and supermarket sectors in 2017-18 ahead of MUP's introduction. Scottish Government analysis of this data to provide a weighted average price (i.e. across both convenience and supermarket channels) at brand level to allow a comparison with brand level average price level in 2022.

### **Alcohol prices**

In 2021, the latest year for which comparable data is available from PHS, the average price per unit of alcohol in Scotland was 64p in the off-trade (an increase from 63p in 2020) and £2.04 in the on-trade. In England & Wales it increased from 59p in 2020 to 60p in 2021 in the off-trade. The average price paid per unit of alcohol (on- and off-trade sales combined) decreased sharply from 99p in 2019 to 77p in 2020 in Scotland; this was due to the dominance of off-trade sales during the COVID-19 pandemic. In 2021, this increased to 85p per unit, driven by the increase in on-trade sales compared to 2020. The trend in average combined price has been similar in England & Wales.

The latest alcohol sales data<sup>50</sup> (Tab1) shows how the average price of alcohol in the off-trade has changed since 2010. The highlighted figures show when the MUP Act was passed and when MUP was implemented. Prices of all types of alcohol increased except the 'other' category which represents less than 0.2% of the off-trade sales in both 2012 and 2018.

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<sup>49</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](#)

<sup>50</sup> [PHS MESAS Monitoring Report 2022](#), excel spreadsheets and graphs on alcohol price and affordability

**Table 3: Average price per unit of alcohol sold through the off-trade in Scotland, 2010 to 2021**

<i>£ per unit of alcohol</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Total</b>	<b>0.45</b>	<b>0.48</b>	<b>0.50</b>	<b>0.52</b>	<b>0.52</b>	<b>0.52</b>	<b>0.53</b>	<b>0.55</b>	<b>0.60</b>	<b>0.62</b>	<b>0.63</b>	<b>0.64</b>
Spirits	0.43	0.46	0.48	0.51	0.52	0.52	0.51	0.53	0.57	0.59	0.60	0.60
RTDs	0.85	0.89	0.93	0.99	1.03	1.04	1.04	1.08	1.11	1.18	1.18	1.23
Fortified Wines	0.46	0.48	0.51	0.53	0.53	0.54	0.55	0.57	0.58	0.60	0.64	0.64
Wine	0.50	0.53	0.55	0.57	0.58	0.58	0.59	0.61	0.65	0.67	0.68	0.70
Other	-	0.63	0.70	0.82	0.85	0.81	0.63	0.73	0.66	0.75	0.74	0.59
Cider	0.36	0.38	0.39	0.41	0.40	0.41	0.42	0.44	0.52	0.57	0.57	0.57
Perry	0.26	0.28	0.28	0.29	0.29	0.29	0.28	0.29	0.39	0.45	0.44	0.44
Beer	0.41	0.45	0.47	0.48	0.47	0.47	0.48	0.51	0.55	0.58	0.59	0.59

Note: Off-trade retail sales estimates in 2011-2021 have been adjusted to account for lack of data from discount retailers. Copyright Nielsen/CGA 2022

In terms of specific products, Table 4 shows how the prices of a selection of popular alcoholic drinks have changed from immediately prior to MUP being implemented to June 2023. Some products that were selling below 50ppu before MUP was implemented, increased to 50ppu when MUP was implemented and are still retailing at 50ppu five years later, for example, Glen's vodka (4<sup>th</sup> in top 5 selling off-trade brands in Scotland in 2021), own label (Tesco) vodka, whisky, gin and cider (Tabl).

**Table 4: Prices of a selection of popular alcoholic drinks prior to and following MUP introduction (Tesco.com snapshot on date highlighted)**

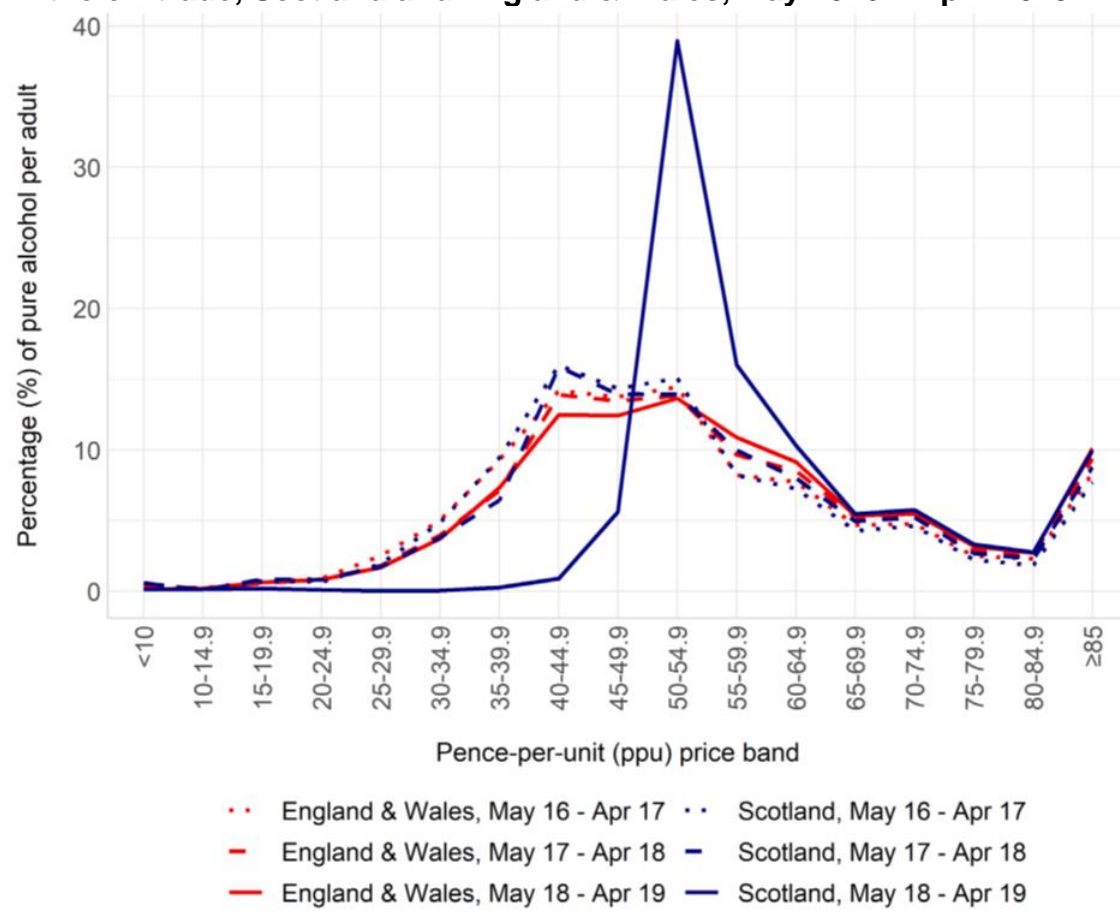
	Scotland 16-Feb-18		Scotland 01-Feb-22		Scotland 02-Jun-23	
	Price	per unit	Price	per unit	Price	per unit
<b>Cider</b>						
Tesco Crofter's dry cider, 2l	2.05	<b>0.21</b>	5.00	<b>0.50</b>	5.00	<b>0.50</b>
Strongbow, 4x440ml	4.00	<b>0.45</b>	3.96	<b>0.50</b>	4.55	<b>0.58</b>
Strongbow dark fruits 4x440ml	4.50	<b>0.64</b>	4.75	<b>0.68</b>	5.60	<b>0.80</b>
Magners, 4x440ml	3.75	<b>0.47</b>	3.96	<b>0.50</b>		
<b>Vodka and Gin (all 70cl)</b>						
Tesco Imperial vodka	10.00	<b>0.38</b>	13.13	<b>0.50</b>	13.13	<b>0.50</b>
<b>Glen's vodka</b>	12.50	<b>0.48</b>	13.13	<b>0.50</b>	13.13	<b>0.50</b>
Smirnoff Red Label	14.50	<b>0.55</b>	15.50	<b>0.59</b>	16.50	<b>0.63</b>
Russian standard vodka	14.50	<b>0.52</b>	14.50	<b>0.55</b>		
Tesco London dry Gin	11.00	<b>0.42</b>	13.13	<b>0.50</b>	13.13	<b>0.50</b>
Gordon's gin	14.50	<b>0.55</b>	15.50	<b>0.55</b>	16.50	<b>0.63</b>
Bombay Sapphire	21.00	<b>0.75</b>	21.00	<b>0.75</b>	22.00	<b>0.79</b>
<b>Whisky (all 70cl)</b>						
Tesco Special Reserve	12.50	<b>0.45</b>	14.00	<b>0.50</b>	14.00	<b>0.50</b>
<b>Bell's</b>	15.00	<b>0.54</b>	15.50	<b>0.55</b>	16.50	<b>0.59</b>
<b>Whyte and MacKay</b>	15.00	<b>0.54</b>	14.00	<b>0.50</b>	15.50	<b>0.56</b>
<b>Famous Grouse</b>	15.00	<b>0.54</b>	15.00	<b>0.54</b>	16.50	<b>0.59</b>
Glenfiddich single malt 12 yrs	35.00	<b>1.25</b>	38.00	<b>1.36</b>	38.00	<b>1.36</b>
Jack Daniels	26.00	<b>0.86</b>	26.00	<b>0.93</b>	26.00	<b>0.93</b>
<b>Beer and lager</b>						
<b>Tennents lager 4X440ml</b>	3.60	<b>0.50</b>	3.75	<b>0.54</b>	3.99	<b>0.57</b>
Budweiser, 4x440ml	4.10	<b>0.47</b>	4.19	<b>0.52</b>	4.75	<b>0.60</b>
Stella Artois, 4x568ml	5.10	<b>0.45</b>	5.46	<b>0.53</b>	5.75	<b>0.56</b>
Carling, 4x440ml	3.60	<b>0.55</b>	3.60	<b>0.50</b>	3.85	<b>0.55</b>
<b>Wine (75cl bottles)</b>						
Tesco Spanish white wine	3.65	<b>0.44</b>	4.25	<b>0.51</b>		
Brancott Estate Sauvignon	9.50	<b>0.96</b>	9.50	<b>0.97</b>	9.50	<b>1.02</b>
Blossom Hill Californian Rose	5.25	<b>0.63</b>	5.00	<b>0.61</b>	5.00	<b>0.61</b>
Tesco Rioja	5.00	<b>0.51</b>	5.00	<b>0.51</b>	9.00	<b>0.93</b>
Hardy's Crest Cabernet Shiraz	7.00	<b>0.67</b>	7.00	<b>0.67</b>	7.00	<b>0.67</b>
Tesco Cote du Rhone	4.30	<b>0.42</b>	5.25	<b>0.52</b>	8.00	<b>1.02</b>
Isla Negra Seashore merlot	5.00	<b>0.53</b>	5.00	<b>0.56</b>		

Brands in red text are the top 5 selling brands for take-home sales in Scotland from Kantar for the 52 weeks ending 4 September 2022. Cells highlighted in yellow indicate where a matching price was not available for 2-June-23 or the price is considered an outlier from its standard price (i.e. Tesco Rioja.)

## Price distribution

Following the introduction of MUP at 50ppu, there has been a large increase in products priced in the 50ppu to 65ppu range to the extent that off-trade sales in this range for 2021 accounted for 62% of all off-trade sales<sup>51</sup> compared to 35% in England and Wales. Increases in price bands above 65ppu were much smaller and were in line with increases between previous years. England & Wales were used as a comparator and had a similar price distribution to Scotland prior to MUP being implemented. However, the price distribution in Scotland post-implementation was markedly different to that in England & Wales over the same time period (Figure)<sup>52</sup>

**Figure 6: Estimated price distribution (%) of pure alcohol (litres per adult) sold in the off-trade, Scotland and England & Wales, May 2016 – April 2019**



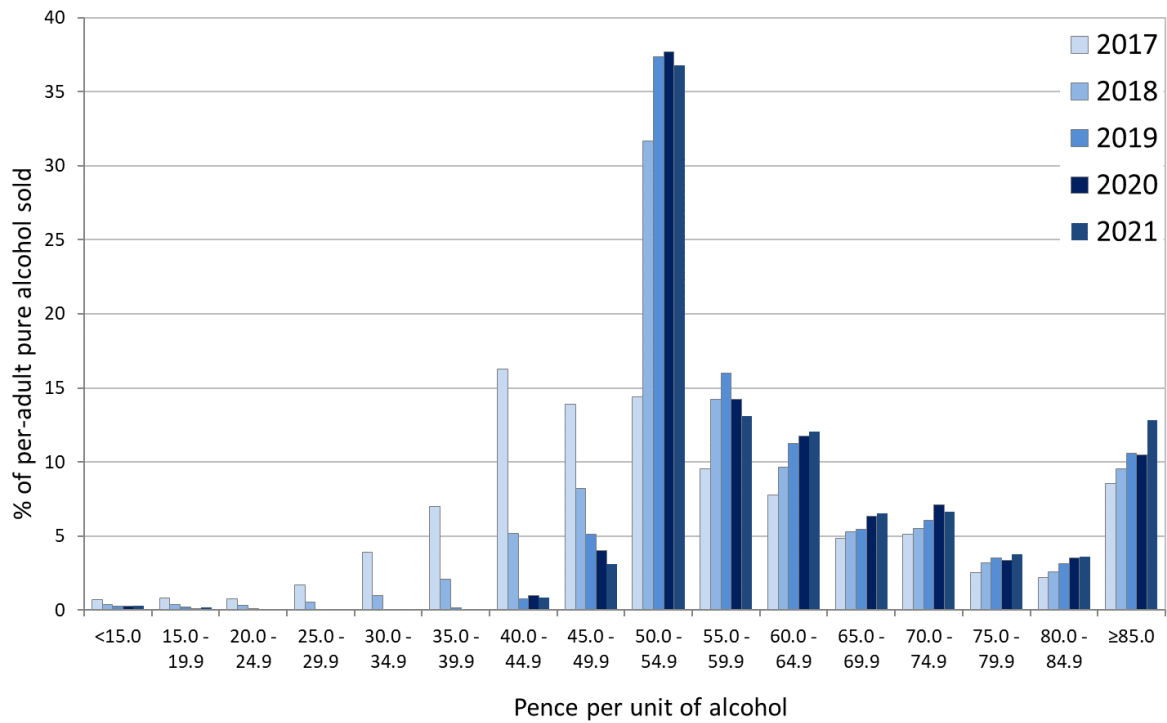
Figures 7 and 8 show the latest price distributions for the off-trade in Scotland<sup>53</sup> since MUP was first introduced.

<sup>51</sup> [Evaluating the impact of Minimum Unit Pricing \(MUP\) on the price distribution of off-trade alcohol in Scotland \(publichealthscotland.scot\)](https://publichealthscotland.scot)

<sup>52</sup> Figure 5, [Evaluating the impact of Minimum Unit Pricing \(MUP\) on the price distribution of off-trade alcohol in Scotland \(publichealthscotland.scot\)](https://publichealthscotland.scot)

<sup>53</sup> [PHS MESAS Monitoring Report 2022](https://www.publichealthscotland.scot/media/13690/mesas-monitoring-report-2022-alcohol-price-and-affordability.xlsx), excel spreadsheets and graphs on alcohol price and affordability, figure 3, <https://www.publichealthscotland.scot/media/13690/mesas-monitoring-report-2022-alcohol-price-and-affordability.xlsx>

**Figure 7: Price distribution (%) (of pure alcohol sold in the off-trade in Scotland, 2017- 2021**



For comparison purposes, Figure shows the price distribution in England and Wales. Wales introduced a 50ppu minimum price in March 2020 however, given the scale of sales in Wales compared to England, this will have had minimal impact on the combined figures.

**Figure 8: Price distribution (%) of pure alcohol sold in the off-trade in England and Wales. 2017- 2021**

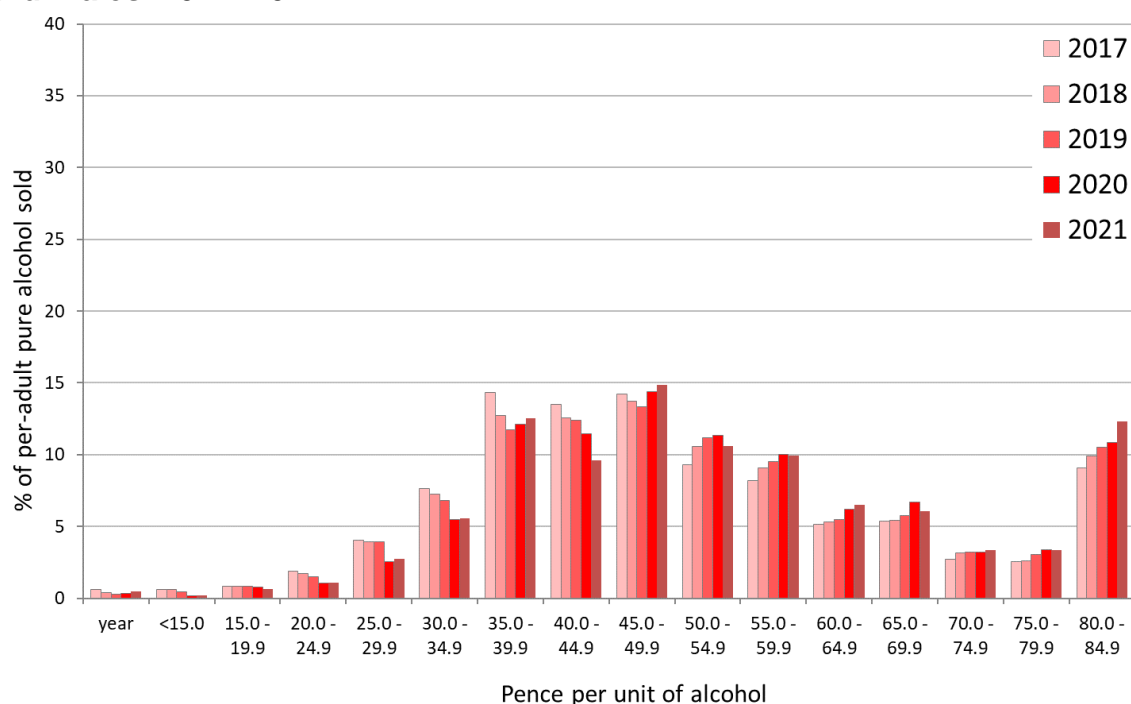


Table 5 shows how prices of drink types in the off-trade in Scotland were distributed in 5 pence steps.

**Table 5: Price distribution of Scottish off-trade alcohol sales, 2021 (latest year PHS/Nielsen data are available), cumulative % sold under each price band**

Pence per unit	sub 30	<35	<40	<45	<50	<55	<60	<65	<70	<75	<80	<85	Over 85
Spirits	0	0	0	1	1	58	70	77	80	85	88	91	100
RTDs	0	0	0	0	0	0	1	2	3	5	7	12	100
Fortified Wines	0	0	0	5	7	25	37	59	69	83	91	95	100
Wine	0	0	0	2	7	26	36	51	60	71	75	80	100
Perry	0	0	0	0	3	74	84	89	95	96	97	98	100
Beers	1	1	1	1	4	44	63	77	84	88	92	94	100
Cider	3	3	3	5	12	50	67	73	81	84	89	93	100
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>5<sup>54</sup></b>	<b>41</b>	<b>55</b>	<b>67</b>	<b>73</b>	<b>80</b>	<b>84</b>	<b>87</b>	<b>100</b>

<sup>54</sup> To note that the above table suggests there are still products that are sold below the current 50p MUP. This is due to the way that sales data are recorded as opposed to products being sold illegally. Following the introduction of MUP, products and prices were analysed as part of the Public Health Scotland evaluation and they found that the main reasons for products looking as if they were being sold for less than 50ppu were rounding (data company recorded price as 49.9ppu) and splitting of a multipack. The PHS study found that when retailers split a multipack into its individual items and sell them (which could happen if a can was damaged), can result in lower prices in sales records that do not reflect actual in-store sales. Because the barcode on the individual item can be the same as the multipack, this can misrepresent the number of sales as equalling the number of split containers, rather than the one multipack. Thus a four-pack of 500ml, when split,

For comparison, Table 6 shows the price distribution for England and Wales.

**Table 6: Price distribution of England and Wales off-trade alcohol sales, 2021, cumulative % sold under each price band**

Pence per unit	sub 30	<35	<40	<45	<50	<55	<60	<65	<70	<75	<80	<85	Over 85
Spirits	0	0	5	28	42	57	68	75	80	84	88	90	100
RTDs	0	0	0	0	1	1	1	2	4	6	8	12	100
Fortified Wines	4	20	23	36	39	47	58	68	71	78	83	85	100
Wine	0	1	2	8	16	30	38	52	60	70	74	80	100
Perry	12	39	47	69	78	94	96	97	98	99	99	99	100
Beers	1	6	18	30	39	56	70	81	88	91	94	95	100
Cider	25	35	40	49	57	67	76	80	85	89	92	95	100
<b>Total</b>	<b>2</b>	<b>5</b>	<b>11</b>	<b>23</b>	<b>33</b>	<b>48</b>	<b>58</b>	<b>68</b>	<b>75</b>	<b>81</b>	<b>84</b>	<b>88</b>	<b>100</b>

Pence per unit	sub 30	<35	<40	<45	<50	<55	<60	<65	<70	<75	<80	<85	Over 85
Spirits	0	0	0	1	1	58	70	77	80	85	88	91	100
RTDs	0	0	0	0	0	0	1	2	3	5	7	12	100
Fortified Wines	0	0	0	5	7	25	37	59	69	83	91	95	100
Wine	0	0	0	2	7	26	36	51	60	71	75	80	100
Perry	0	0	0	0	3	74	84	89	95	96	97	98	100
Beers	1	1	1	1	4	44	63	77	84	88	92	94	100
Cider	3	3	3	5	12	50	67	73	81	84	89	93	100
<b>Total</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>5</b>	<b>41</b>	<b>55</b>	<b>67</b>	<b>73</b>	<b>80</b>	<b>84</b>	<b>87</b>	<b>100</b>

show data for 2021 which is the latest year comparable data is available from PHS/Nielsen data.

Given the overall trend of the price distribution for alcohol is moving upwards, albeit more slowly than for other goods, the price distribution for 2022 is likely to show a lower figure than the tables show e.g. less than 41% of alcohol is likely to be sold at less than 55ppu in Scotland in 2022, and less than 48% in England and Wales.

This is demonstrated in the 2022 off-sales price distribution data based on Scottish Government analysis of Circana Ltd data, which estimates that 37% of off-sales by volume were below 55ppu in 2022. The corresponding figures for 60ppu and 65ppu are 52% and 64% respectively.

For comparison, in Scotland, in 2017, prior to MUP being implemented, 45% of alcohol sold in the off-trade was below 50ppu<sup>55</sup>.

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can be misrepresented as four multipacks rather than four individual items (i.e. 16 individual tins being sold for the price of four, or 8 litres for the price of 2 litres).

<sup>55</sup> 45% of sales below 50ppu in 2017 from latest MESAS Report. Revised from 47% published in the 2018 [Monitoring and Evaluating Scotlands Alcohol Strategy \(MESAS\), 2018 \(healthscotland.scot\)](#), page 8



As MUP is a price, the benefits of it will erode over time as inflation increases however, alcohol prices have not, in general, risen in line with other food and drink prices so inflation for alcohol is lower which means it is more affordable relative to other goods.

## 4.2 Option Development (including sectors and groups affected)

### Consideration of level of MUP going forward

When consulting on a preferred price, the Scottish Ministers could suggest any price and is not constrained by the 5p bands set out in this BRIA. However, for the purposes of consideration prices have been banded at 5p intervals with options including:

- Do nothing and let the 2012 Act requirements sunset i.e. cease
- Continue MUP at 50ppu
- Continue MUP at a level lower than 50ppu
- Continue MUP at levels above 50ppu – this has been split into the ranges 55ppu to 65ppu and 70ppu to 80ppu.

In choosing a preferred price, there are multiple factors that need to be considered and carefully balanced for each option, including:

- Level of health benefits we would like to achieve going forward
- Impact on business
- Level of unintended consequences.

The results from the five-year evaluation inform an assessment of the level of health benefits achieved, the impacts on the alcoholic drinks market and alcohol businesses, and any unintended consequences of the policy. In considering a preferred price, there are various sources of evidence (both quantitative and qualitative) and factors to take account of, which are explored further in this section.

### University of Sheffield modelling

The University of Sheffield Alcohol Research Group (SARG) were commissioned to undertake new modelling work to inform a review of the current 50ppu unit threshold<sup>56</sup>. SARG is a world-leading centre for research on alcohol harms. Their work is widely used by policymakers, practitioners, and the general public.

Their work has been published in leading academic journals, and it has been used to inform international policies on alcohol. SARG's research and modelling was used to inform the development of MUP in Scotland, and has since been used for the development of the policy in Wales and the Republic of Ireland. Their research also supported the development of the UK government's alcohol strategy, and they were the lead authors in the 2022 World Health Organisation report on the potential value of Minimum Pricing<sup>57</sup>.

It is important to note that SARG have used a new model 'TAX-sim', which builds on the previous model used for the 2016 MUP model 'SAPM' but is more sophisticated in certain key areas. The TAX-sim model is dynamic, meaning over time drinkers change category depending on their consumption (i.e. harmful drinkers will move to

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<sup>56</sup> <https://sarg-sheffield.ac.uk/wp-content/uploads/2023/09/sarg-scottish-mup-report-2023.pdf>

<sup>57</sup> [No place for cheap alcohol: the potential value of minimum pricing for protecting lives \(who.int\)](#)

the moderate drinker category if the modelled change shows their consumption is reduced to less than 14 units a week).

The 2016 SAPM model was static, meaning this change in category wasn't observed and therefore the results from the two sets of models should not be directly compared as there are important distinctions in how the results should be interpreted.

The modelling uses 2019 as the baseline year. It takes account of the initial impacts of MUP at 50ppu and is prior to any impact COVID-19 has had on consumption and harms. The 'control arm' of the model is that this 50ppu remains in place, with the 50p threshold being updated each year in line with inflation using the CPIH. As the model assumes that the MUP level increases in line with inflation annually the analysis set out below focuses where possible on the year one results given that, at this point in time, consideration is only being given to a single change in the price level.

When modelling changes to the MUP threshold it is assumed these changes are introduced at the start of 2019 and that any new threshold is also updated in line with CPIH to keep 'prices constant in real terms'. This should be taken into account when impacts beyond the initial year are presented.

What the model does not do:

- it does not directly provide a comparison of the current situation (e.g. MUP currently at 50ppu in cash terms) and proposed prices, but rather a comparison against 50ppu in 2019
- it does not include costs and does not estimate revenues/ profits to the industry or how these are spread across the supply chain
- it does not report on the 'distortion to the industry' in terms of how different product types or producer businesses are impacted to varying degrees by different MUP levels.
- it does not assume any long-term underlying trends in alcohol consumption due to volatility in recent trends making it harder to identify what will happen to underlying behaviours in the absence of policy changes. However, the dynamic nature of the model means that it does capture a change in per capita consumption over time as the age profile of the population shifts (e.g. 40 year olds in 10 years' time will drink the same amount as current 40 year olds, but there will be a change in the number of 40 year olds). But if there are more or fewer 40 year olds compared to other age groups that drink more or less, then the overall population mean consumption will shift. In practice, the net effect of this shift in the population structure is a gradual drift downwards in mean consumption, all else being equal.

With regard to inflation, the model updates the MUP levels using CPIH inflation from their 2019 prices in order to keep prices constant in real terms. In practice it is not possible to have a single inflating mechanism that would in reality keep all the impacts equal due to the number of variables impacting affordability, often changing

in different directions. As is common, a single index has been used for model purposes and to keep interpretation and findings understandable.

The modellers used different inflation indices to uprate the minimum unit price to see what difference it might make. The results showed that as the real terms value of the minimum unit price falls, mean alcohol consumption increases; and when the MUP level is closely aligned to inflation (e.g. CPIH), consumption remains at similar levels to 2019.<sup>58</sup>

The dynamic nature of this model means that drinkers move drink categories depending on how much they reduce or increase their consumption. At prices below 50ppu at 2019 prices (the control arm), the numbers of hazardous and harmful drinkers increases and at prices above 50ppu, the number of moderate drinkers increases as hazardous and harmful drinkers move down categories (Table 7).

**Table 7: Modelled impacts of changing the MUP threshold on the number of drinkers in each group relative to control of 50ppu at 2019 prices**

MUP level (ppu)	Moderate drinkers	Hazardous drinkers	Harmful drinkers
<b>2019 Number of baseline drinkers</b>	2,546,195	878,414	143,622
40	-24,311	+8,067	+16,244
45	-15,045	+5,233	+9,812
<b>50</b>	<b>0</b>	<b>0</b>	<b>0</b>
55	+27,146	-15,742	-11,403
60	+68,050	-41,406	-26,644
65	+112,159	-70,012	-42,147
70	+163,246	-108,235	-55,011
75	+218,868	-148,943	-69,925
80	+279,570	-196,540	-83,051

Note: Due to these changes in the number of individuals in each drinker group there are complexities in interpreting the modelling results by drinker group, which is particularly acute in the resulting impact on the moderate category (Figure)

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<sup>58</sup> <https://sarg-sheffield.ac.uk/wp-content/uploads/2023/09/sarg-scottish-mup-report-2023.pdf>

**Figure 9: Movement of drinkers between categories as MUP changes (%), 2019 prices**

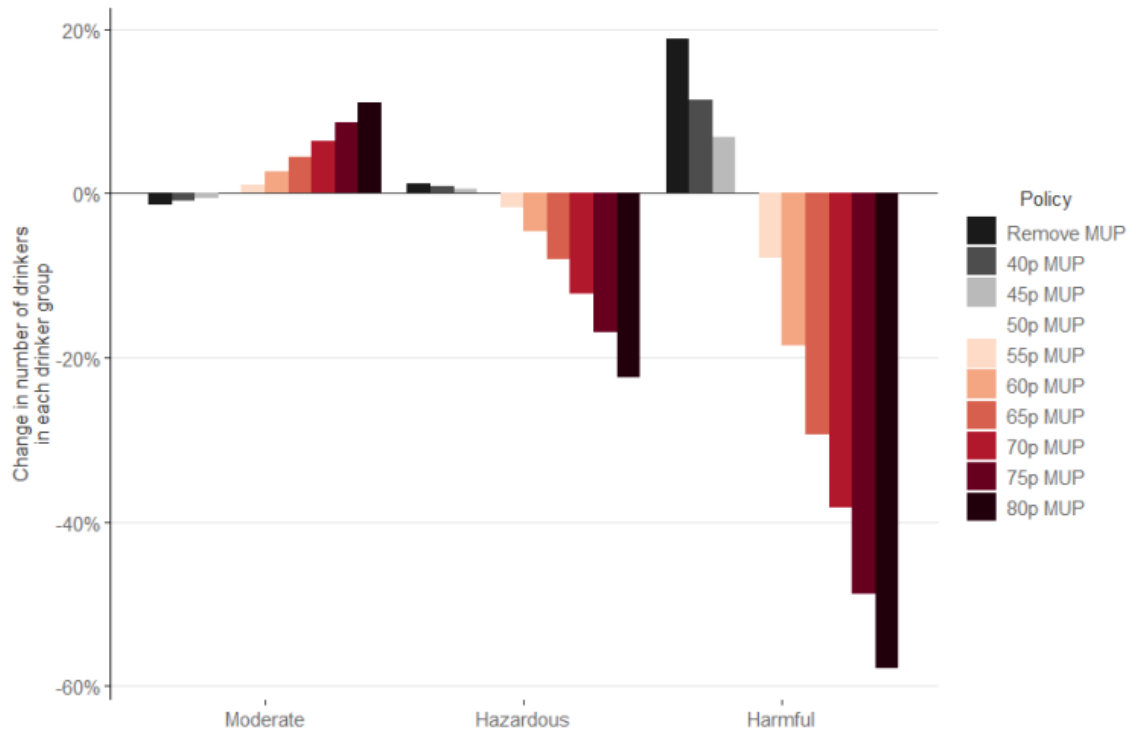


Table 8 summarises the estimated results for the price options modelled relative to 50ppu i.e. the current level of MUP: removal of MUP (row 1), MUP at 40ppu through to 80ppu in 5p steps, all in 2019 prices (column 2).

So, for example, for a 55ppu (in 2019 prices) the model estimates a further reduction of consumption by 2.7% than what was estimated at 50ppu. CPIH is then used to uprate the 2019 prices to 2023 prices (column 3).

Using this same calculation 50ppu in 2019 prices is equivalent to 60ppu in 2023 using CPIH.

**Table 8: Modelled impacts of selection of MUP levels 2019 baseline MUP levels inflated to 2023 prices using CPIH (all figures are Year 1 annual figures unless stated otherwise)**

Row #	MUP Level (ppu)		Consumption	Deaths	Hospital Admissions	Years of Life Lost (YLLs)	NHS costs – 5 years cumulative	Hazardous drinkers	Harmful drinkers	Spending	Tax and duties	Retail Revenue	Share of off-sales impacted*
	2019 Prices	2023 Prices (CPIH)											
1	0	0	5.4%	131	1,751	4,123	£10.0m	10,684	26,841	0.6%	2.4%	-0.4%	n/a
2	40	48	3.4%	82	1,125	2,654	£6.5m	8,067	16,244	0.4%	1.6%	-0.2%	n/a
3	45	54	2.2%	49	654	1,512	£3.8m	5,233	9,812	0.2%	1.0%	-0.2%	37%
4	<b>50</b>	<b>60</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>£0m</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>52%</b>
5	55	66	-2.7%	-60	-774	-1,828	-£5.0m	-15,742	-11,403	-0.4%	-1.4%	0.1%	64%
6	60	72	-6.7%	-130	-1,732	-4,008	-£10.9m	-41,406	-26,644	-1.1%	-3.6%	0.2%	73%
7	65	78	-10.7%	-197	-2,696	-6,197	-£17.4m	-70,012	-42,147	-2.0%	-5.9%	0.0%	80%
8	70	84	-15.3%	-278	-3,779	-8,651	-£24.2m	-108,235	-55,011	-3.2%	-8.6%	-0.4%	87%
9	75	90	-19.9%	-347	-4,844	-11,064	-£31.3m	-148,943	-69,925	-4.6%	-11.4%	-1.0%	>87%
10	80	96	-24.6%	-435	-6,015	-13,644	-£38.7m	-196,540	-83,051	-6.3%	-14.5%	-2.0%	>87%

Notes: Scottish off-sales compiled by Public Health Scotland, based on volume of pure alcohol sold under 5p price steps (2023 MUP level rounded to nearest 5p price step). For 55ppu, 60ppu, 65ppu estimates are based on Scottish Government analysis of Cricana Ltd data for average off-trade prices in 2022. 45% of off-sales below 50ppu in 2017 prior to introduction of MUP.<sup>59</sup>

<sup>59</sup> [Monitoring and Evaluating Scotland's Alcohol Strategy \(MESAS\) - Alcohol - Health topics - Public Health Scotland](#)

**Table 9: Current prices closest 5p step equivalent to modelled price step (CPIH inflating)**

<b>2023 Price</b>	<b>2019 Price</b>	<b>2019 Price (Rounded to 5p)</b>
40	33 (below 40ppu modelling)	-n/a
45	38 (below 40ppu modelling)	-n/a
50	42	40
55	46	45
60	50	50
65	54	55
70	59	60
75	63	65
80	67	65

**Option 1: Do nothing and let the MUP requirements cease**

The 'do-nothing' option would see the sunset clause take effect and there would no longer be a minimum unit price for alcohol in Scotland from 1 May 2024.

Retailers in Scotland would remain subject to any other relevant duties, regulations and licensing conditions. However there would no longer be any requirement to sell alcoholic beverages at or above a minimum price level based on the alcohol content.

Businesses were asked to consider the impact of changes to MUP on different products and any potential positive or negative impacts this would have on revenue, profits, and additional costs. In relation to this option, respondents were generally neutral regarding the removal of MUP and generally agreed that treatment services were seen as a more targeted measure for helping those with alcohol dependence and MUP alone was too blunt a tool.

The Sheffield Model estimates that, relative to the impacts of 50ppu in 2019 shortly after it was first introduced, removing MUP would lead to an increase in average alcohol consumption across drinkers, increasing by 5.4%. This increased consumption shifts individuals up drinking categories, with an increase of 10,684 hazardous drinkers and 26,841 harmful drinkers estimated.

Increased alcohol consumption from the removal of MUP would be expected to result in increased health harms and costs to the NHS. The removal of MUP is estimated to lead to an increase of 131 deaths in the first year after it had expired. The increased mortality is estimated to be concentrated in the most deprived SIMD quintiles.

Hospital admissions would also be expected to increase if MUP was removed. At the population level it is estimated there would be an additional 1,751 admissions in the first year after it had expired.

The removal of MUP is estimated to increase alcohol consumption and hence alcohol harms, which is not consistent with our policy aim of reducing alcohol-related harm. This option is, therefore, not considered to meet the aim of the policy going forward.

### **Option 2: Continue MUP at 50ppu**

Continuing MUP with a 50ppu price floor would mean that retailers would be required to continue to retail alcohol at or above the current MUP level in Scotland.

The PHS evaluation reported that on the whole the industry adapted to the requirements of MUP swiftly, with the necessary processes put in place in a 'step change' which became business as usual<sup>60</sup>. Maintaining the price at its current level of 50ppu would mean retailers would not be required to make any changes to prices.

While the minimum unit price would remain at 50ppu in cash terms, its impact on the affordability of alcohol has already decreased since its introduction in 2018 - i.e. over the period that the PHS evaluation has been conducted. The evaluation has shown that 50ppu has been effective in reducing alcohol-related harms however, as time passes, its effectiveness is likely to decrease as the cash price level is eroded by inflation in real terms. The PHS evaluation final report flagged this as a particular consideration for policy-makers: the evaluation of MUP was conducted at 50ppu and, if MUP continues, it is likely benefits realised will only continue if the value of MUP compared to other prices and income is maintained. The report also mentions that increasing the level of MUP would potentially increase the positive impact on consumption and harms, but that any negative or harmful impacts might also increase.<sup>61</sup>

MUP is still having an impact on the market but this is likely to diminish as time goes on. Using England and Wales as a comparator, in 2021, 33% of alcohol products in the off-trade were sold at less than 50ppu; in 2020, the equivalent proportion was 34%; and in 2019, it was 38%<sup>62</sup>. This shows that as alcohol prices increase over time, the proportion of products impacted by MUP at 50ppu reduces.

Businesses were asked to consider the impact of changes to MUP on different products and any potential positive or negative impacts this would have on revenue, profits, and additional costs. In relation to this option, feedback included the impact of the current level of 50ppu seems to have minimal impact on businesses, excluding cider. Respondents in general were not in favour of an increase for MUP.

The University of Sheffield report illustrates how the real terms value of 50ppu MUP decreases over time when it is not updated for inflation<sup>63</sup> (in Figure

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<sup>60</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>61</sup> [Evaluating the impact of minimum unit pricing for alcohol in Scotland: Final report \(publichealthscotland.scot\)](#), section 6, page 95

<sup>62</sup> [MESAS monitoring report 2022 - Publications - Public Health Scotland](#), alcohol price and affordability spreadsheet

<sup>63</sup> <https://sarg-sheffield.ac.uk/wp-content/uploads/2023/09/sarg-scottish-mup-report-2023.pdf>



the grey solid line represents the control case of 50ppu MUP increasing in line with CPIH inflation annually after 2019, the red dashed line illustrates MUP remaining at 50ppu in cash terms from 2019 onwards).

**Figure 10: Illustrative overview of uprating scenarios in real (CPIH) terms**

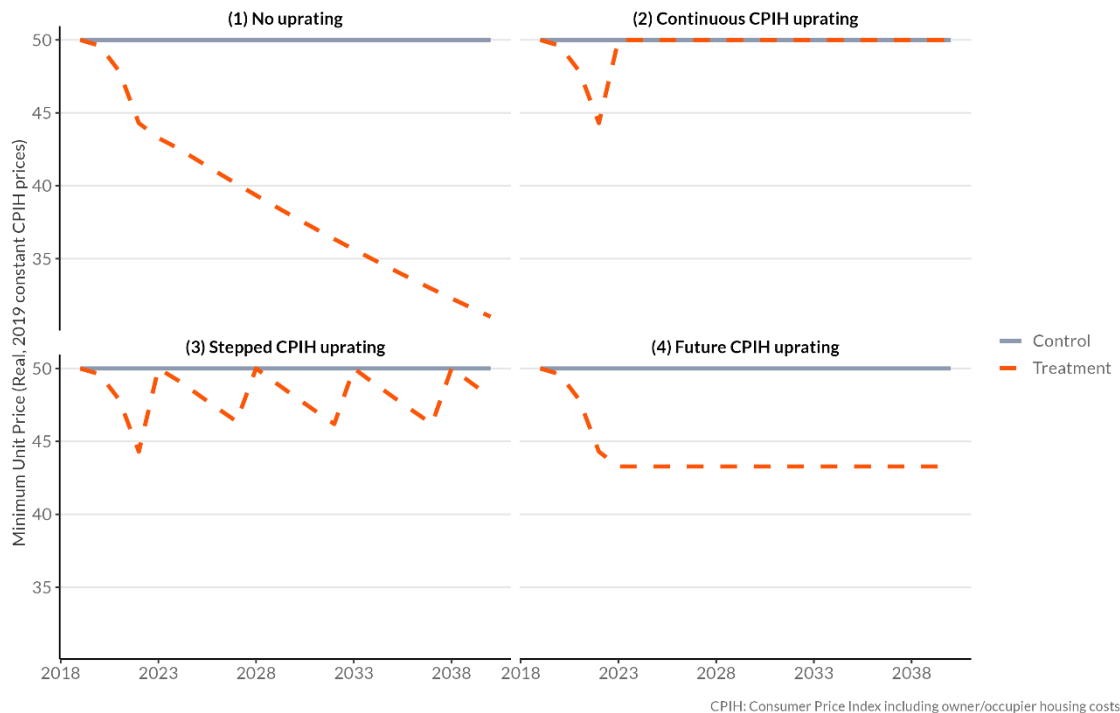


Figure shows scenarios that Sheffield have modelled for impacts of different uprating methods. This highlights how the real value of the MUP level would fall over time if not uprated (Scenario 1) compared to uprating it for inflation to return it to its original level and then maintaining it at that going forwards (either continually (Scenario 2) or in period steps (Scenario 3)).

Scenario 4 illustrates that if the MUP level was uprated from its current price going forward, rather than first uprating it to reflect the price changes since 2018, there would be a permanent drop in the real value of MUP going forward.

Maintaining MUP at its current level of 50ppu in cash terms is estimated to increase alcohol consumption and hence alcohol harms, because alcohol would become more affordable relative to other products due to inflation. This is not consistent with our policy aim of increased the reduction in alcohol-related harm. In order to maintain, and to enhance, the effectiveness of MUP going forward, it is recommended that the current level should be increased.

This option is, therefore, not considered to meet the aim of the policy going forward.

**Option 3: Continue MUP at a level lower than 50ppu**

Retailers would be required to continue to retail alcohol according to a MUP level in Scotland, but that level would be lower than the current 50ppu.

This MUP level would represent a decrease in both cash and real terms compared to its introduction in 2018. As MUP sets a minimum level for prices, in theory, prices at or just above 50ppu would not need to change. It is likely, however, that some of those products which are currently constrained by the current 50ppu MUP level would decrease to the new lower level. Products, including different package sizes, which are not sold in Scotland currently due to the MUP might be reintroduced at a price lower than 50ppu.

The share of products potentially being retailed for a lower price would depend on the level of the lower MUP selected, however, the share would be lower than that impacted by a 50ppu and would decrease the lower the level of MUP becomes. Using England and Wales as a comparator, currently (2021) 33% of off-trade alcohol sales are less than 50ppu. If MUP were 45ppu, 23% of off-trade alcohol sales would be impacted in 2021; and at 40ppu, the equivalent proportion would be 11%<sup>64</sup>. This would result in increased alcohol consumption and hence increased alcohol harms.

Businesses were asked to consider the impact of changes to MUP on different products and any potential positive or negative impacts this would have on revenue, profits, and additional costs. In relation to this option, respondents were generally neutral regarding a decrease or removal of MUP.

A lowering of the level of MUP in cash terms is estimated to increase alcohol consumption and hence alcohol harms, which is not consistent with the policy aim of reducing alcohol-related harm.

#### **Option 4: Continue MUP at levels above 50ppu**

Setting a new price provides the opportunity to take account of the significant changes which have taken place since MUP was first introduced, including the high levels of inflation and the ongoing cost crisis. It is also an opportunity for the Scottish Ministers to consider an appropriate new price that will meet the ambition of reducing alcohol related harm.

Using the latest available evidence, data and modelling allows for consideration of the most appropriate price level to be selected based on the balance of the aims of the policy and the potential negative impacts on consumers, the industry, including across different product types and businesses, and potential wider unintended consequences.

A price level above 50ppu would allow the real terms value of MUP to return towards or above its original level.

Based on the equivalent 2019 prices in the Sheffield Model inflated into current cash terms using CPIH, the following tables estimate the potential impacts on consumption, spending and health harms.

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<sup>64</sup> [MESAS monitoring report 2022 - Publications - Public Health Scotland](#), alcohol and price affordability spreadsheet

Prices above 50ppu have been split into two categories: 55ppu to 65ppu; and 70ppu to 80ppu.

#### **Option 4a: Continue MUP, increasing to 55ppu, 60ppu or 65ppu**

##### **PHS MUP evaluation results**

The MUP evaluation has shown that a MUP of 50ppu, introduced in 2018, achieved reductions in alcohol-related harms, whilst there was no evidence of significant impact to the alcoholic drinks industry, or significant unintended consequences.

There are potential unintended consequences from increasing the price level of MUP from 50ppu, including potential for shifts to illicit alcohol or drugs consumption, cross border purchasing, and increased crime. Generally, the potential for these to materialise is likely to increase as MUP levels increase as greater incentives are created to obtain ‘cheaper’ alcohol or substitutes. However, the Scottish Ministers are balancing these potential impacts with seeking to further reduce alcohol related harm.

##### **Sheffield Alcohol Research Group (SARG) modelling results**

Table 10 estimates how a 55ppu, 60ppu and 65ppu (in 2023 prices) would likely affect consumption and alcohol deaths and alcohol hospital admissions relative to the 2019 baseline of 50ppu. With 60ppu in 2023 being the equivalent of 50ppu in 2019 in real terms, the interpretation of the modelling results is that this is the price level which would return impacts to their level following the introduction of MUP. A price above 60ppu would lead to a greater reduction in consumption and a greater reduction in alcohol deaths and alcohol hospital admissions compared to the original impacts. For a price below 60ppu it would be the opposite, with increased consumption and health harms relative to when MUP was introduced.

It is important to note for results past year one that the modelling assumes that the MUP price be kept constant in real terms through increasing with inflation each year.

**Table 10: Modelled overall population impact of different MUP prices (relative to control of 50ppu in 2019)**

<b>MUP level (2023 price)</b>	<b>55ppu</b>	<b>60ppu</b>	<b>65ppu</b>
Consumption (Y1)	+2.2%	0%	-2.7%
All cause deaths (Y1)	+49	0	-60
All cause deaths (Y20)	+3	0	-22
Alcohol specific deaths (Y1)	+28	0	-34
Alcohol specific deaths (Y20)	+15	0	-35
Admissions (Y1)	+654	0	-774
Admissions (Y20)	+221	0	-517

Tables 11 to 14 summarises the impact MUP at 55ppu to 65ppu would have on different drinker groups and by SIMD. This is relevant for the more targeted element of the aim of MUP which is to reduce consumption of hazardous and harmful drinkers.

The absolute changes in the number of drinkers in each group highlight the impact of the policy in reducing the number of hazardous and harmful drinkers as the level of MUP increases.

**Table 11: Modelled impacts of changing the MUP threshold on the number of drinkers in each group relative to control of 50ppu at 2019 prices**

<b>MUP level (ppu, 2023 prices)</b>	<b>Moderate drinkers</b>	<b>Hazardous drinkers</b>	<b>Harmful drinkers</b>
<b>2019 Number of baseline drinkers</b>	2,546,195	878,414	143,622
55	-15,045	+5,223	+9,812
60	0	0	0
65	+27,146	-15,742	-11,403

It should be noted that the increase in drinkers in the moderate category when the MUP is increased in real terms is a result of drinkers who were previously drinking at hazardous and harmful levels decreasing consumption and therefore moving into the moderate group from a higher drinking group. Due to these changes in the number of individuals in each drinker group there are complexities in interpreting the modelling results by drinker group, which is particularly acute in the resulting impact on the moderate category. Due to the challenge with interpretation these results have not been presented in the main body of the Sheffield University report, although can be found in the report's Annex.

**Table 12: Modelled impacts on alcohol consumption by SIMD quintile in year 1 compared to control (relative change vs. control of 50ppu in 2019)**

<b>Consumption</b>	<b>55ppu</b>	<b>60ppu</b>	<b>65ppu</b>
SIMD 1 (least)	+1.9%	0%	-2.4%
SIMD 2	+1.9%	0%	-2.3%
SIMD 3	+2.2%	0%	-2.7%
SIMD 4	+2.4%	0%	-3.1%
SIMD 5 (most)	+2.7%	0%	-3.4%

These estimates show that raising the MUP threshold above 50ppu in real terms (i.e. above 60ppu in 2023) is estimated to reduce alcohol consumption, with the largest reductions coming from those in the most deprived group, compared to the control.

**Table 13: Modelled first year impacts of policies on annual all-cause mortality by SIMD quintile (absolute change vs. control of 50ppu in 2019)**

Deaths (numbers)	55ppu	60ppu	65ppu
SIMD 1 (least)	+7	0	-5
SIMD 2	+6	0	-6
SIMD 3	+8	0	-12
SIMD 4	+8	0	-15
SIMD 5 (most)	+21	0	-22

These results highlight that increasing MUP is estimated to have a greater reduction on mortality in the higher (most deprived) SIMD groups compared to the less deprived groups.

Tables 14 shows the estimated impact of different levels of MUP on hospital admissions by SIMD group.

**Table 14: Modelled first year impacts of policies on annual hospital admissions by SIMD quintile (Absolute change vs. control of 50ppu in 2019)**

Admissions (numbers)	55ppu	60ppu	65ppu
SIMD 1 (least)	+66	0	-76
SIMD 2	+70	0	-80
SIMD 3	+97	0	-131
SIMD 4	+138	0	-192
SIMD 5 (most)	+284	0	-296

As with the mortality results, increasing MUP is generally estimated to result in a greater reduction in admissions for those in more deprived groups.

**Table 15: Modelled impact of policies on NHS hospital costs cumulatively over 5 and 20 years following policy implementation – undiscounted**

	55ppu	60ppu	65ppu
<b>Change in NHS Hospital costs (£m)</b>			
Y1-5	+3.8	0	-5.0
Y1-20	+9.0	0	-16.4

This shows the impact of each modelled MUP policy on NHS hospital costs, in comparison to the control of 50ppu in 2019. This table presents the cumulative cost changes over the first 5 years of the policy and over the full 20 year modelled period (noting that the modelling is based on the assumption that the MUP level increases in line with CPIH each year).

As well as the health impacts of different levels of MUP, the impact on business must also be considered when deciding a potential preferred price range. Table 16 shows the modelled impact on the on and off -trade retailer revenues – again in comparison to the control of 50ppu in 2019.

**Table 16: Modelled impacts on retailer revenue from alcohol sales (excluding taxes) in year 1 compared to control (of 50ppu in 2019) (absolute change vs control and relative change vs. control)**

Retailer revenue	55ppu (£million)	55ppu%	60ppu (£million)	60ppu%	65ppu (£million)	65ppu %
<b>Total</b>	-7.7	-0.2%	0	0	+4.4	+0.1%
Retailer revenues off-trade	-19.0	-2.4%	0	0	+16.5	+2.1%
Retailer revenues on-trade	+11.3	+0.4%	0	0	-12.1	-0.5%

These figures illustrate that, in total, retailers' revenue is modelled to increase for a MUP of 65ppu and decrease for a MUP of 55ppu, relative to the control group. In breaking it down, the off-trade retailers are modelled to increase their revenue for a 65ppu while decreasing if MUP was 55ppu relative to the control. It is the opposite for the on-trade, with revenues estimated to decrease relative to the control at 65ppu, and rise for 55ppu.

Despite the on-trade unlikely to be affected directly by a minimum unit price in this range, the estimated changes in on-trade revenues comes about due to drinkers switching between products and drinking channel which bring in different levels of revenue to retailers.

**Table 17: Modelled impacts on exchequer revenue from alcohol taxes in year 1 compared to control of 50ppu in 2019 (absolute change vs. control and relative vs. control)**

Exchequer revenue	55ppu (£million)	55ppu%	60ppu (£million)	60ppu%	65ppu (£million)	65ppu%
<b>Total</b>	+18.8	+1.0%	0	0	-25.7	-1.4%
Off – trade	+14.8	+1.6%	0	0	-21.4	-2.4%
On – trade	+3.9	+0.4%	0	0	-4.4	-0.4%

Increasing the MUP threshold above 60ppu is estimated to lead to reductions in alcohol tax revenue compared to the control of 50ppu in 2019. These changes are largest in revenue from the off-trade, as it is off-trade prices which are directly impacted by changes in the MUP threshold, while on-trade prices are generally higher than the threshold levels being modelled.

Unlike retailer revenues, exchequer revenues shows a uniform decline in revenues for increases in the level of MUP in general. This reflects that the duties are primarily charged on the volume of alcohol sold which declines as the MUP level increases, whereas in the retail sector the higher price paid for products which would have been under the threshold more than offsets the fall in consumption until a tipping point when product switching behaviour leads to lower revenue generating products being sold, particularly in the off-trade.

### **Affordability of alcohol, including cost crisis**

As outlined previously, alcohol prices have risen faster than in the past, but still at a significantly lower rate than the general level of inflation and food and non-alcohol in particular. Alcohol has therefore become cheaper relative to other goods and services which would increase demand for it, all else being equal.

As alcohol has not risen in line with CPIH, it makes it more affordable relative to other goods, which can lead to increased consumption and hence harms. The most generally accepted inflationary index of CPIH used to uprate the 50ppu price would result in an equivalent level of MUP of around 60ppu in 2023. However, it is clear, for instance from the National Records of Scotland publication on alcohol-specific deaths published on 29<sup>th</sup> August 2023, that alcohol harm in Scotland remains high. The Scottish Ministers are therefore considering a proposed price that increases the public health benefits of the policy.

### **Price distribution of alcohol, including how the market adapted to a MUP of 50ppu being introduced**

The overall price distribution has shifted up relatively more slowly than price rises for other goods. It is now the case that alcohol has become generally cheaper relative to other goods, increasing its affordability.

Table 18 shows the cumulative percentage of alcohol sold below 55ppu, 60ppu and 65ppu for both Scotland and England and Wales.

**Table 18: Price distribution of off-trade alcohol sales for Scotland compared with England & Wales, 2021 (latest year comparable data available), cumulative % sold under each price band**

<b>Pence per unit (%)</b>	<b>Scotland &lt;55ppu</b>	<b>E&amp;W &lt;55ppu</b>	<b>Scotland &lt;60ppu</b>	<b>E&amp;W &lt;60ppu</b>	<b>Scotland &lt;65ppu</b>	<b>E&amp;W &lt;65ppu</b>
Spirits	58	57	70	68	77	75
RTDs	0	1	1	1	2	2
Fortified Wines	25	47	37	58	59	68
Wine	26	30	36	38	51	52
Perry	74	94	84	96	89	97
Beers	44	56	63	70	77	81
Cider	50	67	67	76	73	80
<b>Total</b>	<b>41</b>	<b>48</b>	<b>55</b>	<b>58</b>	<b>67</b>	<b>68</b>

Note the bunching of prices in Scotland compared to England and Wales in the 50ppu to 65ppu price range: off-trade sales in this range for 2021 accounted for 62% of all off-trade sales<sup>65</sup> compared to 35% for England and Wales (Table 19).

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<sup>65</sup> [Evaluating the impact of Minimum Unit Pricing \(MUP\) on the price distribution of off-trade alcohol in Scotland \(publichealthscotland.scot\)](https://publichealthscotland.scot)

**Table 19: Percentage difference in total off-trade prices in 5p bands for Scotland compared with England and Wales**

	<b>50-55ppu</b>	<b>55-60ppu</b>	<b>60-65ppu</b>
<b>Scotland</b>	35%	14%	12%
<b>England and Wales</b>	15%	10%	10%

This table shows the extent of the bunching of prices in the 5p bands – the greatest difference is in the 50 to 55ppu band, then there is a reducing tail for the other two bands.

Above 65ppu, increases were much smaller and were in line with increases between previous years in Scotland, and in 2021 for England and Wales. After 65ppu, the figures are only 1% apart (see next section on price ranges 70ppu to 80ppu).

### **Alcohol prices at product level**

As part of the consideration of a preferred price, consideration has been given to what has happened to alcohol prices for specific products. In 2021, the latest year for which detailed price data is available, the average price per unit of alcohol in Scotland was 64p in the off-trade (an increase from 63p in 2020) and £2.04 in the on-trade. When MUP of 50ppu was implemented, the average price per unit of alcohol in the off-trade in Scotland was 60p.

The current level of MUP at 50ppu impacted on the lower end of the market, as intended, and alcohol that was particularly cheap relative to strength was no longer sold at low prices (as little as 20ppu). A preferred price within the range of 55ppu to 65ppu would increase the prices of cheaper cider, cheaper beer, gin, vodka and whisky but not impact on the more expensive products in the market.

In terms of specific products, the following table shows how the prices of a selection of popular alcoholic drinks have changed from immediately prior to MUP being implemented to June 2023. Some products that were selling below 50ppu before MUP was implemented, increased to 50ppu when MUP was implemented and are still retailing at 50ppu five years later, for example, Glen’s vodka (4<sup>th</sup> in top 5 selling off-trade brands in Scotland in 2021), own label (Tesco) vodka, whisky, gin and cider (Table 20)



**Table 20: Price of selected alcoholic beverages in Tesco (online)**

	Scotland		Affected by 55ppu MUP?	Affected by 60ppu MUP?	Affected by 65ppu MUP?
	02-Jun-23 Price	per unit			
<b>Cider</b>					
Tesco Crofter's dry cider, 2l	5.00	<b>0.50</b>	YES	YES	YES
Strongbow, 4x440ml	4.55	<b>0.58</b>	NO	YES	YES
Strongbow dark fruits 4x440ml	5.60	<b>0.80</b>	NO	NO	NO
Magners, 4x440ml	n/a				
<b>Vodka and Gin (all 70cl)</b>					
Tesco Imperial vodka	13.13	<b>0.50</b>	YES	YES	YES
Glen's vodka	13.13	<b>0.50</b>	YES	YES	YES
Smirnoff Red Label	16.50	<b>0.63</b>	NO	NO	YES
Russian standard vodka					
Tesco London dry Gin	13.13	<b>0.50</b>	YES	YES	YES
Gordon's gin	16.50	<b>0.63</b>	NO	NO	YES
Bombay Sapphire	22.00	<b>0.79</b>	NO	NO	NO
<b>Whisky (all 70cl)</b>					
Tesco Special Reserve	14.00	<b>0.50</b>	YES	YES	YES
Bell's	16.50	<b>0.59</b>	NO	YES	YES
Whyte and MacKay	15.50	<b>0.56</b>	NO	YES	YES
Famous Grouse	16.50	<b>0.59</b>	NO	YES	YES
Glenfiddich single malt 12 yrs	38.00	<b>1.36</b>	NO	NO	NO
Jack Daniels	26.00	<b>0.93</b>	NO	NO	NO
<b>Beer and lager</b>					
Tennents lager 4X440ml	3.99	<b>0.57</b>	NO	YES	YES
Budweiser, 4x440ml	4.75	<b>0.60</b>	NO	NO	YES
Stella Artois, 4x568ml	5.75	<b>0.56</b>	NO	YES	YES
Carling, 4x440ml	3.85	<b>0.55</b>	NO	YES	YES
<b>Wine (75cl bottles)</b>					
Tesco Spanish white wine	n/a				
Brancott Estate Sauvignon	9.50	<b>1.02</b>	NO	NO	NO
Blossom Hill Californian Rose	5.00	<b>0.61</b>	NO	NO	YES
Tesco Rioja	n/a				
Hardy's Crest Cabernet Shiraz	7.00	<b>0.67</b>	NO	NO	NO
Tesco Cote du Rhone	8.00	<b>1.02</b>	NO	NO	NO
Isla Negra Seashore merlot	n/a				

**Impact of COVID-19 on alcohol consumption and harms**

Public Health Scotland published a summary of evidence on the impact of the COVID-19 pandemic on alcohol consumption and harm in Scotland and England. This found that, overall, alcohol consumption decreased following the start of the COVID-19 pandemic. However, changes in drinking behaviours were polarised with

some increasing their alcohol consumption and others decreasing<sup>66</sup>. This was associated with drinking behaviour before the pandemic: those who increased their alcohol consumption tended to drink more before the pandemic, and those who decreased consumption tended to drink less. Over the COVID-19 pandemic, alcohol-related hospitalisations decreased, and alcohol-related deaths increased – potentially due to changing patterns of consumption and to the decrease in access to services over the pandemic.

The modelling results from Sheffield, referred to previously, show that across all scenarios the greatest burden falls upon hazardous and harmful drinkers and those from the lowest socioeconomic groups, leading to an increase in health inequalities. The researchers conclude that alcohol-related harms are likely to increase significantly as a result of the COVID-19 pandemic and that these increases may be sustained if increases in alcohol consumption among heavier drinkers persist in the longer-term.

It is acknowledged that there is more work to be done to better understand if there is any continued impact of the pandemic on alcohol harm. It is too early to know for sure whether the changed drinking behaviours during the pandemic are temporary.

### **PHS MUP Evaluation - Impact of 50ppu MUP on business**

Following the introduction of MUP, reductions in alcohol sales were seen in the off-trade with no or minimal change to sales in the on-trade. Producers did not see any change in their market share for the on-trade.

Following the introduction of MUP at 50ppu, prices bunched in the 50ppu to 65ppu range. The PHS MUP evaluation found that the greatest reduction in sales of alcoholic products were for those products that increased the most following MUP's introduction. This was particularly the case for high strength ciders that were previously selling below 50ppu.

The impact on individual retailers and producers of MUPs introduction varied depending on the alcoholic drinks products sold or produced. Alcohol sales data show an overall increase in revenue for retailers as although sales decreased this was compensated for by higher prices. No change to revenue or profits was reported by the large retailers. Some smaller retailers reported an overall decrease in revenues which is likely down to the mix of products sold prior to MUP coming in i.e. selling a high proportion of products impacted by MUP at 50ppu.

Revenues for producers was down, with some saying the impact was small. The evaluation did not show revenues from retailers being passed down the supply chain to producers. There was little evidence of products being reformulated due to MUP. What the evaluation found was a decrease in the size of the larger containers and multipacks. This was seen particularly for cider sold in large containers of 1 litre and above, and for multipacks containing more than 12 containers.

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<sup>66</sup> [The impact of the COVID-19 pandemic on alcohol consumption and harm in Scotland and England: An evidence summary \(publichealthscotland.scot\)](#) p. 38

In terms of type of alcohol affected, there is evidence from quantitative analysis of purchasing data that MUP was associated with an increase in the purchase of low- and no-alcohol beer and cider, relative to higher-strength beer and cider with a lower alcohol content, while purchases of the high-alcohol-content versions decreased.

There was no evidence of any product in any packaging size being removed from the market entirely although some retailers delisted larger sizes of products which would have seen the greatest increase in price when MUP came in.

Changes to products may have been limited by the relatively small size of the Scottish market for UK and multi-national firms.

Using quantitative data, the evaluation found little evidence of significant impact on the five key metrics for business performance: number of enterprises and business units; employment; turnover; gross value added (GVA); and output value.

As regards cross border shopping, retailers reported some evidence of Scottish consumers increasing cross-border purchasing, but not significant. Generally, cross border shopping took place where consumers lived near the border and added alcohol to their shopping trip.

### **Stakeholder Roundtable and survey feedback**

Retailers largely considered, now that MUP had been embedded for a number of years, it was part of 'business as usual'. Those present at the roundtables felt that there had been limited impact by MUP on their business. Smaller convenience stores reported they saw a slight increase in their alcohol sales as MUP made them more competitive with larger supermarkets.

Roundtable participants were fairly neutral about what the impacts of removing MUP would be. Convenience stores in particular discussed the fact their sector's operational costs meant products were more expensive before MUP was introduced, plus the fact the natural floor price of these products have increased in price anyway.

Retailer participants were not supportive of any increase to the level of MUP, particularly because of the cost of living crisis pointing to the fact that many families will struggle to buy food.

Producers and trade group roundtables raised the impact MUP had had on 'value cider' and private label products/own brand products. They said they had seen a significant decline in the sale of these products in the first year that MUP was introduced. The cider industry have also argued that there has been substitution of different types of alcohol over low cost cider. Whilst it was acknowledged that MUP may not be the only factor, it was felt that the policy had changed consumer habits and that it was reasonable to assume that some retail was moving in a different direction as a result.

For participants not involved in cider or own brand products, the introduction of MUP led to some businesses repackaging their products. This meant changing the

number of products in a pack, the size of the product, and also the labels – price marked labels had to be removed or updated.

## **Summary of estimated impacts of increasing MUP to 55ppu, 60ppu or 65ppu**

### **55ppu**

Taking account of all the evidence and factors set out above, on balance 55ppu does not sufficiently meet the aims of the policy. Whilst it provides the option closest to the level of interference in the market in terms of the distribution of prices in the off-trade that a 50ppu did, it is estimated by the Sheffield modelling to have lower benefits than have been achieved by 50ppu. Based on real prices inflated using CPIH, the price would need to increase to 60ppu to obtain the equivalent scale of impacts as modelled for 50ppu in 2019.

### **60ppu**

60ppu provides the option that is closest to maintaining the current benefits of the policy, and would uprate MUP in line with CPIH. However, it is the aim of the Scottish Ministers to further reduce alcohol related harm, including by increasing the public health benefits that MUP makes. It would likely result in a small increase in the share of products captured by MUP compared to when it was first introduced.

### **65ppu**

65ppu provides even greater positive health benefits than 60ppu, with additional reductions in the number of hazardous and harmful drinkers and with health benefits experienced most greatly on average by those in the most deprived SIMD groups (i.e. 22 fewer deaths in the most deprived SIMD quintile and 6 fewer deaths in the least deprived SIMD quintile in year one of the policy compared to a 60ppu MUP). At an overall level, the industry would be expected to see increased revenues compared to the other options. However, it would result in increased market interference by capturing an increased share of the market/additional products. This has the potential to create more adverse competition impacts and a larger number of producers seeing reduced sales.

### **Option 4b: Continue MUP, increasing to 70ppu, 75ppu or 80ppu**

Whilst these higher prices are estimated to reduce alcohol harms more, the potential impact on consumers, drinkers and the alcoholic drinks industry are at levels that are considered too high by the Scottish Ministers at this time.

Increasing MUP to 70ppu would mean around 73% of products sold in the off-trade (by volume) would be directly impacted, increasing up to 80% for 80ppu.

Increasing MUP to a range of 70ppu or above is considered too high a level for Scotland. The impact on consumers, people with alcohol dependence and the market would be significant. It is also likely that the possibility of unintended consequences would be increased, such as financial difficulties for people dependent on alcohol and a potential increase in use of non-beverage alcohol.

However, results from the Sheffield modelling for these prices are set out below for completeness.

The Sheffield modelling estimates the following results for MUP prices of 70ppu, 75ppu at 2023 prices based on the closest 5p step from the modelling results after adjusting for inflation (60ppu and 65ppu in 2019 prices). 80ppu in 2023 prices is also closest to the 65ppu 2019 price step, however it is on the upper-bound of rounding and the results for the next price step up (70ppu) to illustrate the scale of potential impacts at the higher price (Table 21).

**Table 21: Modelled overall population impact of different MUP levels at 2023 prices (relative to control of 50ppu in 2019)**

MUP Level (2023 price)	70ppu	75ppu	80ppu
Consumption (Y1)	-6.7%	-10.7%	-15.3%
All cause deaths (Y1)	-130	-197	-278
All cause deaths (Y20)	-88	-112	-165
Alcohol specific deaths (Y1)	-77	-119	-165
Alcohol specific deaths (Y20)	-81	-134	-192
Admissions (Y1)	-1,732	-2,696	-3,779
Admissions (Y20)	-1,211	-1,926	-2,760

Tables 22 to 23 summarise the impact MUP at 70ppu to 80ppu would have on different drinker groups and by SIMD.

**Table 22: Modelled impacts of changing the MUP threshold on the number of drinkers in each group relative to control of 50ppu at 2019 prices**

MUP level (ppu)	Moderate drinkers	Hazardous drinkers	Harmful drinkers
<b>2019 Number of baseline drinkers</b>	2,546,195	878,414	143,622
70	+68,050	-41,406	-26,644
75	+112,159	-70,012	-42,147
80	+163,246	-108,235	-55,011

Due to these changes in the number of individuals in each drinker group there are complexities in interpreting the modelling results by drinker group, which is particularly acute in the resulting impact on the moderate category. Due to these challenges with interpretation, these results have not been presented in the main body of the Sheffield University report, although can be found in the report's Annex.

The absolute changes in the number of drinkers in each group highlight the impact of the policy in reducing the number of hazardous and harmful drinkers as the level of MUP increases.

**Table 23: Modelled impacts on alcohol consumption by SIMD quintile in year 1 compared to control (relative change vs. control of 50ppu in 2019)**

Consumption	70ppu	75ppu	80ppu
SIMD 1 (least)	-5.9%	-9.7%	-13.9%
SIMD 2	-5.8%	-9.3%	-13.4%
SIMD 3	-6.7%	-10.9%	-15.5%
SIMD 4	-7.3%	-11.7%	-16.6%

SIMD 5 (most)	-8.1%	-12.8%	-18.2%
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For each of these minimum unit price levels, the largest relative falls in consumption is modelled to be in drinkers in the most deprived areas.

**Table 24: Modelled first year impacts of policies on annual all-cause mortality by SIMD quintile (Absolute change vs. control of 50ppu in 2019)**

Deaths (numbers)	70ppu	75ppu	80ppu
SIMD 1 (least)	-13	-20	-29
SIMD 2	-15	-27	-35
SIMD 3	-25	-34	-46
SIMD 4	-32	-48	-70
SIMD 5 (most)	-45	-68	-98

These results highlight that increasing MUP is generally estimated to have a greater reduction on mortality in the higher (most deprived) SIMD groups compared to the less deprived groups.

Table 25 shows the estimated impact of different levels of MUP on hospital admissions by SIMD group.

**Table 25: Modelled first year impacts of policies on annual hospital admissions by SIMD quintile (Absolute change vs. control of 50ppu in 2019)**

Admissions(numbers)	70ppu	75ppu	80ppu
SIMD 1 (least)	-186	-294	-426
SIMD 2	-197	-318	-445
SIMD 3	-299	-459	-636
SIMD 4	-421	-647	-917
SIMD 5 (most)	-629	-978	-1,354

These follow a similar pattern to the mortality results, with higher MUP thresholds leading to greater estimated reductions in admissions for those in more deprived groups.

**Table 26: Modelled impact of policies on NHS hospital costs at full effect and cumulatively over 5 and 20 years following policy implementation (relative to control of 50ppu in 2019 prices)– undiscounted**

	70ppu	75ppu	80ppu
<b>Change in NHS Hospital costs (£m)</b>			
Y1-5	-10.9	-17.4	-24.2
Y1-20	-36.7	-59.1	-84.3

Table 26 shows the modelled impacts of the selected MUP levels on NHS hospital costs, in comparison to a scenario where the price remained at 50ppu in 2019 prices – with both scenarios then uprated for inflation each year throughout the model period. It presents the cumulative cost changes over the first 5 years of the policy and over the full 20 year modelled period.

As well as the health impacts of different levels of MUP, the impact on business must also be considered when deciding a potential preferred price range. Table 27 and Table 28 show the modelled impact on the on and off-trade retailer revenues, in comparison to the control of 50ppu in 2019 prices.

**Table 27: Modelled impacts on retailer revenue from alcohol sales (excluding taxes) in year 1 compared to control of 50ppu in 2019 prices (Absolute change vs .control and relative vs. control)**

Retailer revenue	70ppu (£million)	70ppu %	75ppu (£million)	75ppu %	80ppu (£million)	80ppu %
<b>Total</b>	+5.6	+0.2%	+0.9	0	-12.7	-0.4%
Retailer revenues off-trade	+34.8	+4.4%	+48.3	+6.1%	+56.6	+7.1%
Retailer revenues-on-trade	-29.2	-1.1%	-47.4	-1.8%	-69.3	-2.7%

These figures illustrate that an increase in the MUP threshold will increase off-trade retailers' revenue while reducing revenue in the on-trade. This result is notable as generally the on-trades' prices are set higher than MUP and it may have been assumed that their revenue would therefore not be affected by an increase to MUP.

Retailer revenues, having risen at 70ppu and 75ppu, start declining at 80ppu. This is explained by the effect of drinkers switching between products which bring in different levels of revenue to retailers, particularly within the off-trade, in response to price increases under the higher MUP thresholds.

**Table 28: Modelled impacts on exchequer revenue from alcohol taxes in year 1 compared to control of 50ppu in 2019 prices (Absolute change vs. control and relative vs. control)**

Exchequer revenue	70ppu (£million)	70ppu %	75ppu (£million)	75ppu%	80ppu (£million)	80ppu %
<b>Total</b>	-64.3	-3.6%	-106.1	-5.9%	-154.3	-8.6%
Off – trade	-53.8	-5.9%	-89.1	-9.7%	-129.6	-14.2%
On – trade	-10.5	-1.2%	-17.0	-1.9%	-24.7	-2.8%

Increasing the MUP threshold is estimated to lead to reductions in alcohol tax revenue. These changes are largest in revenue from the off-trade, as it is off-trade prices which are directly impacted by changes in the MUP threshold, while on-trade prices are generally higher than the threshold levels being modelled. In essence, increasing the level of MUP is expected to decrease sales and therefore exchequer revenue.

Increasing MUP to a range of 70ppu or above is considered as being at too high a level for Scotland. The impact on consumers, people with alcohol dependence and the market would be very significant. It is also likely that the possibility of unintended

consequences would be increased, such as financial difficulties for people dependent on alcohol and a potential increase in use of non-beverage alcohol.

### **Alcohol duty**

This section considers whether alcohol duty could be an alternative option to continuing with minimum unit pricing. It also highlights the potential impact of duty reform on the options given the core modelling results are based on the previous duty system. Prior to the implementation of MUP at 50ppu, alcohol duty was raised as a possible alternative way of achieving the aims of minimum unit pricing. However, there is uncertainty about what share of duty rises is passed onto consumers.

MUP and alcohol duty can work together to reduce alcohol harms. They work in different ways, but they are complementary. This is recognised in the WHO Report on Minimum Pricing – “minimum pricing policies should not be seen as replacements for taxation, but rather as being complementary to tax systems.”<sup>67</sup>

Given MUP has now been in place for 5 years, and a new duty system is in place (from 1 August 2023), we have re-visited consideration of the impact of duty on reducing alcohol harms<sup>68</sup>.

The previous final BRIA which set the MUP at 50ppu<sup>69</sup> relating to the initial implementation of MUP, set out that alcohol duty would not achieve the same aims as MUP as it is a less targeted measure. This was illustrated through modelling by the University of Sheffield demonstrating the differential impacts of MUP and duty<sup>70</sup>.

The results of the modelling showed that unprecedented increases in the rates of duty (under the previous duty regime) would be required to achieve a similar reduction and a similar distribution of harm reduction across drinker and income groups as MUP, defined either as the change in alcohol attributable deaths or alcohol attributable hospital admissions.

For alcohol-related mortality for all drinkers, it was estimated that tax (duty and VAT) would need to increase by 27% to achieve a similar benefit to a MUP of 50ppu. But when looking to achieve a similar reduction in mortality for harmful drinkers, the tax increase would have to be 36%<sup>71</sup>. Similar results were seen for alcohol-related hospital admissions<sup>72</sup>.

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<sup>67</sup> [No place for cheap alcohol: the potential value of minimum pricing for protecting lives \(who.int\)](https://www.who.int/news-room/fact-sheets/detail/alcohol-use-and-health)

<sup>68</sup> <https://sarg-sheffield.ac.uk/wp-content/uploads/2023/09/sarg-scottish-mup-report-2023.pdf>

<sup>69</sup> Section 7, [00532197.pdf \(www.gov.scot\)](https://www.gov.scot/publications/00532197.pdf)

<sup>70</sup> Angus C, Holmes J, Pryce R, Meier P, Brennan A. (2016) '[Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Scotland: An adaptation of the Sheffield Alcohol Policy Model version 3](#)', ScHARR: University of Sheffield

<sup>71</sup> Angus C, Holmes J, Pryce R, Meier P, Brennan A. (2016) '[Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Scotland: An adaptation of the Sheffield Alcohol Policy Model version 3](#)', ScHARR: University of Sheffield, Table 4.17, page 66

<sup>72</sup> Angus C, Holmes J, Pryce R, Meier P, Brennan A. (2016) '[Model-based appraisal of the comparative impact of Minimum Unit Pricing and taxation policies in Scotland: An adaptation of the Sheffield Alcohol Policy Model version 3](#)', ScHARR: University of Sheffield, Table 4.22, page 79



A new duty system was introduced by the UK Government on 1 August 2023 and the Scottish Government commissioned the University of Sheffield to analyse the impacts of both the previous and new duty system using their new model, and to compare them with the impacts MUP would have. The University of Sheffield considered the following scenarios:

What changes in alcohol duties would be required to achieve the same number of:

- Total alcohol-attributable deaths averted
- Total alcohol-attributable deaths averted in hazardous and harmful drinkers
- Total alcohol-attributable deaths averted in harmful drinkers
- Total alcohol-attributable deaths averted in hazardous and harmful drinkers in the lowest quintile of the Scottish Index of Multiple Deprivation (SIMD)
- Total alcohol-attributable deaths averted in harmful drinkers in the lowest SIMD quintile
- In the 20<sup>th</sup> year after policy implementation as each of the modelled MUP thresholds (40ppu, 45ppu, 50ppu, 55ppu, 60ppu, 65ppu, 70ppu, 75ppu, 80ppu)

It is important to note that this section on modelling results relating to duties is based on 2019 prices – i.e. it has not been put into current prices as per the sections considering the impact of different MUP levels. This is to allow for comparisons to be made between the impacts of changes to MUP with changes to duties, which have been undertaken in 2019 prices.

As there are two different elements involved, prices cannot be uniformly updated into current prices using inflation as was done in our analysis of the specific impacts of changes in the MUP threshold. As such, references to increasing the MUP price to 60ppu (2019 prices) is not equivalent to the 60ppu level (2023 prices) in the options analysis and cost and benefit section.

### Duty system from 1 August 2023

The Sheffield Model includes analysis of the relative impacts of duties and minimum unit pricing under the updated duty system. i.e. estimating the equivalised increases in alcohol duties for a range of MUP prices relative to the control arm of 50ppu (2019 prices). The results are shown in Tabl 29

**Table 29: Duty change required to achieve the same 20-year cumulative deaths relative to control arm 50p MUP scenario (2019 prices)**

	Target population				
	Population	Hazardous & harmful drinkers	Harmful drinkers	Hazardous & harmful drinkers in the most deprived SIMD quintile	Harmful drinkers in the most deprived SIMD quintile
40p	-19.0%	-19.0%	-23.0%	-19.0%	-26.0%
45p	-10.0%	-11.0%	-12.0%	-11.0%	-14.0%
50p	-3.0%	-3.0%	-2.0%	-1.0%	-1.0%
55p	10.0%	9.0%	15.0%	12.0%	15.0%
60p	27.0%	23.0%	34.0%	26.0%	35.0%

Target population						
	Population	Hazardous & harmful drinkers	Harmful drinkers	Hazardous & harmful drinkers in the most deprived SIMD quintile		Harmful drinkers in the most deprived SIMD quintile
65p	44.0%	38.0%	56.0%		43.0%	56.0%
70p	64.0%	57.0%	79.0%		63.0%	79.0%
75p	85.0%	76.0%	101.0%		85.0%	100.0%
80p	108.0%	97.0%	124.0%		107.0%	124.0%

The duty reforms don't make a significant impact compared to the baseline case (of 50ppu in 2019 under the old duty system). This is demonstrated by the results in the 50ppu row, which model that the same benefits (in terms of the metric used in each column) as the original 50ppu MUP under the old duty regime could be achieved under the reform duty regime while also reducing duty rates a small amount (ranging from 1% to 3% reduction). The small scale of these changes means we can be confident that the modelled impacts throughout this report, which are based on the old duty regime, will not be significantly impacted by the updated duty regime.

In addition, the results highlight the scale of tax rises required to lead to equivalent improvements in health harms compared to increasing the level of MUP (in real terms). Similar to the analysis ahead of the introduction of MUP, this highlights duties would have to rise by a significant amount to achieve equivalent benefits.

Expanding on the second point. The University of Sheffield analysis includes an illustrative example of 60ppu in 2019 prices to consider this point - i.e. it has not been used to reflect the Scottish Government's preferred level of MUP. Using a MUP of 60ppu as an illustrative example (in 2019 prices), the impact of duty reform is estimated to be a small reduction in total alcohol consumption of -0.4% whereas Sheffield model that with a 60ppu the reduction is -5.8%. Increases to MUP to 60ppu (2019 prices) would lead to a significantly higher reduction in the number of harmful and hazardous drinkers.

**Table 30: Modelled impacts of alcohol duty reform compared to a 60p MUP on the number of drinkers in each group (2019 prices)**

	Abstainers	Moderate	Hazardous	Harmful
<b>Absolute change vs. control in 2023</b>				
Duty reform	0	4,862	-3,707	-1,156
60ppu (2019 prices)	-22	-60,179	-37,590	-21,891
<b>Relative change vs. control in 2023</b>				
Duty reform	-0.0%	0.2%	-0.4%	-0.9%
60ppu (2019 prices)	-0.0%	2.4%	-4.2%	-16.6%

Using a MUP of 60ppu as a purely illustrative example and looking at drinker groups by SIMD quintiles, the impact of duty reform is much smaller than a 60ppu MUP (2019 prices). A 60ppu MUP has the largest impact on alcohol consumption in the most deprived group, while duty reform is estimated to have the biggest effect on the drinking of the least deprived group. This is largely due to the fact that duty reform

primarily affects taxes on wine, which tend to be consumed more by less deprived groups (Table 31).

**Table 31: Modelled consumption impacts of different equivalised rates for a 60p MUP by SIMD quintile (2019 prices)**

	<b>SIMD Q1 (least deprived)</b>	<b>SIMD Q2</b>	<b>SIMD Q3</b>	<b>SIMD Q4</b>	<b>SIMD Q5 (most deprived)</b>
<b>Consumption in 2023 (units per week per drinker – control)</b>	13.64	11.56	11.84	11.61	11.47
<b>Absolute change vs. control</b>					
Duty reform	-0.07	-0.06	-0.05	-0.03	-0.02
60ppu (2019 prices)	-0.72	-0.57	-0.70	-0.73	-0.80
<b>Relative change vs. control</b>					
Duty reform	-0.5%	-0.5%	-0.4%	-0.3%	-0.2%
60ppu (2019 prices)	-5.3%	-4.9%	-5.9%	-6.3%	-7.0%

In summary, the results of the modelling show that duty reform and MUP have different effects on different groups. Increasing the level of MUP from 50ppu to an illustrative 60ppu (in 2019 prices, i.e. real terms) would have a similar impact to an increase under duty reform of between 23% and 34%.

This level of increase is well above what has been seen before. Duty rises in the UK (which already has very high alcohol duty rates when compared internationally) over the last 20 years have rarely exceeded 5%. For the four years from 2013, some rates reduced or were frozen. Only in 2017 was there a duty increase across all products. Since the UK Government Autumn Budget in 2020, alcohol duty rates had remained frozen, with some rates only rising under the implementation of the new duty regime.

MUP is aimed at impacting low cost, high strength products. Under duty increases, all alcohol is impacted – low cost, high strength; high cost, high strength, and both the on and off-trade.

A minimum unit price of 60ppu (in 2019 prices) has a much greater impact on deaths than the duty reform – a minimum unit price of 60ppu is estimated to reduce all-cause deaths by 2,483 compared to 220 under the duty reform. Both are cumulative changes over the 20 years and assume that the MUP level would increase in line with inflation annually. (see Table 32)

**Table 32: Modelled impacts of alcohol-specific and all-cause mortality**

	Alcohol-specific deaths	All-cause deaths
<b>Cumulative deaths over 20 years (control)</b>	<b>16,905</b>	<b>1,060,466</b>
<b>Absolute change vs. control</b>		
Duty reform	-101	-220
60ppu (2019 prices)	-1,781	-2,483
<b>Relative change vs. control</b>		
Duty reform	-0.60%	0.00%
60ppu (2019 prices)	-10.50%	-0.20%

By SIMD quintile, a minimum unit price of 60ppu (2019 prices) is estimated to have a greater reduction in deaths in the most deprived group than the least deprived<sup>73</sup>, compared to duty reform which has the lowest reduction in deaths in the most deprived (zero) (Table 33).

**Table 33: Modelled impacts of alcohol duty reform on mortality compared to 60p MUP by SIMD quintile**

	SIMD Q1 (least deprived)	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5 (most deprived)
<b>Cumulative deaths (2019 – 2038)</b>	177,109	204,795	218,931	224,321	235,309
<b>Absolute change vs. control</b>					
Duty reform	-49	-93	-22	-56	0
60ppu (2019 prices)	-334	-349	-572	-528	-700
<b>Relative change vs. control</b>					
Duty reform	-0.0%	-0.0%	-0.0%	-0.0%	0.0%
60ppu (2019 prices)	-0.2%	-0.2%	-0.3%	-0.2%	-0.3%

### Conclusion on duty

It is important to recognise that MUP and alcohol duty can work together to reduce alcohol harms. They work in different ways, but they are complementary. This is recognised in the WHO Report on Minimum Pricing – “minimum pricing policies should not be seen as replacements for taxation, but rather as being complementary to tax systems.”<sup>74</sup>

Whilst an increase in duty rates would make alcohol less affordable, the whole alcoholic drinks market is affected i.e. high price products as well as cheaper ones. MUP is better able to target those drinks that are mainly drunk by hazardous and harmful drinkers. The greater health benefit in reducing alcohol harms comes from MUP as it is more targeted at those that drink the most alcohol in the most deprived groups who suffer greater harms than those in less deprived groups, thereby reducing inequalities.

<sup>73</sup> <https://sarg-sheffield.ac.uk/wp-content/uploads/2023/09/sarg-scottish-mup-report-2023.pdf>

<sup>74</sup> [No place for cheap alcohol: the potential value of minimum pricing for protecting lives \(who.int\)](https://www.who.int/news-room/fact-sheets/detail/minimum-alcohol-pricing)

The PHS report ***Evaluating the impact of alcohol minimum unit pricing (MUP) on alcohol-attributable deaths and hospital admissions in Scotland***<sup>75</sup> found that estimated reductions in deaths wholly attributable to alcohol consumption were greatest among the four most socio-economically deprived area-based deciles, suggesting that **MUP acted to reduce inequalities in alcohol-attributable deaths in Scotland.**

As such, the reforms do not fundamentally alter our assessment of the impacts of different level of MUP which are based on the original duty regime.

Additionally, it remains the case that in order to achieve equivalent levels of health benefits as increases to the real terms level of MUP, unprecedented levels of increases in the duty rates would be required.

It is positive from a public health perspective to have duty more aligned to alcoholic strength. However, MUP remains the more targeted approach for the drinkers that suffer the most harms. Any further changes to the structure of the alcohol duty regime could be taken into account in any future change to the level of MUP.

The potential impact of the duty reform changes on the industry impact is discussed in the costs and benefits section.

### **4.3 Selecting the preferred price**

As detailed above, there are multiple factors that need to be taken into account in considering a preferred price, and the impact of them is different at different prices.

MUP is a price-based policy, and the benefits of it will erode over time as inflation increases. However, alcohol prices have not, in general, risen in line with other food and drink prices which means alcohol is more affordable relative to other goods.

The level of MUP has remained the same in cash terms for five years which also adds to making alcohol more affordable compared to other goods which leads to increased consumption and increased harms.

With alcohol prices rising more slowly than general prices since the introduction of MUP, it might be the case that to achieve the same level of harms reductions as a 50ppu that necessarily results in a larger share of the off-trade market being impacted. It is recognised that the higher the preferred price, the more we interfere in the market.

There are potential unintended consequences from changing the price level, including potential for shifts to illicit alcohol or drugs consumption, cross border purchasing, and increased crime. It is not possible to consider the potential for these impacts in detail at different MUP 5p banding levels. However, generally, the

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<sup>75</sup> [Evaluating the impact of alcohol minimum unit pricing \(MUP\) on alcohol-attributable deaths and hospital admissions in Scotland \(publichealthscotland.scot\)](https://publichealthscotland.scot) , published 21 March 2023

potential for these to materialise is likely to increase as MUP levels increase as greater incentives are created to obtain 'cheaper' alcohol or substitutes.

Importantly, the impacts of MUP at 50ppu to date have been taken into account: reductions in alcohol-related harms, not significantly impacted the alcoholic drinks industry, and not had significant unintended consequences.

In weighing up all the relevant factors, it is considered that the aim should be to select a MUP which increases the health benefits relative to those achieved by 50ppu on introduction while minimising undue market interference.

### **Conclusion on option 1: not continuing MUP**

The overall conclusion is that the evidence supports that MUP has had a positive impact on health outcomes. The evaluation from PHS found MUP was estimated to have reduced deaths wholly attributable to alcohol consumption by 13.4% and was likely to have reduced hospital admissions by 4.1%, compared to what would have happened if MUP had not been in place.

The evidence shows that MUP has contributed to reducing health inequalities, as the largest estimated reductions in deaths and hospital admissions wholly attributable to alcohol consumption were seen in those living in the 40% most deprived areas. There was also strong and consistent evidence of a reduction in alcohol consumption following MUP implementation, the evidence found that the reduction in consumption was driven by the heaviest purchasing households, and the majority of households were not affected, leading to the conclusion that MUP was well targeted.

Therefore, as MUP has achieved its aims and there was no consistent evidence that MUP impacted either positively or negatively on the alcoholic drinks industry as a whole we are proposing that MUP should be continued.

### **Conclusion on option 2: continuing MUP at 50ppu**

The evidence shows that 50ppu has been an effective price. However, its effectiveness will be reducing as a result of the effects of inflation. It is recommended that the level of MUP would need to increase to ensure it remains effective going forward. As such, continuing the policy at 50ppu is not being proposed going forward.

### **Conclusion on option 3: continue MUP at a level lower than 50ppu**

Lowering the MUP threshold is estimated to increase alcohol consumption compared to the control of 50 ppu in 2019 prices, and increase alcohol related health harm, with the greatest increases in the most deprived groups. This is counter to the intention of the policy aims to reduce alcohol related harm and contribute to reductions in alcohol related health inequalities and therefore is not being proposed.

### **Conclusion on option 4: continue MUP at levels above 50ppu**

#### **Option 4a: Continue MUP at 55ppu, 60ppu or 65ppu**

#### **55ppu**

Continuing MUP at 55ppu is likely to see lower benefits than those set out in the PHS evaluation in terms of reducing health harms, as it is lower than the original

MUP level in real terms. However, it is the price level which would be most similar in terms of the share of the off-trade market captured, reflecting that off-trade alcohol prices have risen more slowly than general inflation.

55ppu would be an increase that was lower than inflation and, it is likely that any beneficial impacts of MUP realised to date will only continue if the value of MUP compared to other prices and incomes is maintained. For this reason, it is not being proposed.

### **60ppu**

This option is closest to maintaining the current benefits of the policy and would uprate the minimum unit price in line with the most commonly used measure of inflation. It would likely result in a small increase in the share of products captured by MUP compared to when it was first introduced, and therefore potentially increases the potential of adverse impacts to businesses.

At the time of the original intention of Scottish Government to introduce a minimum unit price in 2012 the proportion of the off-trade market that a 50ppu would impact was 60%. In the year prior to MUP being implemented (2017), 45% of alcohol sold in the off-trade market in Scotland was below 50ppu<sup>76</sup>. A 60ppu (in 2023 prices) would impact on 52% of the off-trade market (by volume in 2022).

A price of 60ppu is it is estimated to achieve health benefits (for example, of mortality and hospitalisations averted and years of life lost reduced) on a broadly comparable level to when MUP was first introduced in 2018.

The principal disadvantage to 60ppu is that it is not estimated to achieve the health benefits in terms of mortality, hospitalisations and years of life lost as 65ppu (or higher thresholds) and it is the policy aim of the Scottish Ministers to further reduce alcohol related harm.

### **65ppu**

The modelling shows that there may be increased health benefits from increasing MUP to 65ppu. This level would represent an increase compared to inflation (i.e. a real terms increase compared to when MUP was introduced). 65ppu provides even greater positive health benefits than 60ppu, with modelling showing it could avert an additional 60 deaths in the first year and 774 fewer hospital admissions compared to an inflation only rise in MUP. These health benefits would be experienced most greatly by those in the most deprived groups on average (i.e. 22 fewer deaths in most deprived SIMD quintile compared to 6 fewer deaths in the least deprived quintile in year one compared to 60ppu).

It would also impact on a greater share of the market than when MUP was introduced, with an estimated 64% of the off-trade market by volume sold below this average price level in 2022. This impact, however, must considered within the

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<sup>76</sup> [Monitoring and Evaluating Scotland's Alcohol Strategy \(MESAS\) - Alcohol - Health topics - Public Health Scotland](#), revised down from 47% in 2018 PHS MESAS report

context of rising alcohol harms as latest alcohol-specific deaths show there has been an increase of 2% in 2022.

It is also possible that there would also be an increase in unintended consequences. There are, however, arguments that given evidence of worsening alcohol related harm (in part likely related to the impact of the pandemic) that a stronger intervention in the market to justify the greater health impacts forecast is justified.

On balance, the Scottish Ministers' current preferred position on price for the purposes of consultation is that 65ppu strikes the appropriate balance of achieving increased health benefits (as part of a range of overall prevention and treatment policies) while minimising unnecessary interference in the market.

#### ***Option 4b: Continue MUP at 70ppu, 75ppu or 80ppu***

Although, the modelling shows that there would be increased health benefits, increasing MUP to 70 or 80 ppu would represent a considerable increase compared to inflation. 80 ppu would impact over 80% of the off-trade market by volume in 2022, including some premium products, and therefore would involve a more significant interference in the market. It is also likely that there would also be an increased risk of unintended consequences. Therefore, the Scottish Ministers are not proposing a price in this range.

#### **SG preferred level of MUP**

Having considered all relevant factors, as detailed above, the preferred price being proposed in the consultation is a MUP of 65ppu to balance reducing alcohol harms with the impact on the alcoholic drinks market.

## **5. COSTS AND BENEFITS (of preferred price)**

As set out above, the preferred policy option of the Scottish Government is to continue the effect of the MUP provisions. Alongside the continuation of the effect of MUP, it is proposed to increase the level of minimum price from 50p per unit to 65p per unit. Following careful consideration of the available evidence from the evaluation of the minimum unit price policy, the continued scale of alcohol-related harms, the price distribution of alcohol sold in Scotland, and the potential benefits accrued from different minimum unit prices, the Scottish Government considers a 65p per unit minimum price is an appropriate response to tackling alcohol related harm as part of a range of measures across prevention and treatment of harm in Scotland. It strikes a reasonable balance between public health and social benefits and intervention in the market. This section examines the costs and benefits of this option in more detail.

### **5.1 Estimating the impact of minimum unit pricing at the proposed price: Evaluation and the Sheffield Model**

There are two key sources of evidence to estimate the impact of the continuation of minimum unit pricing at the new proposed price level. The first is the Public Health Scotland evaluation of the policy for the period following its introduction at 50ppu in



2018. The second is updated modelling from the University of Sheffield which modelled the potential impact of amending the price level of MUP.

The Sheffield Model has been carried out using a 2019 baseline year for modelling the change in the level of MUP. This was done to avoid the modelling results being impacted by the significant shifts in behaviours during the pandemic.

To take account of price inflation since 2019 the modelled MUP threshold has been converted to current prices using the Consumer Price Index including housing costs (CPIH). The results of the model as presented henceforth are in relation to these updated prices.

The driver for the continuation of MUP with an updated price remains the protection and improvement of public health.

Prior to the policy's introduction in 2018 it was noted that the effects of price increases may not be disadvantageous to the alcohol industry as a whole, because the estimated decrease in sales volume may be more than offset by the unit price increase, leading to overall increases in revenue. This has subsequently been found to be the case - the evaluation of MUP found there to be no strong evidence of adverse impact to the industry as a whole from the introduction of the policy.

Also as expected, the impacts of the policy were not felt uniformly across the industry, and this will likely again be the case in the event of continuation of MUP at a proposed price of 65ppu.

When MUP was first proposed it was not possible to present the costs and benefits against a situation in which MUP did not exist. Given MUP has now been in place for over 5 years it is more challenging to select/model the counter-factual against which to compare the benefits.

This is particularly the case because MUP is a price-based policy which has used a fixed cash price since its introduction, its impact will decrease over time as the real value of its level decreases due to inflation. This has clearly been amplified due to the record levels of inflation over the previous two years.

Where possible, the costs and benefits of the proposed level of MUP are compared to the impacts which were seen/expected upon its introduction in 2018. While the Sheffield Model is based on a 2019 intervention, given this was a year of relatively low inflation we consider we can approximate the results as being broadly comparable to the impacts upon MUPs introduction in 2018.

The Sheffield Model also presents a "remove MUP" scenario, which provides an indication of the impacts of the policy at the preferred price relative to a scenario in which the policy was removed.

The results of the modelling have been used to provide consistency and allow comparison across different options, but should be considered alongside the results of the MUP evaluation, which reported on the evidenced impact of the policy's introduction.

The modelling results are presented across a 20-year policy span, with annual or cumulative figures noted where appropriate. The modelling also assumes that the level of MUP would remain constant in real terms over the 20-year period.

## 5.2 Benefits

### Benefits to consumers

#### Health

A minimum unit price of 65ppu now is higher in real terms than the price of 50ppu when MUP was introduced – i.e. when taking into account inflation.

It is expected that the preferred price would therefore result in increased health benefits over those experienced when MUP was introduced.

The PHS evaluation estimated that MUPs introduction at 50ppu in 2018 reduced deaths directly caused by alcohol consumption by 13.4% and hospital admissions by 4.1%. The estimated reductions were greatest for men and in those living in the most deprived areas of Scotland.

They also found no consistent evidence of MUP's impact on other health outcomes, either positive or negative.

The Sheffield Model compares the results of different MUP levels to a counterfactual case of 50ppu in 2019 (60ppu in 2023). This means the central modelling results for a price of 65ppu in 2023 prices are reported broadly relative to its original impacts, although noting that MUP had been in place for one year prior to the modelling. The results are also shown compared to the scenario of removing MUP, in effect representing the absolute impacts of the policy at 65ppu.

Minimum unit pricing is aimed at reducing the number of hazardous and harmful drinkers. Table 34 shows the modelling estimates that a 65ppu MUP reduces the number of harmful drinkers by almost 11,403, or 8%, compared to the control group, and by 38,244, or 26.7% compared with MUP being removed. The number of hazardous drinkers is estimated to be 26,426 fewer with MUP at 65ppu compared to its removal.

**Table 34: Estimated impacts of a 65p per unit minimum price on the number of drinkers in each drinker category compared to original impacts (50ppu in 2019) and compared to the removal of MUP.**

Comparison scenario	50ppu in 2019 (60ppu in 2023 prices)			Compared to Removal of MUP		
	Moderate	Hazardous	Harmful	Moderate	Hazardous	Harmful
<b>Absolute change</b>	+27,146	-15,742	-11,403	+64,671	-26,426	-38,244
<b>Relative change</b>	+1.1%	-1.8%	-8.0%	+2.6%	-3.0%	-26.7%

The reduction in consumption and fewer hazardous and harmful drinkers as a result of the policy is reflected in improved health outcomes.

Table 35 shows the change in absolute deaths and alcohol-specific deaths compared to the control group. It shows in the first year, all cause deaths are estimated to be reduced by 60 compared to the control group of 50ppu in 2019 (34 fewer alcohol specific deaths), and an estimated 191 fewer deaths in the first year than if MUP was removed, including 110 fewer alcohol specific deaths.

**Table 35: Estimated impacts of a 65p per unit minimum price on mortality outcomes compared to original impacts (50ppu in 2019) and the removal of MUP.**

Comparison scenario	50ppu in 2019 (60ppu in 2023 prices)			Compared to Removal of MUP		
	Year 1	Cumulative 5 years	Cumulative 20 years	Year 1	Cumulative 5 years	Cumulative 20 years
<b>Absolute change in deaths (all-cause)</b>	-60	-363	-1,003	-191	-1,053	-2,672
<b>Relative change in deaths (all-cause) per 100,000 person years</b>	-1.4	-1.7	-1.2	-4.4	-4.9	-3.2
<b>Absolute change in deaths (alcohol-specific)</b>	-34	-214	-802	-110	-646	-2,099
<b>Relative change in deaths (alcohol-specific)</b>	-4.00%	-5.40%	-5.00%	-11.80%	-14.70%	-12.10%

\*change per 100,000 person years versus control

To note, that the modelled results for periods past the first year of the policy assume that the MUP would be raised each year in line with inflation to keep it constant in real terms.

**Table 36: Estimated impacts of a 65p per unit minimum price on mortality outcomes (all-cause deaths) compared to original impacts (50ppu in 2019) and the removal of MUP, Year 1 impacts by SIMD quintile**

Comparison scenario	50ppu in 2019 (60ppu in 2023 prices)					Removal of MUP				
	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5
Absolute change in deaths – Year 1	-5	-6	-12	-15	-22	-18	-22	-33	-42	-77
Relative change in deaths per 100,000 person years – Year 1	-1	-1	-1	-2	-3	-2	-3	-3	-5	-10

\*change per 100,000 person years versus control

To note, that the modelled results for periods past the first year of the policy assume that the MUP would be raised each year in line with inflation to keep it constant in real terms.

Table 36 shows that reductions in deaths as a result of the policy are concentrated in the most deprived groups. MUP set at 65ppu in 2023 is estimated to reduce all-cause deaths in the most deprived quintile by 77 in the first year compared to removing the policy. This is an estimated 22 fewer deaths than compared to the control of 50ppu in 2019.

Hospitalisations are expected to show similar results to deaths. Increasing MUP to 65ppu is an increase in real terms, and we would therefore expect reduced hospitalisations compared to the control case, broadly of the impact of when MUP was introduced. The modelling estimates the increase to 65ppu would result in 774 fewer hospital admissions in the first year compared to MUP of 50ppu in 2019.

The absolute impact of the policy is modelled to be a reduction in admissions of 2,525 in the first year compared to the removal of MUP (Table 37)

**Table 37: Estimated impacts of a 65p per unit minimum price on hospital admissions compared to original impacts (50ppu in 2019) and the removal of MUP.**

Comparison scenario	50ppu in 2019 (60ppu in 2023 prices)			Compared to Removal of MUP		
	Year 1	Cumulative 5 years	Full 20 years	Year 1	Cumulative 5 years	Full 20 years
Absolute change in hospital admissions	-774	-4,207	-13,864	-2,525	-12,658	-36,043
Relative change in admissions per 100,000 person years	-18	-20	-16	-59	-59	-42

Hospital admissions are expected to follow a similar patterns to mortality across SIMD groups. Reductions in hospitalisations as a result of the policy are expected to be substantially larger for the most deprived SIMD quintile, in both absolute and relative terms (Table 38).

**Table 38: Estimated impacts of a 65p per unit minimum price on hospital admissions compared to original impacts (50ppu in 2019) and the removal of MUP, Year 1 impacts by SIMD quintile**

Comparison scenario	50ppu in 2019 (60ppu in 2023 prices)					Compared to Removal of MUP				
	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5
Absolute change in admissions– Year 1	-76	-80	-131	-192	-296	-235	-257	-381	-578	-1075

Relative change in admissions per 100,000 person years – Year 1	-8	-9	-15	-23	-37	-25	-29	-44	-70	-134
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The Sheffield Model also estimates changes to years of life lost to premature death. These again follow a similar pattern to the mortality results, with the largest impacts of minimum unit pricing being on those in the most deprived SIMD quintile.

Cost savings are associated with a reduction in health harms.

The change in costs to the NHS as a result of mortality and hospitalisations follows the same pattern. Compared to the control group of 50ppu in 2019, a 65ppu minimum unit price in 2023 prices is estimated to lead to savings in NHS costs of £5 million over the first 5 years, rising to £16.4 million over the full 20 year period (undiscounted). In absolute terms, i.e. compared to the removal of MUP, MUP at 65ppu is expected to result in cumulative savings to the NHS of over £15m over the next 5 years, rising to £42.8m over the full 20 year period (undiscounted). Noting the modelling assumes that the MUP level would rise in line with inflation annually.

The PHS evaluation provided monetary estimates of the impacts of reduced health harms estimated in their evaluation. They estimate the social value of wholly attributable deaths averted by MUP to be around £300m per year in 2020 prices, ranging from approximately £134m to £469m (range based on the degree of uncertainty around the estimates of deaths prevented)<sup>77</sup>. They also estimate benefits to society valued in monetary terms arising from partially attributable deaths prevented by MUP of approximately £215.5 million over a year, ranging from approximately £3.6m to £428m.

Similarly, they estimated the value of the prevented hospital admissions estimated in their evaluation. The averted costs for admissions for causes wholly attributable to alcohol were estimated to be approximately £407,000 per year, and for admissions partially attributable to alcohol the estimated costs averted were £483,000 per year.

With additional reductions in health harms as a result of the increased in the real value of MUP, we would expect to see greater social and economic benefits than those estimated by the PHS evaluation.

### **Benefits to retailers – off-trade**

Minimum unit pricing at 65ppu is estimated to result in increased revenue to the alcohol industry as a whole, compared to both removing MUP and compared to the impact of 50ppu in 2019. However, with the increase in MUP representing an increase in real terms compared to its original value, a larger share of products will be captured by the policy which could increase the potential for variation in how

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<sup>77</sup> Based on the value of a prevented fatality (VPF) calculated by the Department for Transport (DfT). Estimated at £1.9m in 2020 prices. This is based on willingness to pay for reduced probability of death.

different retailers are impacted (i.e. depending on the share of their sales made up of the products most impacted).

Table 39 shows that, for a minimum unit price of 65ppu, the impact on retailer revenues would be estimated to increase by £4.4m in the first year compared to the impacts at 50ppu in 2019, and estimated to be an increase in retailer revenue (excluding VAT and duty) of around £17.9 million per annum compared to removing MUP.

For the off-trade specifically, retailer revenues are expected to be £16.5m higher in the first year compared to MUP at 50ppu in 2019, and £45.8m higher in the first year with a MUP at 65ppu compared to the removal of MUP.

**Table 39: Estimated impacts of a 65p per unit minimum price on retailer revenue compared to original impacts (50ppu in 2019) and the removal of MUP. Year 1.**

Comparison	50ppu in 2019 (60ppu in 2023 prices)			Compared to Removal of MUP		
	Off-trade	On-trade	Total	Off-trade	On-trade	Total
Absolute change in retailer revenue	£16.5m	-£12.1m	£4.4m	£45.8m	-£27.9m	£17.9m
Relative change in retailer revenue	2.1%	-0.5%	0.1%	5.8%	-1.1%	0.5%

These are high-level estimates of revenue changes, and it is important to note that this is revenue and not profit.

The PHS evaluation reports that quantitative analysis of sales data shows an overall increase in the monetary value of off-trade alcohol sales, with increases in sale price compensating for declines in sale volumes for retailers, as predicted in the modelling.

We do not know where change in revenue may accrue, i.e. whether the estimated increases would benefit retailers, wholesalers or producers, or all of them to some extent. The alcohol market is highly segmented, and this makes it particularly difficult to identify potential effects.

Qualitative evidence in the survey was more mixed on revenues and profits to retailers. The PHS evaluation notes that large retailers did not report observing any change in revenue or profits due to MUP, but convenience stores were more likely to have noted a decrease in revenue and profits.

#### **Benefits to retailers – on-trade**

On average, on-trade prices are well above a 65ppu minimum price. The average price of a unit of alcohol in the on-trade in 2021 was £2.04 (compared to £0.64 in the

on-trade). In 2021, only 15% of alcohol was sold in the on-trade, although this figure was 27% in 2019 prior to the covid pandemic.

The Sheffield Modelling does indicate that switching behaviours, between drink types and where alcohol is consumed, has the potential to result in MUP indirectly impacting on on-trade revenues. As shown above, in comparison to the removal of MUP a 65ppu level is expected to lead to a reduction in on-trade revenues by around £27.9m in the first year. This is a decrease in on-trade revenues of £12.1m in the first year compared to a minimum unit price of 50ppu in 2019.

However, the PHS evaluation found no evidence of any material impacts on the on-trade as a whole as a result of MUP's introduction. With 65ppu being an increase in the price level in real terms, the potential for these modelled impacts on on-trade revenues increases.

### **Benefits to wholesalers**

Wholesalers deal mainly with smaller retailers on a trade to trade basis. Minimum pricing at 65ppu is estimated to result in increased revenue to the alcohol industry as a whole, compared to the both the removal of MUP and relative to when MUP was 50ppu in 2019.

There is uncertainty about the distribution of any increased revenues through the supply chain, including to wholesalers. The PHS evaluation found no quantitative evidence that MUP had a material impact on the wholesale sector (including specialised alcohol wholesale).

### **Benefits to producers**

The direct impact to producers will vary depending on the exposure of their products to prices below the proposed MUP level. There is also the potential for producers of higher priced products to benefit if the increase in the MUP reduces the gap in prices and results in an increase in demand.

These varying impacts on drink types were highlighted in the PHS evaluation, which reported evidence from studies estimating reductions in off-trade sales of spirits, cider and perry but increases in off-trade sales of wine, fortified wine and ready-to-drink spirits. The evaluation found that alcoholic drink categories that had the greatest price increases following MUP's introduction (namely cider, perry and own-brand spirits) tended to see greater reductions in sales; whereas it appeared that alcoholic drink categories that exhibited smaller price increases or maintained their price were more likely to maintain or slightly increase their sales.

### **Benefits to central and local government and public bodies**

As outlined above, compared to removing MUP there will be continued savings through reduced health harms reducing pressure on the NHS, and further savings beyond those seen with 50ppu in 2019.

The theory of change for MUP has identified the potential for further benefits arising from reduced consumption, such as decreased crime and improved productivity, which could reduce police costs or increase tax revenues. While no evidence of these was identified in the PHS evaluation of MUPs introduction, increasing MUP in



real terms does increase the potential for these to arise, but there is significant uncertainty.

### 5.3 Costs

#### Costs to consumers

While minimum unit pricing increases the price of the cheapest alcohol, it also reduces the level of consumption on average. At the population level, this reduced demand is expected to outweigh the increased price and therefore is expected to lead to overall falls in expenditure on alcohol compared to the removal of MUP and the control group of MUP at 50ppu in 2019 (Table 40 to Table 43).

**Table 40: Estimated impacts of a 65p per unit minimum price on consumption compared to original impacts (50ppu in 2019) and the removal of MUP. Year 1 by all drinkers.**

	50ppu in 2019 (60ppu in 2023 prices)	Removal of MUP
	All drinkers	All drinkers
Absolute change in weekly consumption (units)	-0.33	-0.98
Relative change in consumption	-2.7%	-8.1%

**Table 41: Estimated impacts of a 65p per unit minimum price on consumption compared to original impacts (50ppu in 2019) and the removal of MUP. Year 1 by SIMD**

	50ppu in 2019 (60ppu in 2023 prices)					Removal of MUP				
	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5
Absolute change in weekly consumption (units)	-0.33	-0.26	-0.33	-0.35	-0.39	-0.97	-0.78	-0.99	-1.03	-1.18
Relative change in consumption	-2.4%	-2.3%	-2.7%	-3.1%	-3.4%	-7.1%	-6.9%	-8.1%	-9.1%	-10.3%

Consumer spending is estimated to fall with 65ppu MUP compared to the control group of 50ppu in 2019, by £0.12 per week on average (or 0.4%). Compared to removing MUP, the Sheffield Model estimates this spending on alcohol will be lower on average by £0.28 per week per drinker, or 1%.

**Table 42: Estimated impacts of a 65p per unit minimum price on consumer spending compared to original impacts (50ppu in 2019) and the removal of MUP. Year 1 by all drinkers.**

	50ppu in 2019 (60ppu in 2023 prices)	Removal of MUP
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	All drinkers	All drinkers
Absolute change in weekly spending	-£0.12	-£0.28
Relative change in spending	-0.4%	-1.0%

**Table 43: Estimated impacts of a 65p per unit minimum price on consumer spending compared to original impacts (50ppu in 2019) and the removal of MUP. Year 1 by all drinkers.**

	50ppu in 2019 (60ppu in 2023 prices)					Removal of MUP				
	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5	SIMD Q1	SIMD Q2	SIMD Q3	SIMD Q4	SIMD Q5
Absolute change in weekly spending	-£0.11	-£0.08	-£0.11	-£0.13	-£0.14	-£0.25	-£0.19	-£0.27	-£0.31	-£0.37
Relative change in spending	-0.4%	-0.3%	-0.4%	-0.5%	-0.6%	-0.9%	-0.7%	-1.0%	-1.2%	-1.5%

The biggest falls in spending as a result of the policy are expected to be in the most deprived group, which is modelled to be £0.37 per week on average lower, or 1.5%, compared to the removal of MUP. The least deprived quintile spending is forecast to be £0.25 per week lower, or 0.9% at 65ppu compared to the removal of MUP.

The response to price changes by consumers is not uniform across the population. The evaluation of MUP found some evidence of increased harms as a result of the increase in spending on alcohol, particularly for those with alcohol dependence on low incomes, with evidence it led to creating increased financial strain, leading them to employ a number of existing strategies such as reducing spending on non-alcohol essentials including food and paying bills, seeking help from charities or borrowing money<sup>78</sup>.

The risk of these adverse impacts increases as the MUP level increases in real terms to 65ppu. This requires careful mitigation through consideration of implementation time for any new price and support for services in preparation of this potential increased risk.

### **Economic inefficiencies from market distortions**

A minimum unit price for alcohol results in a loss of economic efficiency – referred to as a deadweight loss. This occurs when the market equilibrium for a good or service is not achieved, and results in a lower combined utility for consumers and surplus for consumers.

<sup>78</sup> [Evaluating the impact of minimum unit pricing for alcohol in Scotland: A synthesis of the evidence - Publications - Public Health Scotland](#)

In the case of minimum alcohol pricing, a deadweight loss arises because the price floor prevents some transactions from taking place that would have been mutually beneficial to buyers and sellers. This is because some consumers who would be willing to pay for goods below the minimum price for alcohol are unable to do so, and some sellers who would be willing to sell alcohol below the minimum price are unable to find buyers.

The size of the deadweight loss depends on how responsive consumers and producers are to changes in price – estimates for demand price elasticities, and how far the minimum unit price is from the equilibrium price are set out in this BRIA. The Scottish Government are not able to quantify the size of deadweight loss, and any reduction in consumer welfare from reduced alcohol consumption and higher prices needs to be considered against the positive impact on social welfare.

### **Costs to retailers – off-trade**

The PHS evaluation concluded that the evidence on the impact of the post MUP changes in price and sales on revenues of retailers and producers is mixed. Quantitative analysis of sales data shows an overall increase in the monetary value of off-trade alcohol sales, with increases in sale price compensating for declines in sale volumes for retailers, while the effect on producers' revenues was negative, but was considered by some, but not all, interviewees to be small.

Large retailers did not report any change in revenue or profits due to MUP, but convenience stores were more likely to have noted a decrease in revenue and profits, particularly if they previously relied on high-strength, low-cost alcohol products.

### **Implementation costs**

There will be minor operational costs to retailers associated with the change in the minimum unit price level. However these costs, including re-pricing of products, shelf tickets and price lists, will be significantly lower than costs associated with the policy's original introduction. The evaluation, and feedback from business during consultation to date, has highlighted that MUP quickly became "business as usual" in the industry. Given it is only a change in the level of MUP now being proposed, we would not expect retailers would have to offer any training to ensure staff are familiar with the legislation or any other additional familiarisation or adaptation costs.

Those retailers that operate on a UK-wide basis have already had to ensure they have a different pricing and promotion regime operating in Scotland.

Changes in alcohol duty imposed by the UK Government also result in the need to re-price, and often at very short notice. This is true for the reforms which the UK Government introduced in August of 2023.

### **Cross-border sales**

MUP results in a price differential between the cheapest alcohol products in Scotland and England. The greater this price differential, the greater the incentives for cross-border purchasing as the savings make up for travel and time costs.

The MUP evaluation found some evidence of cross-border trade of alcohol, but reported that this was only on a small-scale, with cross-border purchasing most likely

to be conducted by the small proportion of people in Scotland living near the border with England. The evaluation concluded that while there is unlikely to have been a substantial impact on population-level consumption as a result of cross-border purchasing, it may have been the case that there was less of an impact of the policy for those living nearest to the border.

The final evaluation noted qualitative research which found no evidence of a substantial impact on profitability, turnover or employment of retailers in Scotland close to the border, which was supported by quantitative analysis of turnover of off-trade licenses which found no evidence of a difference in patterns for retailers either side of the border.

### **Wider Social Harms**

Increases in the price of cheap alcohol has the potential to lead to unintended harmful consequences, such as increased crime to fund purchasing, switching to illicit drugs or non-beverage or illicit alcohol, or nutritional impacts.

However, the PHS evaluation noted there is a lack of evidence of MUP having an impact on social outcomes at a population level. The report noted the following:

- For people who already used illicit drugs before MUP was implemented, quantitative analyses from four studies found no effect of MUP on illicit drug behaviours and, while there were qualitative reports of increased illicit drug use, these were often difficult to attribute to MUP.
- There was no evidence that participants who did not use illicit drugs prior to MUP began using them after implementation, meaning there was no suggestion that people started to use illicit drugs because alcohol increased in price. There was little indication of increased use of non-beverage or illicit alcohol.
- Quantitative studies on crime (including drug crime), switching to non-beverage alcohol, spend on food and the nutritional value of food all found no positive or negative impact, and quantitative evidence on the impact of road traffic accidents was mixed.
- There were some qualitative insights that suggest that for some drinkers, especially those with probable alcohol dependence and particularly the financially vulnerable, existing social harms, particularly those related to financial pressures, may have been exacerbated, but there is no evidence of those experiences being prevalent or typical. It is not possible to say whether children and young people in families affected by alcohol use were positively or negatively affected.

With 65ppu represents a real terms increase in the level of MUP compared to when it was introduced, and the falls in real incomes, particularly amongst the most deprived groups, over the last two years, the potential for these wider social harms to emerge may increase.

### **Costs to retailers – on-trade**

The Scottish Ministers' proposed minimum unit price of 65p falls well short of the average price of £2.04 per unit in on-trade premises in 2021, so any negative impact

on the on-trade is likely to be marginal. The alcohol market is complex and changes in price induce changes in behaviour including switching between products and between on and off-sales.

In comparison to the removal of MUP a 65ppu level is expected to lead to a reduction in on-trade revenues by around £27.9m in the first year.

However, the PHS evaluation found very little evidence of any change to per-adult sales of alcohol through the on-trade following the introduction of MUP. It noted there was little or no significant change in on-trade sales and producers reporting no change in the market share of the on-trade in response to MUP.

### **Costs to wholesalers**

Wholesalers deal mainly with smaller retailers on a trade to trade basis. Minimum pricing at 65ppu is estimated to result in increased revenue to the alcohol industry as a whole, compared to the removal of MUP and compared to when it was first introduced.

There is uncertainty around the distribution of any increased revenues through the supply chain, including wholesalers. The PHS evaluation found no quantitative evidence that MUP had a material impact on the wholesale sector (including specialised alcohol wholesale).

### **Costs to producers**

The PHS MUP evaluation noted that:

- quantitative analysis of sales data shows an overall increase in the monetary value of off-trade alcohol sales, with increases in sale price compensating for declines in sale volumes for retailers,
- The 2019 economic impact study noted that effect on producers' revenues was negative, but the impact was considered by some, but not all, interviewees to be small
- There was limited evidence that any potential increase in revenue for retailers had been passed on to producers

While at the industry level it is not expected that there would be an adverse impact from increasing the level of MUP in real terms – with modelling suggesting an increase in retailer revenues overall - there will likely be distributional impacts, with some producers benefiting from the change in the MUP and others being negatively impacted.

Producers that are likely to be most affected by a minimum price are those with a significant volume of products which routinely retail below 65p per unit.

It is estimated that in 2022 64% of alcoholic beverages (by volume of alcohol) were sold below 65ppu<sup>79</sup>. This share will likely be lower by the time that the MUP level

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<sup>79</sup> Scottish Government analysis of Circana Ltd data

increase is enacted due to subsequent inflation, including the potential impact on prices of UK Government duty rises on 1 August 2023.

### Spirits

Table 44 shows the share of different spirits sold below 65ppu in the off-trade in 2022. This highlights that Vodka is most likely to be directly impacted by a minimum unit price of 65ppu, with an estimated 92% of sales by volume below 65ppu in 2022. This is followed by rum and gin, at 76% and 78% respectively. The estimated share of these three spirit types sold below 65ppu in 2022 is higher than the share sold below 50ppu in 2017 ahead of the introduction of MUP.

The share of whisky sold below 65ppu in 2022 is estimated to be smaller at 61%. This is also a similar share to that sold below 50ppu in 2017 ahead of MUPs introduction. .

**Table 44: Share of off-trade spirits sales below 65ppu in 2022 (by volume of alcohol)**

	Share of off-trade sales sold below 65ppu in 2022 (by volume)	Share of off-trade sales sold below 50ppu in 2017 (by volume)
<b>Vodka</b>	92%	69%
<b>Rum</b>	78%	54%
<b>Gin</b>	76%	56%
<b>Whisky</b>	61%	58%
<b>Other spirits</b>	26%	26%

The high share of vodka sold below 65ppu is reflected at the product level when considering spirits from the top-50 selling off-trade brands in Scotland (by volume). These are shown in Table 45 alongside their estimated average unit price in 2022.

**Table 45: Average price per unit of top selling off-trade spirits, 2022 by volume**

Sales Rank in Top 50 Brands	Product (Brand)	Average price per unit, £ (2022)	Average price per unit, £ (2017-18) <sup>80</sup>
1	Smirnoff	0.55	0.49
6	Glens	0.54	0.49
7	The Famous Grouse	0.54	0.48

<sup>80</sup> Estimated weighted average unit price from PHS Products and Prices study. Data provided separately for top 50 selling products in supermarket and convenience channels. A weighted average price has been estimated based on value of sales of product if in top 50 selling products in both supermarket and convenience channels. Estimates only available for products which are in Top selling list in 2022 and 2017-18.

9	Gordons	0.56	0.48
10	Whyte & Mackay	0.52	0.47
13	Captain Morgan Original Spiced	0.51	0.53
17	Smirnoff Red Label	0.56	0.49
18	Grants Vodka	0.55	
21	Bacardi	0.54	0.47
25	Glen Catrine	0.52	
29	Gordons Premium Pink	0.58	
31	Absolut Vodka Blue Label	0.58	
41	Bombay Sapphire	0.60	
43	Bells Scotch Whisky	0.52	0.47
48	Jack Daniels Tennessee	0.63	0.66

It is estimated that all of the top selling spirits sold for below 65ppu on average in 2022 in the Scottish off-trade. Where 2017-18 average prices are available, it was predominately the case that popular spirits also sold below 50ppu ahead of the introduction of MUP, but the difference between their average price and the minimum unit price was smaller.

### Beer and lager

In 2022, it is estimated that three quarters (76%) of beer and lager in the Scottish off-trade was sold below 65ppu by volume. This is significantly higher than the corresponding share in 2017 ahead of the introduction of MUP at 50ppu of an estimated 51%. (Tabl46).

**Table 46: Share of off-trade beer and lager sales below 65ppu in 2022 (by volume of alcohol)**

	Share of off-trade sales sold below 65ppu in 2022 (by volume)	Share of off-trade sales sold below 50ppu in 2017 (by volume)
<b>Beer and lager</b>	76%	51%

There were 16 beers and lagers in the top 50 selling off-trade brands in Scotland in 2022. Of these 10 had an average price below 65ppu in 2022. The average price in 2017-18 was below 50ppu for a number of the beer and lager brands for which estimated data is available (5 out of 14, Table 47).

**Table 47: Average price per unit of top selling off-trade beer and lagers, 2022 by volume**

Sales Rank in Top 50 Brands	Product (Brand)	Average price per unit, £ (2022)	Average price per unit, £ (2017-18)
2	Tennents	0.56	0.66
3	Budweiser	0.55	0.50

4	Stella Artois	0.58	0.46
11	Corona Extra	0.67	0.70
16	Birra Moretti	0.74	
19	Heineken	0.66	0.56
20	Fosters	0.60	0.46
21	San Miguel	0.59	0.54
22	Brewdog	0.74	0.76
27	Guinness	0.67	0.57
28	Peroni Nastro Azzurro	0.77	0.77
35	Mcewans	0.54	0.48
39	Kronenbourg 1664	0.52	0.47
42	Coors Light	0.54	0.50
48	Carling	0.52	0.39
49	Innis & Gunn	0.60	

Of the top selling beer and lager brands, the majority are from multi-brand owners. For instance, Budweiser, Stella Artois, Corona Extra and Bud Light are owned by Anheuser-Busch InBev; Birra Moretti, Heineken, Kronenbourg 1664 are owned by Heineken; Fosters, and San Miguel are owned by the Carlsberg Group.

### Cider and perry

Three quarters (75%) of cider and perry off-trade sales are estimated to have been below 65ppu in 2022. This is only slightly higher than the share of sales below 50ppu in 2017 (Table 48).

**Table 48: Share of off-trade cider and perry sales below 65ppu in 2022 (by volume of alcohol)**

	Share of off-trade sales sold below 65ppu in 2022 (by volume)	Share of off-trade sales sold below 50ppu in 2017 (by volume)
<b>Cider and perry</b>	75%	70%

There were four ciders in the top 50 selling off-trade brands in 2022. Three of these had a unit price below 65ppu in 2022 (Table 49).

**Table 49: Average price per unit of top selling off-trade cider and perry, 2022 by volume**

Sales Rank in Top 50 Brands	Product (Brand)	Average price per unit, £ (2022)	Average price per unit, £ (2017-18)
5	Strongbow	0.57	0.38
24	Kopparberg	0.92	0.91
36	Magners	0.54	0.45



50	Thatchers	0.61	
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## Wine

Around a half of red and white wine (54% and 49% respectively) and a quarter of rose wines (27%) sold below 65ppu in 2022. This compares to around 15% of table wines' sold below 50ppu ahead of the introduction of MUP, but caution should be used in the comparison due to differences in categorisation across datasets.

Only a negligible fraction of sparkling wine sold below 65ppu in 2022, similar to ahead of the introduction of MUP (Table 50).

**Table 50: Share of off-trade wine sales below 65ppu in 2022 (by volume of alcohol)**

	Share of off-trade sales sold below 65ppu in 2022 (by volume)	Share of off-trade sales sold below 50ppu in 2017 (by volume)
Red Wine	54%	15% <sup>81</sup>
White Wine	49%	
Rose Wine	27%	
Sparkling wine	4%	2%

There are ten wines in the top 50 selling brands. Four of these sold for below 65ppu on average in 2022 (Table 51).

**Table 51: Average price per unit of top selling off-trade wine, 2022 by volume**

Sales Rank in Top 50 Brands	Product (Brand)	Average price per unit, £ (2022)	Average price per unit, £ (2017-18)
12	Barefoot	0.694	
14	Yellow Tail	0.71	
15	Casillero Del Diablo	0.70	0.66
26	I Heart	0.728	0.67
32	Trivento	0.663	
33	19 Crimes	0.699	
37	Isla Negra Seashore	0.584	0.63
38	Jam Shed	0.641	
40	Blossom Hill	0.694	
44	Hardys Varietal Range	0.612	0.59
45	Hardys Stamp	0.564	

## Fortified Wines and Ready to Drink spirits

<sup>81</sup> Average of 'table wine' used for 2017 data due to different categorisation in datasets

Fortified wines and ready to drink spirits are not expected to be impacted significantly by the increase in MUP to 65ppu, with only a small share sold below 65ppu in 2022 (Table 52).

**Table 52: Share of off-trade fortified wines and ready to drink spirits sales below 65ppu in 2022 (by volume of alcohol)**

	Share of off-trade sales sold below 65ppu in 2022 (by volume)	Share of off-trade sales sold below 50ppu in 2017 (by volume)
<b>Fortified Wine</b>	16%	21%
<b>Ready to Drink</b>	6%	1%

The two brands in the top 50 selling off-trade brands, Buckfast Tonic Wine and Dragon Soop, sold for around 75ppu in 2022, well above the proposed minimum unit price (Table 53).

**Table 53: Average price per unit of top selling off-trade Fortified Wine and Ready to Drink, 2022 by volume**

Sales Rank in Top 50 Brands	Product (Brand)	Average price per unit, £ (2022)	Average price per unit, £ (2017-18)
8	Buckfast Tonic Wine	0.76	0.67
30	Dragon Soop	0.75	0.82

### Alcohol duties

A new UK duty system was introduced on 1 August 2023. The UK Government have stated it is intended to introduce greater simplicity, with comparable rates for all products at the same strength with the exceptions of beer and cider between 3.5% and 8.4% ABV, and the more consistent application of the principle that products at higher alcohol strengths should attract higher rates of duty, as they are associated with greater levels of harm.

HMRC estimates of the impact of the new duty rates on individuals, households and families are reproduced below<sup>82</sup>. At the current VAT rate, and assuming 100% pass through wherever alcohol is purchased, from 1 August 2023 the tax on a typical:

- 4% ABV pint of draught beer will be 0 pence higher
- 4% ABV 500ml bottle of non-draught beer will be 5 pence higher
- 5% ABV pint of draught cider will be 2 pence higher
- 5% ABV 500ml bottle of non-draught cider will be 5 pence higher
- 40% ABV 25ml serving of whisky will be 3 pence higher
- 5.4% ABV 250ml can of spirits-based RTD will be 6 pence lower
- 11% ABV 250ml glass of still wine will be 5 pence higher

The duty changes are estimated to bring a large reduction in duty rates for RTDs (pre-mixed drinks such as canned gin and tonic or alcopops), although these represent a small overall proportion of alcohol consumption in Scotland. Wine makes up a much greater proportion of the alcohol market and the duty reform is estimated

<sup>82</sup> [Alcohol Duty: rate changes - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/alcohol-duty-rate-changes)

to lead to a 12.2% increase in wine duty per unit in the off-trade and a 9.5% increase in the on-trade. This difference, which is also behind the on-trade specific reductions to beer and cider duty in the on-trade is the product of the 'draught relief' system. The net effect of these reforms is a small (2.5%) increase in average duty rates per unit.

The options section highlighted that the duty reforms have only a minor impact on the equivalent levels of duties required to achieve the same health benefits as MUP, and therefore do not fundamentally impact the assessment of the effectiveness of MUP as a policy at our preferred price.

In terms of the market impact, increases in duty have the potential to lower the market distortions resulting from MUP, by shifting the price distribution upwards (to the right) and therefore lowering the share of products directly impacted by the minimum unit price.

However, there is uncertainty as to the extent to which duty rates are passed on to consumers, particularly for the cheapest products. For instance there is evidence alcohol retailers in the UK appear to respond to increases in alcohol tax by undershifting their cheaper products (raising prices below the level of the tax increase) and overshifting their more expensive products (raising prices beyond the level of the tax increase).<sup>83</sup>

## **Jobs**

The PHS evaluation did not find any quantitative evidence of changes in employment at the industry level following the introduction of MUP. Similarly, from qualitative interviews in the economic impact study, no respondent reported any changes in employment or facilities owing to MUP.

## **Off-sales market: product range**

Scottish consumers have a wide range of alcohol products available to them. These are sourced across a number of countries worldwide and, as shown by the sales data, cover a range of prices.

The PHS evaluation noted that while there was no evidence of all the variants of any product or brand disappearing completely following the introduction of MUP, there was some evidence that some retailers delisted larger sizes of brands that had experienced the greatest price increases post MUP implementation.

The evaluation also noted:

- there is quantitative evidence that MUP was associated with an increase in purchasing of low- and no-alcohol beer and cider, relative to higher-strength beer and cider with a lower alcohol content, while purchases of the high-alcohol-content versions decreased.
- There is qualitative evidence that smaller container and multipack sizes were introduced in some drink categories.

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<sup>83</sup> [Alcohol tax pass-through across the product and price range: do retailers treat cheap alcohol differently? - Ally - 2014 - Addiction - Wiley Online Library](#)

- The evaluation found evidence that sales of larger sizes of containers and multipacks of alcohol products reduced after MUP was introduced. These decreases were particularly noticeable for sales of cider in containers of 1000ml or larger (-61.3%), and sales of multipacks with 12 or more items (-68.4%).

The evaluation noted that changes to products may have been limited by the relatively small size of the Scottish market for UK and multi-national firms.

While there is large uncertainty, with a minimum unit price of 65ppu an increase in real terms compared to 50ppu when MUP was introduced, there is an increase in the potential for retailers and products to de-list certain products if they no longer become competitive at their new price level.

### Costs to local government and public bodies

Compliance with MUP has been high since its introduction. For instance, the PHS evaluation notes “there is strong quantitative evidence that sales of alcohol below £0.50 per unit largely disappeared following the implementation of MUP. There is qualitative evidence that retailer compliance with the legislation was high and had become standard practice”.

It is expected that compliance remains high following the increase in the level of MUP and therefore would not expect any significant cost increases in enforcement.

### Costs to central government

The Sheffield Model estimates the change in duty and tax revenue to the UK Government (Table 54).

**Table 54: Estimated impacts of a 65p per unit minimum price on exchequer revenue compared to original impacts (50ppu in 2019) and the removal of MUP. Year 1.**

	50ppu in 2019 (60ppu in 2023 prices)			Removal of MUP		
	Off-trade	On-trade	Total	Off-trade	On-trade	Total
<b>Absolute change in duty and VAT revenue</b>	-£21.4m	-£4.4m	-£25.7m	-£59.2m	-£10.2m	-£69.3m
<b>Relative change in duty and VAT revenue</b>	-2.3%	-0.5%	-1.4%	-6.4%	-1.2%	-3.8%

## 5.4 Summary of costs and benefits

This section has set out a number of the potential costs and benefits of a minimum unit price for alcohol at 65ppu. The results are presented in comparison to the impacts of when the policy was introduced at a cash price of 50ppu (modelling uses 2019 baseline) to give an overview of the potential impact of raising the level of MUP in cash terms specifically. Where possible the results are also presented in comparison of the scenario of removing MUP to give an estimate of the absolute impact of the policy.

It is challenging to quantify – i.e. put a precise monetary value on – the majority of the costs and benefits identified. Where efforts have been made to quantify the impacts, it should be noted that these are estimates and are often presented at the population or industry level. In practice, there will be large variations in how different individuals and businesses are impacted. These potential differences are discussed where possible but are inherently uncertain, including as a result of commercial sensitivities across the industry limiting our understanding of how impacts are felt across the supply chain.

With MUP being a price based policy, the scale of these analytical challenges has been amplified by pace of inflation over the previous two years during the cost of living crisis. The modelling underpinning a number of the impacts of MUP from the University of Sheffield has necessarily had to be interpreted and presented in this impact assessment following adjustments for inflation. However, price changes across different goods and services have not been uniform, and their impacts have been felt differently across households. Results should therefore be considered in the context of increased uncertainty.

While acknowledging the uncertainties, it is clear that the economic and social benefits from the reduction in health harms are significant. In terms of the potential impact from MUP, this is demonstrated in the results from the PHS evaluation estimating the benefits in monetary terms of the estimated reduction in mortality and hospitalisations brought about by MUP. While accepting the limitations set out above, based on the evidence available following MUPs introduction it is challenging to foresee a situation in which the costs could outweigh these social benefits under our preferred price which is modelled to increase the reductions in alcohol related health harms even further.

This BRIA provides a comparison of the key modelled impacts across different MUP levels, relative to the control case of MUPs impact when 50ppu in 2019. Table 55 summarises the benefits and costs of the preferred option of 65ppu in current prices.

**Table 55: Summary costs and benefits of 65ppu MUP**

Benefits of increasing the MUP to 65ppu	Costs of increasing the MUP to 65ppu
Increasing MUP to 65ppu is an increase in real terms value of the minimum price compared to when it was first introduced. i.e. when taking into account inflation in the intervening period. We	Increasing MUP to 65ppu is an increase in real terms value of the minimum price compared to when it was first introduced. i.e. when taking into account inflation in the intervening period. We would therefore expect the

## Benefits of increasing the MUP to 65ppu

would therefore expect the public health benefits to be greater than when the policy was first introduced.

PHS evaluation includes estimates that around 150 deaths, and around 400 hospital admissions, wholly attributable to alcohol consumption, were averted each year due to MUP. The estimated reductions were greatest for men and in those living in the most deprived areas of Scotland.

PHS evaluation estimates that the introduction of MUP led to:

- The social value of wholly attributable deaths averted by MUP to be around £300m per year (ranging from approx £134m to £469m)
- The averted costs for admissions for causes wholly attributable to alcohol were estimated to be approximately £407,000 per year.

The University of Sheffield model, updated into current prices, models the impacts of a 65ppu MUP in comparison to a 50ppu MUP in 2019. It models:

- 60 fewer all-cause deaths in the first year. The majority of these being in the most deprived groups.
- 774 fewer hospital admissions in the first year.
- 11,403 fewer harmful drinkers, and 15,742 fewer hazardous drinkers.
- The benefits, on average, are felt most greatly in the most deprived groups.
- Cumulative savings to the NHS of £5m over the next 5 years, undiscounted (assuming MUP was raised in line with inflation annually)

## Costs of increasing the MUP to 65ppu

potential costs to larger compared to when the policy was first introduced.

Increase in overall share of off-trade products directly impacted by the Minimum Unit Price, compared to when the policy was introduced. (64% of sales in off-trade below 65ppu in 2022 by volume, compared to 45% of off-sales below 50ppu in 2017).

While we would not expect any major adverse impacts to the alcohol industry overall (with retailer revenues estimated to increase overall), we would expect continued distributional impacts from MUP. For instance those producers who have a large share of products below 65ppu most negatively impacted. In the off-trade in 2022, vodka had the highest share (by volume) sold under 65ppu. Retail outlets who have a relatively high share of revenue from the cheapest alcohol products may see fall in revenues.

There will also be some direct implementation costs, such as updating computer systems and shelf labels, with the updated cost, although these are expected to be minor compared to when the policy was first introduced.

While spending on alcohol is estimated to fall on average (due to lower consumption), there remains the potential for price rises to result in increased financial hardship for those drinkers with a low response to price changes – for example those with alcohol dependencies.

In general, the higher the price of MUP the higher the potential of adverse unintended consequences to materialise – such as switching to illicit drugs and alcohol, crime to fund alcohol purchases, cross-border purchasing. There was limited evidence of these adverse impacts developing at 50ppu when the policy was introduced. However, there is uncertainty to which the extent that an increase to 65ppu would drive any such adverse consequences.

## 6. REGULATORY AND EU ALIGNMENT IMPACTS

### The UK Internal Market Act 2020

The United Kingdom Internal Market Act 2020 (IMA) introduced two market access principles for goods – the principles of mutual recognition and non-discrimination. The current MUP requirements are not subject to the principles, as the requirements were in place on 30 December 2020.

However, the proposed change in price would be a substantive change to the policy and bring it within the scope of the IMA. As such, consideration has been given to how MUP at the proposed price would comply with the market access principles.

MUP is excluded from the scope of the mutual recognition principle as it is a manner of sale requirement within the meaning of the Act. It does, however, fall within the scope of the principle of non-discrimination for goods and so the Scottish Government has considered whether the measures could either directly or indirectly discriminate against incoming goods with a relevant connection with another part of the UK. A good has a relevant connection with a part of the UK if it (or any of its components) is produced in, produced by a business based in, comes through or passes through that part of the UK before reaching the part of the UK in which it is sold.

The proposed requirements would not directly discriminate. MUP applies to the sale of all alcoholic beverages in the on-trade and off-trade in Scotland, irrespective of the product's location of origin, import or ownership. Local and incoming goods are therefore not treated any differently, with the requirements placed on incoming goods also applying to locally produced good or goods which otherwise have a relevant connection with Scotland

The Scottish Ministers have also considered whether the proposals could indirectly discriminate against incoming goods. This would be the case if the requirements do not directly discriminate but apply to, or in relation to, the incoming goods in a way that puts it at a disadvantage, and has an adverse market effect, and cannot be reasonably considered a necessary means of achieving a legitimate aim. An "adverse market effect" would arise if incoming goods are put at a disadvantage by MUP but comparable goods with a relevant connection to Scotland (and no other part of the UK) are not put at that disadvantage and as a result, it causes a significant adverse effect on competition of those goods in the UK.

The Scottish Ministers do not consider the proposals would indirectly discriminate against incoming goods. In particular, they are considered a necessary means of achieving the legitimate aim of protecting the life and health of humans.

### **Intra-UK Trade**

MUP still has the potential to impact on intra-UK trade if it impacts the demand from Scottish consumers for products with a connection to other parts of the UK. This would primarily be down to a change in sales in Scotland, but a price divergence between parts of the UK also has the potential to result in a change in cross-border sales.

A survey by the Office for the Internal Market<sup>84</sup> found that most of the respondents that trade with other UK nations said that doing so was either fairly or very easy, and difficulties were primarily general difficulties rather than regulatory differences.

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<sup>84</sup> [Overview of the UK Internal Market \(publishing.service.gov.uk\)](https://publishing.service.gov.uk)



However, a notable number of firms identified some existing differences in regulations likely to affect their sales (42 out of 337 who trade across UK nations), and regulations relating to food and drink, including alcohol policies such as MUP, was one of the four most frequently cited areas, cited by medium and large producers and accommodation providers.

The UK alcoholic beverage production industry is highly integrated, with a number of businesses with operations across different countries in the UK. Production in the UK, particularly of beer, is dominated by a small number of global multinational companies, following a trend of consolidation over the previous decades<sup>85</sup>.

This section of the BRIA sets out information relevant to potential impacts on intra-UK trade.

### **Production location of top selling brands in Scotland**

The ability to identify any potential significant impacts on intra-UK trade as a result of the proposals is limited by the lack of available data on the location of production within, or import into or within, the UK, of products sold in the Scottish on- and off-trade.

To understand more about the potential for differential impacts of MUP on products originating from other parts of the UK, or internationally, the Scottish Government has sought to identify the production location of the top selling alcoholic beverage products in the Scottish off-trade using publicly available information such as product and supermarket websites, industry journals and news articles. Brands which have production locations in Scotland as well as the rest of the UK are classified as Scotland, to reflect the likelihood that this will be used to meet domestic demand.

The top 50 selling brands in the supermarket and convenience sectors<sup>86</sup>, along with their average price, sales volume and value in 2022, have been identified through analysis of market data purchased by the Scottish Government<sup>87</sup>. These products made up 59.2% of off-sales in Scotland by volume in 2022.

Of the top selling 50 brands, we estimate that 15 were produced in Scotland, 15 produced in the rest of the UK, and 20 internationally. The products produced in Scotland make up a larger share of the total volume and value of sales compared to those from the rest of the UK and internationally (Table 56).

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<sup>85</sup> [The alcohol industry – An overview.docx \(ias.org.uk\)](#)

<sup>86</sup> Supermarket and convenience sector sales combined, excludes sales data from discounter stores (Aldi, Lidl).

<sup>87</sup> Previous three years of sales data of Scottish off-sales market purchased from market intelligence company Circana Ltd.

**Table 56: Volume (units of alcohol) and value (£sales) by production location, 2022**

	Products	Volume (units)	% of Volume	Value (£)	% of Value
<b>Scotland</b>	15	690,886,162	48%	387,608,832	44%
<b>rUK</b>	15	427,724,806	29%	264,059,804	30%
<b>International</b>	20	332,515,613	23%	223,330,988	26%
<b>Total</b>	50	1,451,126,581	100%	874,999,624	100%

Source: Scottish Government analysis of Circana Ltd data.

### **Average price and distribution of top selling brands in Scotland**

The potential impact of a change in the level of MUP on intra-UK trade is dependent on the extent to which incoming goods would have to adjust their price to meet the new requirements and the resulting impact on demand – both absolutely and relative to products with a relevant connection to Scotland.

The average unit price of the top selling brands in Scotland by production location is shown in Table 57.

**Table 57: Average price per unit by production location of Top 50 brands by volume (£ per unit), 2022**

Production location	Average Unit Price 2022 (by volume)
<b>Scotland</b>	0.56
<b>rUK</b>	0.62
<b>International</b>	0.67
<b>Total</b>	0.60

Of the top 50 selling brands, Scottish produced brands are sold at the lowest price per unit on average (Table 58) where average unit price is calculated weighted by the volume of sales of each product.

While limited to the top selling products, the lower average unit price for products produced in Scotland compared to the rest of the UK in this analysis suggests that changes to the MUP level would not disproportionately impact the overall level of trade of products produced in the rest of the UK over these produced in Scotland.

The average price masks the variation in the specific brand prices originating from different locations. This price distribution of the top selling products helps identify the share of products (in both absolute number and by volume of sales) which could potentially be impacted by a different level of MUP. The share of products priced below a section of unit prices is presented in Table 58 across different production locations.

**Table 58: Share of products and share of volume from each region sold below selection of price per units (£), 2022**

		<b>Scotland</b>	<b>rUK</b>	<b>International</b>
Share sold below £0.55 per unit	By brands	40%	27%	10%
	By volume	28%	15%	11%
Share sold below £0.60 per unit	By brands	87%	53%	25%
	By volume	95%	56%	22%
Share sold below £0.65 per unit	By brands	93%	67%	40%
	By volume	97%	64%	34%

The price distribution for products produced in Scotland is more skewed towards the lower price per unit than products from the rest of the UK for both the relative share of products and also when taking into account the volume of alcohol in the sales.

For instance, at the preferred minimum unit price of 65p, 93% of Scottish produced top selling products (i.e. 14 of the 15 top selling Scottish produced brands), and 97% of the volume of sales, were sold for lower than this on average in 2022. Comparatively, only 67% of brands produced in the rest of the UK, and 64% of the volume of sales were sold below 65ppu on average in 2022.

At the overall level the price distribution of the top selling products suggests that increasing the level of MUP to 65p per unit would impact a smaller proportion of products from the rest of the UK than those produced in Scotland, all else equal.

### **Business location of top selling brands in Scotland**

In addition to the location of production, goods may have a connection with another part of the UK by virtue of the location of their business.

Using the same sales data as for production location above, an assessment has been made of the location of the UK registered address of the companies producing the top selling brands in Scotland. This assessment is based on searching publicly available resources, and for the purposes of this consultation is based on the UK registered address of the brand owner or subsidiary company. For a number of imported products, primarily wines, the UK address of the bottling company or distributor identified has been used.

This assessment sees brands such as Heineken and Strongbow, both Heineken brands, which are assessed to be produced in the rest of the UK assigned to Scotland as the parent company's UK registered address is in Edinburgh. Alternatively, Diageo owned brands such as Smirnoff vodka and Bells whisky are assigned to rUK as Diageo's UK registered address is in London.

When just considering the location of the business address in the UK, the share of top selling off-trade brands from a business with a Scottish address is considerably smaller than those with an address in the rest of the UK – see Table 59.

**Table 59: Volume (units of alcohol) and value (£sales) of off-trade sales by business location, 2022**

	Products	Volume (units)	% of Volume	Value (£)	% of Value
<b>Scotland</b>	11	467,448,735	32%	269,508,641	31%
<b>rUK</b>	39	983,677,846	68%	605,490,983	69%
<b>Total</b>	50	1,451,126,581	100%	874,999,624	100%

As with the location of production, the average price per unit of off-trade brands from Scottish located businesses is smaller than that of those from the rest of the UK (58ppu compared to 62ppu in 2022). See Table 60.

**Table 60: Average price per unit by production location of Top 50 off-trade brands by volume (£ per unit), 2022**

Business location	Average Unit Price 2022 (by volume)
<b>Scotland</b>	0.58
<b>rUK</b>	0.62
<b>Total</b>	0.60

The average price masks the variation in the specific brand prices from businesses located in Scotland and rUK. This price distribution of the top selling off-trade brands helps identify the share of products (in both absolute number and by volume of sales) which could potentially be impacted by a different level of MUP. The share of products priced below a section of unit prices is presented in Table 61 across brands from different business locations.

**Table 61: Share of products and share of volume from off-trade brands from businesses from each region sold below selection of price per units (£), 2022**

		Scotland	rUK	Total
Share sold below £0.55 per unit	By brands	36%	21%	24%
	By volume	36%	13%	20%
Share sold below £0.60 per unit	By brands	64%	49%	52%
	By volume	82%	60%	67%
Share sold below £0.65 per unit	By brands	73%	62%	64%
	By volume	85%	67%	73%

The price distribution for brands whose business address is located in Scotland is more skewed towards the lower price per unit than brands from businesses located in the rest of the UK for both the relative share of products and also when taking into account the volume of alcohol in the sales.

For instance, at our preferred minimum unit price of 65p, 73% of the brands from Scottish addressed businesses, and 85% of the volume of sales, were sold for lower

than this on average in 2022. Comparatively, only 62% of brands from businesses addressed in the rest of the UK, and 67% of the volume of sales, were sold below 65ppu on average in 2022.

At the overall level the price distribution of the top selling products suggests that increasing the level of MUP to 65p per unit would impact a smaller proportion of products produced by businesses addressed in the rest of the UK than those produced by businesses addressed in Scotland, all else equal.

### Product (brand) level impacts

While at the overall level (based on analysis of the Top 50 selling brands) there is no indication that brands produced outwith or by a business located outwith Scotland are disadvantaged in comparison to brands produced in or by a business located in Scotland at the preferred MUP, this does not mean that individual products with a connection to the rest of the UK will not be impacted by a change in the price of MUP to 65p per unit.

For the Top-50 off-sales brands, Table 62 groups the brands by their production location and highlights which brand sold for an average unit price of below 65p in 2022.

**Table 62: Top 50 selling brands in Scotland (by volume), average unit price in 2022 off-sales.**

Sales Rank (Volume)	Brand	Average Unit Price (2022)	Type	Production location	UK business address*
1	Smirnoff	0.553	Spirit	Scotland	rUK
2	Tennents	0.562	Beer	Scotland	Scotland
4	Stella Artois	0.58	Beer	Scotland	rUK
6	Glens	0.547	Spirit	Scotland	Scotland
7	The Famous Grouse	0.538	Spirit	Scotland	Scotland
9	Gordons	0.558	Spirit	Scotland	rUK
10	Whyte & Mackay	0.522	Spirit	Scotland	Scotland
17	Smirnoff Red Label	0.56	Spirit	Scotland	rUK
18	Grants Vodka	0.545	Spirit	Scotland	Scotland
22	Brewdog	0.74	Beer	Scotland	Scotland
25	Glen Catrine	0.522	Spirit	Scotland	Scotland
29	Gordons Premium Pink	0.581	Spirit	Scotland	rUK
35	McEwans	0.538	Beer	Scotland	rUK
43	Bells Scotch Whisky	0.524	Spirit	Scotland	rUK
49	Innis & Gunn	0.589	Beer	Scotland	Scotland
3	Budweiser	0.553	Beer	rUK	rUK
5	Strongbow	0.57	Cider	rUK	Scotland
8	Buckfast Tonic Wine	0.76	FW	rUK	rUK
11	Corona Extra	0.662	Beer	rUK	rUK

13	Captain Morgan Original	0.513	Spirit	rUK	rUK
16	Birra Moretti	0.742	Beer	rUK	Scotland
19	Heineken	0.655	Beer	rUK	Scotland
20	Fosters	0.604	Beer	rUK	rUK
23	San Miguel	0.585	Beer	rUK	rUK
30	Dragon Sloop	0.752	RTD	rUK	rUK
41	Bombay Sapphire	0.595	Spirit	rUK	rUK
39	Kronenbourg 1664	0.518	Beer	rUK	rUK
42	Coors Light	0.536	Beer	rUK	rUK
50	Thatchers	0.605	Cider	rUK	rUK
46	Carling	0.52	Beer	rUK	rUK
12	Barefoot	0.694	Wine	International	rUK
14	Yellow Tail	0.713	Wine	International	rUK
15	Casillero Del Diablo	0.697	Wine	International	rUK
21	Bacardi	0.535	Spirit	International	rUK
24	Kopparberg	0.92	Cider	International	rUK
26	I Heart	0.728	Wine	International	rUK
28	Peroni Nastro Azzurro	0.772	Beer	International	rUK
31	Absolut Vodka Blue Label	0.576	Spirit	International	rUK
32	Trivento	0.663	Wine	International	rUK
34	Mcguigan Black Label	0.615	Wine	International	rUK
27	Guinness	0.666	Beer	International	rUK
33	19 Crimes	0.699	Wine	International	rUK
36	Magners	0.543	Cider	International	rUK
37	Isla Negra Seashore	0.584	Wine	International	rUK
38	Jam Shed	0.641	Wine	International	rUK
40	Blossom Hill	0.694	Wine	International	rUK
44	Hardys Varietal Range	0.612	Wine	International	rUK
45	Hardys Stamp	0.564	Wine	International	rUK
47	Echo Falls	0.701	Wine	International	rUK
48	Jack Daniels Tennessee	0.634	Spirit	International	rUK

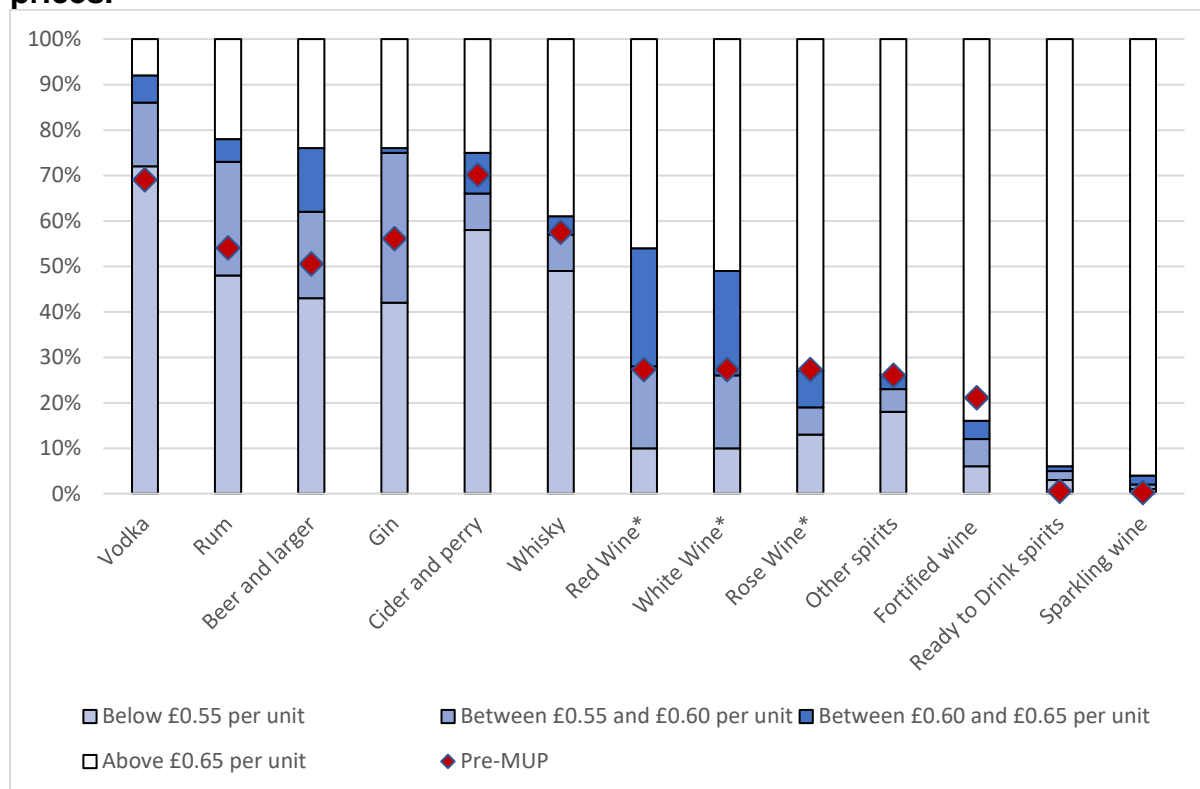
Source: Scottish Government analysis of Circana Ltd market sales data

Beyond manually researching location information for top selling brands there is limited information or data on the movement of alcoholic products between different parts of the UK. Large corporations will often operate across all parts of the UK and there is no recent published information on the flow of final or intermediate products by different drink type within the UK internal market. There is particularly limited information about the origin or movement of the components or ingredients of alcoholic products.

Certain categories of alcoholic drink are, however, known to be more commonly produced in the rest of the UK than in Scotland. For instance, cider in particular is more likely to be produced in the rest of the UK than Scotland where there are only a small number of independent cideries. Vodka and whisky on the other hand is more likely to be produced domestically in Scotland.

Figure 11 shows the share of different products (by volume) sold below the preferred MUP price (in 2022). The top of the dark shaded blue bar represents the share of the volume of each drink type sold below 65ppu and therefore likely to be directly impacted by the increase in the MUP level.

**Figure 11: Share of each drink type sold (by volume) under selected unit prices.**



It should be noted that the share of products sold below the preferred price level is based on the volume of sales (by unit of alcohol) and therefore is weighted by consumers purchasing the relatively cheaper products in higher volume. It does not mean that this is the percentage of all individual products which were priced below this price. Within it category, individual products may be impacted to a greater or lesser degree.

The preferred price of 65ppu MUP would have the largest direct impact on vodka based on the most recent sales data, with 92% of vodka sales in the off-trade being under 65ppu in 2022. Vodka was the second most impacted category with the introduction of MUP when 69% of sales had been below 50ppu in 2017.

Three quarters of gin and rum off-sales (76% and 78% respectively) were sold under 65ppu on average in 2022 and would be impacted by the price floor, both above their share of sales under 50ppu ahead of MUPs introduction, when it was 56% and 54% respectively. 76% of beer and larger was sold under 65ppu in the off-trade in 2022. This compares to 51% in 2017 below 50ppu.

A MUP at 65ppu would impact a slightly larger share of cider and perry sales compared to when MUP was first introduced at 50ppu. In 2022 75% of off-trade cider and perry sales were under 65ppu compared to 70% of sales in 2017.

Whisky would see a similar share of products impacted at a 65ppu as was the case when MUP was introduced, at 61% in 2022 and 58% in 2017. However, this combines blended and malt whisky and may mask price changes at the lower end of the category.

Fortified Wines and Ready-To-Drink spirits would see little direct impact from a 65ppu MUP.

### Imports to Scotland via the rest of the UK

Product level information is not available for the location at which imported products sold in Scotland entered into the UK. Data is however available on the port of entry of all imports into the UK since the start of 2022, although not its final destination. This can provide an illustration of the potential scale of imports which might pass through other parts of the UK before being sold in Scotland.

Table 63 shows that in the year to September 2022 there was over £100 million worth of alcoholic beverages imported into the UK through Scottish ports, the majority of which was from EU countries. For context, the total sales value of alcoholic drinks in Scotland in 2021 was estimated at £4.3 billion<sup>88</sup>.

**Table 63: Imports of Alcoholic Beverages by Port. 2022 (Jan-September), £**

	EU Imports	Non-EU imports	Total imports
<b>Scottish ports</b>	69,617,612	38,792,031	108,409,643
<b>UK total*</b>	2,319,829,488	730,798,464	3,050,627,952
<b>Scottish ports % of total</b>	3%	5%	4%

\*UK total excludes inland clearance, not collected, PoC unknown

Imports through Scottish ports make up 4% of the total imports of alcoholic beverages into the UK over the period. With Scotland's population share of the UK around 8.5%, this suggests a large share of imported products consumed in Scotland may have been imported via ports in the rest of the UK.

**Table 64: Scottish Supply and Use Tables (SUTs); Domestic output at basic prices<sup>89</sup>**

Year	SIC	Industry or product group	Total output of products at basic prices (£m)	Rest of UK imports (£m)	Rest of world imports (£m)

<sup>88</sup> [MESAS monitoring report 2022 - Publications - Public Health Scotland](#) – estimate of total sales value using average price per unit, total units sold per adult drinker, adult population of Scotland.

<sup>89</sup> <https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2019/08/input-output-latest/documents/all-tables-latest-year/all-tables-latest-year/govscot%3Adocument/SUT-2019.xlsx>



2019	11.01-04	Spirits & wines	4,054.0	932.7	648.7
2019	11.05-06	Beer & malt	427.2	331.5	137.8

Table 64 provides estimates of the level of imports from the rest of the UK and rest of the world used in the production of the two primary alcohol product groups. This is a balanced estimate derived from the Supply and Use Tables<sup>90</sup> and it should be noted that imports data, especially within the UK, are difficult to estimate. It should also be noted that the majority of domestically produced alcoholic beverages overall, are exported and not consumed domestically.

### Common Frameworks

The Scottish Ministers are not aware of MUP as a policy being covered in any common framework under the [UK Common Frameworks](#)<sup>91</sup>.

### International trade and investment

Considerations for assessing impacts on international trade		
<b>A</b>	Does this measure have the potential to affect imports or exports of a specific good or service, or groups of goods or services?	Yes/No
<b>B</b>	Does this measure have the potential to affect trade flows with one or more countries?	Yes/No
<b>C</b>	Does this measure include different requirements for domestic and foreign businesses? - i.e. are imported and locally produced goods/services treated equally? - i.e. are any particular countries disadvantaged compared to others?	Yes/No
<b>D</b>	If the answer to C is Yes, is the basis for different treatment anything other than it enables foreign businesses to operate on a level playing field in Scotland?	Yes/No

The Scottish Ministers must ensure that any new policy or legislation complies with the UK's international obligations, including World Trade Organization (WTO) agreements and free trade agreements. .

Minimum unit pricing legislation will continue to apply equally to international producers, wholesalers<sup>92</sup> and retailers selling products in Scotland. Any firms wanting to import alcoholic beverages would have to ensure their retail prices comply with the MUP legislation.

<sup>90</sup> [Developments - Supply, Use and Input-Output Tables - gov.scot \(www.gov.scot\)](#)

<sup>91</sup> Four common frameworks are listed for the Department of Health & Social Care and none are relevant.

<sup>92</sup> MUP does not apply to sales to trade, [The Alcohol \(Minimum Price per Unit\) \(Scotland\) Amendment Order 2020 \(legislation.gov.uk\)](#)

A change in the minimum price level could impact on a foreign company's ability to compete for Scottish consumption if the company was currently benefitting from low costs of production and selling at low margins relative to other imports or domestic products.

However, analysis of the top selling products purchased in the Scottish supermarket and convenience sector demonstrates that the largest share of the impact would likely be on domestically produced products (i.e. from within Scotland or the rest of the UK).

As shown in Table 56, 23% of the volume of the top selling alcohol purchased in the off-trade in Scotland is thought to be produced out with the UK.

The premium nature of imported products in the top selling list is reflected in the average price of international products in the top selling list, 67ppu compared to 56ppu for Scottish products and 62ppu for products from the rest of the UK – see Table 57.

Only around 40% of the top selling international products were sold below our preferred MUP level of 65ppu on average in 2022 – see Table 58.

The categories of product most likely to be affected by the proposed new price, as shown in Figure 11, are spirits, beer, perry and cider. Scotch whisky would, in accordance with its registered geographical indication, be produced in Scotland; the most popular white spirits (by volume) (Smirnoff vodka, Glen's Vodka and Gordon's gin) are produced in the UK and the majority of beer and cider affected is also likely to be domestic production (see Table 62).

The Scottish Government recognises that there are certain categories of imported products which may be disproportionately affected, although they make up a very small part of the overall Scottish market. In 2021, although brandy constitutes only 1% of off-sales, 92 per cent of it was sold under 65p per unit. Conversely, no champagne would be directly impacted by any level of MUP below 85p per unit.

### **International standards and WTO notification requirements**

The legal obligation to notify technical regulations under the WTO Technical Barriers to Trade Agreement<sup>93</sup> is not considered to apply to the proposals to continue the effect of the MUP provisions or to amend the minimum price per unit.

The proposals do not amount to technical regulations within the definition of Annex 1.1 of the TBT agreement, as they would not lay down product characteristics or their related processes and production methods.

The Scottish Ministers do not consider MUP is covered by an International Standard.

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<sup>93</sup> [WTO | Technical Barriers to Trade](#)

## EU Alignment

The proposed continuation of the MUP provisions and the proposed change in price are not considered likely to impact on the Scottish Government's policy to maintain alignment with the EU. MUP was introduced when the UK was still an EU Member State.

## 7. SCOTTISH FIRMS IMPACT TEST

This section sets out, in general terms, the impact of a change in the minimum price per unit on specific sectors of the alcohol industry. The alcohol industry is defined as the combination of alcohol manufacturing, the wholesale of alcohol, retail sale of alcohol and the sale of alcohol in beverage service establishments. The detailed costs and benefits analysis of our preferred price is highlighted in Section 5.

In 2020, there were 502 business units in Scotland with 11,500 jobs in the manufacture of beverages (both alcoholic and non-alcoholic) in Scotland. The manufacture of spirits, cider and beer had total employment of 10,000 and a total turnover of almost £4.2 billion in 2020, with a Gross Value Added of almost £2 billion (Table 65).

**Table 65: Manufacture of Beverages in Scotland, output and employment, 2020**

Description	No. of Units	Total Employment (Thousands)	Total Turnover (£ millions)	GVA at Basic Prices (£ millions)
<b>Manufacture of Beverages</b>	<b>502</b>	<b>11.5</b>	<b>4,525.8</b>	<b>2,019.0</b>
Distilling, rectifying and blending of spirits	320	8.5	3,549.3	1,743.1
Manufacture of cider and other fruit wines, other non-distilled fermented beverages & malt	16	0.3	171.6	49.0
Manufacture of beer	125	1.3	470.7	123.2
Manufacture of soft drinks; production of mineral waters and other bottled waters	41	1.3	334.1	103.7

The manufacture of spirits makes up the majority of the production, with a workforce of 8,500 across 320 business units and turnover of £3.5 billion. The top five local authority areas in terms of GVA in 2020 (Glasgow City, West Dunbartonshire, Fife, Moray and North Lanarkshire) – predominantly Central Belt locations – together accounted for 31% of the business sites, 61% of employment, 62% of turnover and 68% of GVA in the spirits sector.<sup>94</sup>

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<sup>94</sup> [Scottish Annual Business Statistics 2020 - gov.scot \(www.gov.scot\)](http://www.gov.scot)

The Scotch Whisky Association estimate that the industry supports a further 42,000 jobs across the UK, and 7,000 of these are in rural and highland communities<sup>95</sup>. Table 66 presents the output and employment of the Scottish spirits sector since 2008. Given the significance of exports, changes in the latest years could be impacted by Brexit and the Covid-19 pandemic.

**Table 66: Output and employment in the Scottish spirits sector**

Year	No. of Units	Total Employment (Thousands)	Total Turnover (£ millions)	GVA at Basic Prices (£ millions)	Gross Value Added Per Head (£)
2008	148	7.8	3,020.4	1,850.8	237,151
2009	150	7.9	3,048.3	2,158.5	272,992
2010	145	7.4	3,441.7	2,073.0	280,151
2011	142	7.7	3,755.4	2,227.2	288,493
2012	140	7.4	3,729.2	2,015.2	272,349
2013	146	7.4	3,496.4	1,859.7	252,408
2014	157	7.8	3,380.2	1,856.2	237,164
2015	186	8.1	3,222.8	1,775.4	219,788
2016	212	7.6	3,358.3	1,878.2	248,131
2017	243	7.8	3,191.1	1,962.6	251,941
2018	271	9.5	3,756.5	2,182.6	230,792
2019	298	8.6	4,102.6	2,157.8	249,674
2020	320	8.5	3,549.3	1,743.1	204,692

In 2019, the largest industry for international exports continued to be the manufacture of food and beverages with exports worth £6.6 billion, almost one fifth (19%) of Scotland's total international exports. Spirits made up 82 per cent of food and beverage exports, and 15.5 per cent of total Scottish exports in 2019. Between 2018 and 2019, the export of spirits increased by £240 million, or 4.6 per cent.<sup>96</sup> The industry also relies on Scottish agricultural commodities as inputs.

### Production supply chain

Spring and winter barley are grown in Scotland and the UK. Spring barley is the dominant barley crop grown in Scotland and production is hugely reliant on the strength and long-term confidence of the Scotch Whisky industry. In 2020, 57% of barley was sold for malting, and in 2021 both spring and winter barley account for 60% of crop production<sup>97</sup>. If the reduction in domestic sales as a result of any minimum unit pricing were large enough, there is the possibility of a reduction in demand for grain from Scottish farmers. However, over 90% of Scotch Whisky is exported, so any decline in Scottish sales is anticipated to have a minimal impact on grain producers.

<sup>95</sup> [Facts & Figures \(scotch-whisky.org.uk\)](https://www.scotch-whisky.org.uk/facts-figures)

<sup>96</sup> [Export statistics Scotland: 2019 - gov.scot \(www.gov.scot\)](https://www.gov.scot/export-statistics-scotland-2019)

<sup>97</sup> [Cereal and oilseed rape harvest: final estimates - 2021 - gov.scot \(www.gov.scot\)](https://www.gov.scot/cereal-and-oilseed-rape-harvest-final-estimates-2021)

In Scotland, the retail sector (off-trade) consists of a small number of large supermarkets who dominate alcohol sales, a number of smaller supermarkets, a decreasing number of specialist retailers and a large number of smaller grocers and convenience stores.

The hospitality sector (on-trade) consists of a small number of national chains and a large number of small pubs, clubs and restaurants. Independent pubs are increasingly being taken over by large beer producers<sup>98</sup>. In Scotland in 2022, there were 16,560 premises licences in force: 11,405 for the on-trade and 5,155 for the off-trade<sup>99</sup>.

Those areas of business most likely to be affected by a minimum price per unit in terms of costs are the off-trade sector – where prices are lower than the on-trade – and producers.

### **Economic impact on Scottish alcohol industry**

Initial findings from the PHS evaluation of the impact of MUP at 50ppu on the alcoholic drinks industry in Scotland<sup>100</sup> found that:

- Overall, the effect on retailer revenues was small as increased margins compensated for decreased volumes (though the impact depended on the mix of alcoholic drinks sold pre-MUP).
- The effect on producer revenues and profitability was negative but small: MUP reduced the volume of alcoholic drinks produced in Scotland (compared with expected volumes in the absence of MUP) without impacting wholesale prices, but MUP generally only affected a small share of producers' turnover.
- No retailers or producers reported closing local units, reducing staff numbers or reducing investment as a result of MUP.

The final evaluation of the economic impact of MUP broadly confirmed these findings<sup>101</sup>. The report concluded that the evidence gathered is not consistent with MUP having significantly impacted the performance of the alcoholic drinks industry in Scotland.

Quantitative analysis was carried out across sub-sectors of the alcohol industry for five key metrics, namely: the number of firms; employment; turnover; Gross Value Added; and output value. The analysis found no strong evidence of observable impacts following the introduction of Minimum Unit Pricing across the sub-sectors examined (specialised retailers; non-specialised retailers; On-trade retailers, Wholesale, Spirits producers; Beer producers; and Malt producers.)

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<sup>98</sup> Petrie, D. et al. (2011) Scoping study of the economic impact on the alcohol industry of pricing and non-price policies to regulate the affordability and availability of alcohol in Scotland.

<sup>99</sup> [Scottish Liquor Licensing Statistics - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/scottish-liquor-licensing-statistics-2022/pages/introduction.aspx)

<sup>100</sup> [Evaluating the impacts of minimum unit pricing for alcohol on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](https://www.gov.scot/publications/evaluating-the-impacts-of-minimum-unit-pricing-for-alcohol-on-the-alcoholic-drinks-industry-in-scotland/pages/introduction.aspx)

<sup>101</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](https://www.gov.scot/publications/minimum-unit-pricing-impacts-on-the-alcoholic-drinks-industry-in-scotland/pages/introduction.aspx)

These results were broadly validated out by an accompanying qualitative analysis using longitudinal case studies and mini case study interviews from areas of the industry identified as where the effects of MUP might be relatively greater. This included a national chain of supermarkets, a large spirits producer, a large brewer, a spirits producer supplying own-label products and a small brewer, along with individual small and specialist retailer and representatives of the on-trade.

The analysis found a 'new equilibrium' of industry performance in Scotland, characterised by lower volumes but higher prices that largely balanced out. There were no reported direct impacts of MUP on store or facility openings or closures or staffing. Key themes emerging from the studies indicated that:

- Private labels were seen as most likely to face challenges due to low volume high-cost trends, while the main beneficiaries are those 'first premium' brands just above the MUP price point.
- Overall effects on retailer profits were felt to be small with increased margins compensating for decreased volumes, with the effects depending on the mix of alcoholic drinks sold pre-MUP. However, the evidence was more mixed when considering different retailer types, with qualitative evidence that convenience stores had seen a reduction in revenue, particularly if a large share of their income had come from the sales of low-cost high strength alcohol.
- Challenges for some producers around price compression and ongoing engagement with retailers about whether perceived MUP-related profits could be shared vertically.
- Limited evidence of any changes related to MUP in terms of the market share of different retailer types or the on- and off-trade.

The research noted two other findings from its engagement:

- MUP appears to be consistent with and potentially accelerating other drivers of performance such as a perceived 'premiumisation' of consumer preferences towards branded and more expensive products.
- The impacts of MUP on consumer and producer responses were perceived to 'play out' quickly – with the major changes as a result of MUP taking place by the first half of 2019, and that industry had 'moved on' since then with MUP largely not a major day-to-day concern.

The degree to which an updated price level would be considered as a major change by industry will depend on the extent of the preferred price and its impact on demand. Case study participants were wary of any future increase in MUP, which they believed could have more significant impact on the alcoholic drinks industry in Scotland, and their business. They were also concerned about how any further changes to MUP would interact with DRS and the additional costs and logistical challenges this could create.

As set out in the Costs and Benefits section, a preferred price of 65ppu represents an increase on MUPs original level in real terms (i.e after adjusting for inflation). The modelling estimates that this will lead to increased revenues entering the industry

overall, although with a larger share of products captured there is also the potential for increased market distortions and adverse impacts to producers of high strength low cost products or small retailers who have a large share of their sales comprised of impacted products.

### **Costs to retailers – off-trade**

The off-trade sector is more greatly impacted by a minimum unit price than the on-trade sector. The average price per unit in the off-trade in 2021 was 64 pence compared to £2.04<sup>102</sup> per unit in the on-trade. In 2021, a period with covid restrictions in place, 85% of pure alcohol volume was sold through the off-trade, while in recent years around three-quarters of the volume has been sold in the off-trade.

The off-trade is dominated by the large supermarket chains (Asda, Tesco, Morrisons, Sainsbury's and Waitrose) and discounters (Aldi and Lidl) who compete aggressively on price across a range of products, including alcohol.

Three full years after implementation, the impact of MUP was a net reduction of 3.0% (-4.2% to -1.8%) in the total volume of pure alcohol sold per adult in Scotland, when using a method that accounts for sales in England & Wales (best available geographical control) and after adjustment for other potentially confounding factors. This reflects a 1.1% fall in Scotland in contrast to a 2.4% increase in England & Wales.

The reduction in total alcohol sales was driven by a 3.6% (-4.8% to -2.5%) reduction in sales of alcohol through the off-trade. We found no evidence to suggest that MUP caused any changes in per-adult sales of alcohol through the on-trade.

The overall reduction was driven by reduced per-adult sales of cider, perry, spirits and beer through the off-trade, although this was partially offset by increased off-trade sales of fortified wine and, to a lesser extent, wine.

However, there is evidence that reduction in sales volumes was more than offset by an increase in prices<sup>103</sup> in general. Despite the general reduction in sales volumes, the overall monetary value of these sales increased at a greater rate in Scotland than in England & Wales or between the previous two years in Scotland prior to MUP being implemented.

While there is evidence that revenues may have increased overall in the retail sector, it was not universal, with some evidence that smaller retailers, particularly those that had a large proportion of sales of low cost and high strength alcohol, saw a fall in revenue.

With the policy divergence between Scotland and England after the introduction of MUP there is the possibility that Scottish retailers, particularly those located close to

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<sup>102</sup> [Monitoring and Evaluating Scotland's Alcohol Strategy \(MESAS\) - Alcohol - Health topics - Public Health Scotland](#)

<sup>103</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](#)

the border, may be adversely impacted by cross-border purchasing. PHS<sup>104</sup> found that while there were instances of cross-border purchasing it was infrequent and the degree to which it was a result of MUP is unclear. Licensing near the border did not show a shift from Scotland to England following the introduction of MUP legislation.

The Costs and Benefits section sets out more detailed information on the potential impact to retailers at our preferred price.

### **Pricing**

There would be costs to retailers associated with a change to the level of the minimum price, such as re-pricing products, altering bar codes and shelf tickets. Retailers that operate on a UK-wide basis – predominately large supermarket chains— may incur costs associated with a different pricing and promotion regime operating in Scotland, but with MUP having been in place in Scotland since 2018 and Wales since 2020 systems will already be in place to manage such differences.

### **Costs to wholesalers**

Compliance with MUP is a mandatory condition of a premises and occasional licence. In relation to wholesalers, MUP does not apply to sales to trade, regardless of whether the wholesaler holds a premises licence. MUP applies to retail sales made by wholesalers.

### **Costs to producers**

The overall reduction in sales following the introduction of MUP at 50ppu was driven by reduced per-adult sales of cider, perry, spirits and beer through the off-trade, although this was partially offset by increased off-trade sales of fortified wine and, to a lesser extent, wine.

Producers that will be most affected by a minimum price are those whose production consists of a significant volume of products which would be priced below the minimum unit price in the absence of regulations.

At the level of 50ppu, these producers are the ones whose main production focuses on own/ private label products. In the case of ciders, some of the cheaper brands are produced by global companies such as Heineken, which are major drinks companies producing a whole range of alcohol products. These companies are likely to be affected to a minimal extent, due to the relatively small proportion of total sales that will come from the Scottish market.

Previous BRIAs for the introduction of MUP identified two companies as being significantly involved in own/ private label whisky production in Scotland: Whyte & Mackay and Lomond Group. Both of these companies produce branded products, as well as own/ private label, and both supply the UK market. Both Whyte & Mackay and Lomond Group produce spirit products which are popular in Scotland.

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<sup>104</sup> [Evidence on cross-border purchasing to date \(publichealthscotland.scot\)](https://publichealthscotland.scot)



The economic impact evaluation of MUP<sup>105</sup> found that while there was no strong evidence of an industry wide impact on the key metrics, this does not imply no impacts at all. Private labels were seen as most likely to face challenges due to low volume high-cost trends, while the main beneficiaries are those 'first premium' brands just above the MUP price point.

### **Jobs**

While the evidence highlights that the introduction of MUP did not lead to any significant employment impacts, the potential impact as a result of changing the level depends on the extent to which the preferred price impacts demand. It is likely that value products (i.e. products currently priced at the minimum price and/or would be priced lower in the absence of MUP) will still be sold although in reduced quantities should the minimum unit level increase, and likely at the preferred price.

### **Small retailers**

The overall impact for small retailers is likely to be limited, as the proportion of their turnover made up of alcohol sales directly affected by MUP is small in comparison to turnover from alcohol products not affected by MUP and all other product lines.

The University of Sheffield modelling, based on the responsiveness of consumers to changes in price, suggests that, although the volume of sales in off-sales premises will reduce, the value of sales will increase. MUP effectively sets a price floor and impacts on the ability of multiple retailers, such as the larger supermarkets, to set low prices for alcohol. Prior to the introduction of MUP, larger supermarkets would use alcohol as a 'loss leader' and there is some evidence this continues to be the case (though with the price floor created by MUP, the extent to which this practice can take place is limited). MUP is advantageous to smaller retailers in this regard, as the observational study on small retailers<sup>106</sup> found, as it creates a level playing field for alcohol and allow them to be more competitive on price compared to the larger supermarkets.

Evidence for PHS<sup>107</sup> found that in the first year following the introduction of MUP for alcohol, the average price of alcoholic drink products in the off-trade increased in Scotland to a greater extent than in England & Wales or between the previous two years in Scotland prior to MUP being implemented.

Supermarkets tended to have lower pricing than convenience stores before MUP, but prices in supermarkets increased more than convenience stores, such that both sectors had similar pricing after MUP was implemented. While a decrease in the level of MUP would likely see the gap widen again, it is likely that an increase in the level of MUP would see this levelling of pricing across the sectors remain, and at the least prevent the impacts of inflation from eroding the real value of the minimum price to a level which would allow supermarkets to lower prices relative to the convenience sector.

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<sup>105</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>106</sup> [Small retailers - Outcome areas and studies of evaluation of MUP - Evaluation of minimum unit pricing \(MUP\) - Alcohol - Health topics - Public Health Scotland](#)

<sup>107</sup> [Evaluating the impact of MUP on alcohol products and prices \(publichealthscotland.scot\)](#)

While finding no strong evidence of industry wide impacts, the MUP evaluation<sup>108</sup> found that one or two of individual smaller or specialist retailers perceived that MUP had reduced their revenues or profits or limited opportunities for growth. However, this was not to an extent that affected staffing or store viability. Others reported no impact.

### **Small specialist retailers**

A change in the minimum price level may improve small specialist retailers' ability to compete on cheaper priced products. In addition, they may be better able to compete on non-price attributes, such as better product information and individual customer service.

For some small specialist retailers, such as wine merchants and whisky shops, their product range is such that they are unlikely to be directly affected by a minimum price, as they tend to specialise in premium products.

While finding no strong evidence of industry wide impacts, the MUP evaluation<sup>109</sup> found that one or two of individual smaller or specialist retailers perceived that MUP had reduced their revenues or profits or limited opportunities for growth. However, this was not to an extent that affected staffing or store viability. Others reported no impact.

### **Small producers**

Scotland has a thriving craft brewery sector producing a variety of beers, supplying beers of varying styles and alcoholic strength. There are over 100 craft breweries in Scotland<sup>110, 111</sup>. These are generally premium products sold at relatively high prices compared to 'mainstream' high volume brands, and are therefore unlikely to be affected by a minimum price per unit.

There are currently 146 operating Scotch Whisky distilleries across Scotland<sup>112</sup>. While production is dominated by large companies with multiple distilleries, there are still a small number of independent distillers (who own and operate only one distillery)<sup>113</sup>. A further 14 whisky distilleries are planned to open in the coming years.<sup>114</sup>

In addition, Scotland is also part of the growth in the market for gin, and Scotland is now responsible for 70% of the UK's gin production<sup>115</sup> with 220 Scottish gins<sup>116</sup> from

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<sup>108</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>109</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>110</sup> [Scottish Breweries & Craft Beer | VisitScotland](#)

<sup>111</sup> [Breweries in Scotland \(camra.org.uk\)](#)

<sup>112</sup> [Facts & Figures \(scotch-whisky.org.uk\)](#)

<sup>113</sup> [Independently Owned Scotch Distilleries - The Whiskey Wash](#)

<sup>114</sup> [14 new whisky distilleries opening in Scotland soon | Scotsman Food and Drink](#)

<sup>115</sup> [9 Things You Didn't Know about Scottish Gin | VisitScotland](#)

<sup>116</sup> [The Scottish Gin Society A-Z of Scottish Gins - The Scottish Gin Society](#)

over 90 distilleries<sup>117</sup>. This follows a growing international trend in the spirits industry which is, in part, a reaction to the domination of the market by large companies and mainstream brands.

The output from small scale whisky and gin activity tends to be premium products retailing at premium prices.

The PHS economic impact study included a small brewer in its qualitative case studies, reflecting that some small brewers produce primarily for the alcoholic drinks industry in Scotland, meaning that a large share of their products was likely to be affected by MUP (either directly or indirectly because of price adjustments). No strong evidence of impacts was found<sup>118</sup>.

### **Small on-sales premises**

On-sales premises, in general, are likely to be affected less than off-sales premises by a minimum unit price, as the price of alcohol in on-sales premises is generally higher than in off-sales premises. The average price per unit in the off-trade in 2021 was 64 pence compared to £2.04<sup>119</sup> per unit in the on-trade.

The Sheffield modelling estimates that retailer revenues in the on-trade would fall as a result of the increase in MUP to 65ppu. However over the three years following the introduction of MUP at 50ppu, PHS found no evidence to suggest that MUP caused any changes in per-adult sales of alcohol through the on-trade.<sup>120</sup>

While the on-trade was more adversely impacted by the Covid-19 pandemic, the average price of sales has also increased at a greater rate than in the off-trade. The relative impact of the preferred price is therefore expected to remain negligible for the on-trade.

## **8. COMPETITION ASSESSMENT**

### **Introduction**

This competition assessment analyses the likely economic impact of setting the minimum price per unit of alcohol to 65ppu on the competitive ability of producers and retailers and the consequential impact on consumers.

### **Definition of competition**

Competition is a process of rivalry between firms seeking to win customers' business. Effective competition encourages firms to deliver benefits to customers in terms of prices, quality and choice. Competition also provides strong incentives for

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<sup>117</sup> [The Scottish Gin Society Scottish Gin Distillery Map - The Scottish Gin Society](#)

<sup>118</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>119</sup> [Monitoring and Evaluating Scotland's Alcohol Strategy \(MESAS\) - Alcohol - Health topics - Public Health Scotland](#)

<sup>120</sup> [Evaluating the impact of Minimum Unit Pricing \(MUP\) on sales-based alcohol consumption in Scotland at three years post-implementation - Publications - Public Health Scotland](#)

firms to innovate and to improve productivity<sup>121</sup>. Where levels of rivalry are reduced (say because a proposal restricts the number of firms active in any market) consumers have less choice because they have fewer firms from which they can buy goods or services.

Firms compete for market share using both price and non-price competition. Competition between firms may focus on offering the lowest price, particularly where the product is standardised (either because of the characteristics of the product in question, or because of regulation). Most suppliers will try and compete in a number of ways in addition to price through product differentiation and market segmentation. For instance, developing new 'improved' products, offering products of differing quality or characteristics, branding and advertising the differences in their products relative to their competitors', or using different sales channels.

However, left wholly unregulated markets will not necessarily deliver the best outcomes for consumers, companies, or the government. Government has a legitimate role in intervening and shaping them: it also intervenes more widely to achieve other policy goals and correct market failures.

### **Definition of markets**

Markets and sectors which could potentially be affected both directly (downstream) and indirectly (upstream) have been identified and are listed below.

Directly affected markets/sectors (downstream):

- Sales of alcohol on off-licensed premises
- Sales of alcohol in licensed premises (on-trade)
- Market flows between on and off-licensed sales
- Sales of other products by retailers which sell alcohol, including footfall
- Consumers ability to access low-cost products.

Indirectly affected sectors (upstream) include:

- Distributors/wholesalers
- Producers
- Raw material suppliers

### **Overview of the Scottish drinks industry**

The structure of the Scottish alcohol industry is complex. On the manufacturing side, broadly reflecting the global market, multinational companies producing multiple products for different worldwide markets dominate; and there are then a large number of smaller producers. These firms, in turn, use a large number of smaller firms, from Scotland, the rest of the UK, or abroad, to supply the required inputs for the production process and in some cases may subcontract out part of the production process, such as bottling, to other firms.

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<sup>121</sup> [Competition impact assessment: guidelines for policymakers - GOV.UK \(www.gov.uk\)](http://www.gov.uk)

The Scottish firms impact test gives a detailed overview of the Scottish drinks industry – see section 7.

### **Market concentration**

The Scottish off-trade alcohol products market is highly concentrated, with a small number of large international producers dominating sales, particularly for beer, cider and spirits.

The Scottish retail market is also highly concentrated. It is estimated that large, multiple retailers (supermarkets) account for approximately 80% of total off-trade alcohol sales in Scotland<sup>122</sup>. In the year before MUP was first implemented (May 2017 to April 2018 inclusive), the top 50 brands in supermarkets accounted for 67.3% of all supermarket alcohol sales (natural volume per adult), while in the convenience sample they accounted for 79.9%.

Together, the top 50 products are estimated to make up 59.2 per cent of total supermarket and convenience alcohol sales volume of pure alcohol<sup>123</sup>. Off-trade sales overall make up 85 per cent of the volume of pure alcohol sold in Scotland in 2021, while the average price per unit in the on-trade was £2.04 in 2021 meaning there is unlikely to be any direct impact of MUP on the sector<sup>124</sup>. It should be noted Covid-19 restrictions during this period increased the share of pure alcohol sold in the off-trade relative to the on-trade, with around three quarters of pure alcohol volume sold via the off-trade prior to the pandemic.

Analysis of 2022 off-trade sales data highlights the concentration of sales in producers. We estimate that 67% of sales by volume of alcohol came from just 10 companies. The market is less concentrated when considering by the value of sales, with 44% of the value of sales coming from 10 companies.

The distribution of off-trade sales by manufacturer in 2022 is shown in Figure 12 below and Figure 13 by volume of alcohol and value of sales.

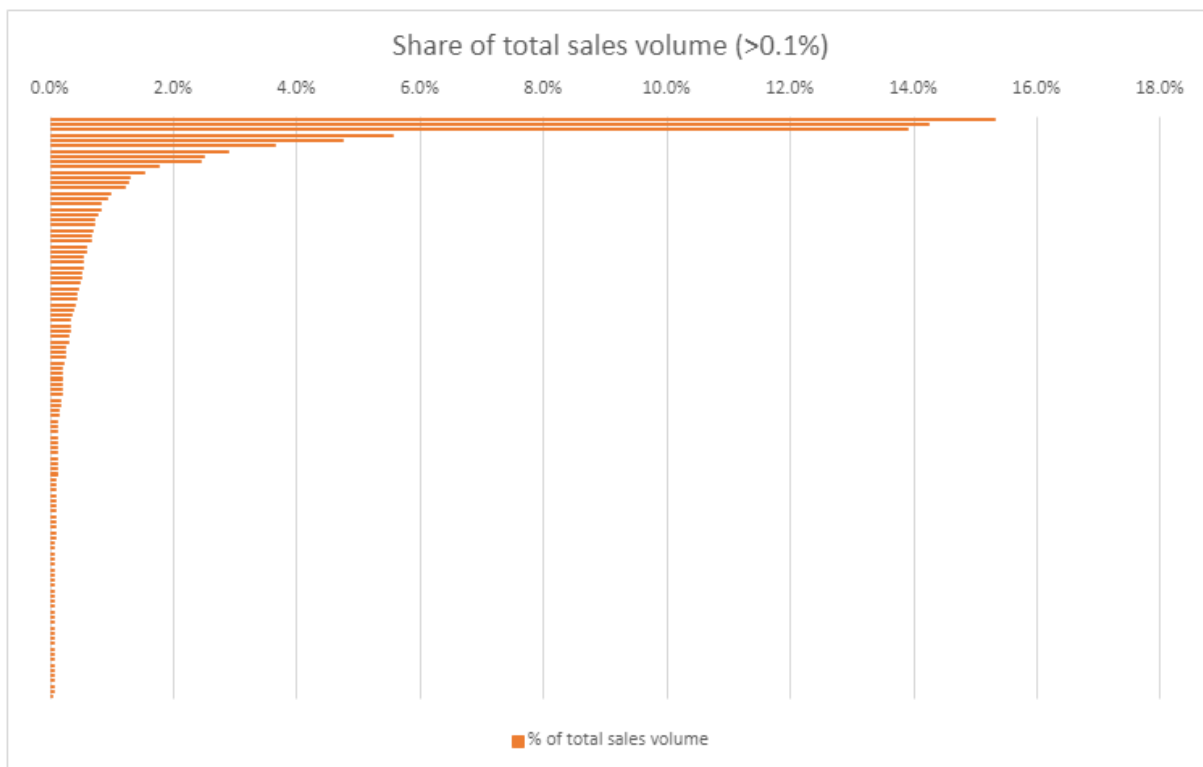
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<sup>122</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](#)

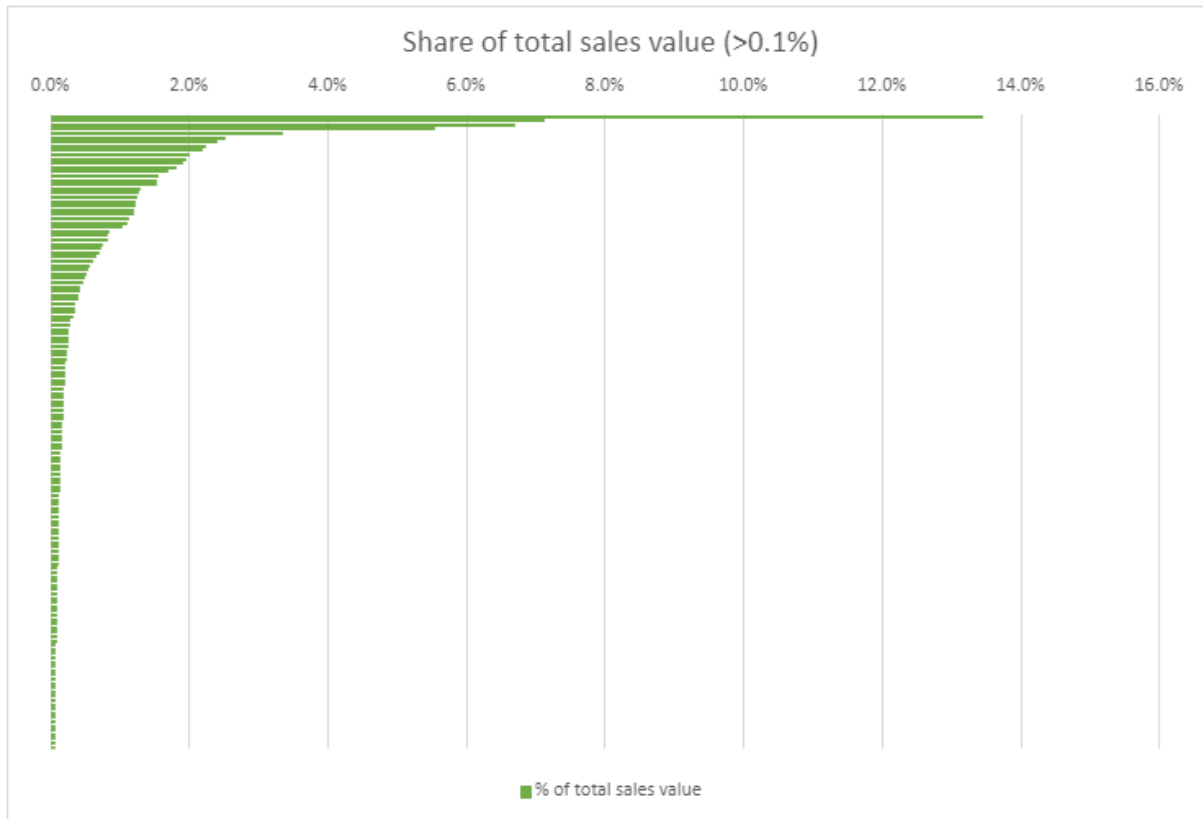
<sup>123</sup> Scottish Government analysis of Circana Ltd market data, excludes discounters (Aldi, Lidl)

<sup>124</sup> [MESAS monitoring report 2022 - Publications - Public Health Scotland](#)

**Figure 12: Manufacturer off-trade sales volume as a share of total Scottish off-trade volume (2022)**



**Figure 13: Manufacturer off-trade sales value as a share of total Scottish off-trade sales value (2022)**

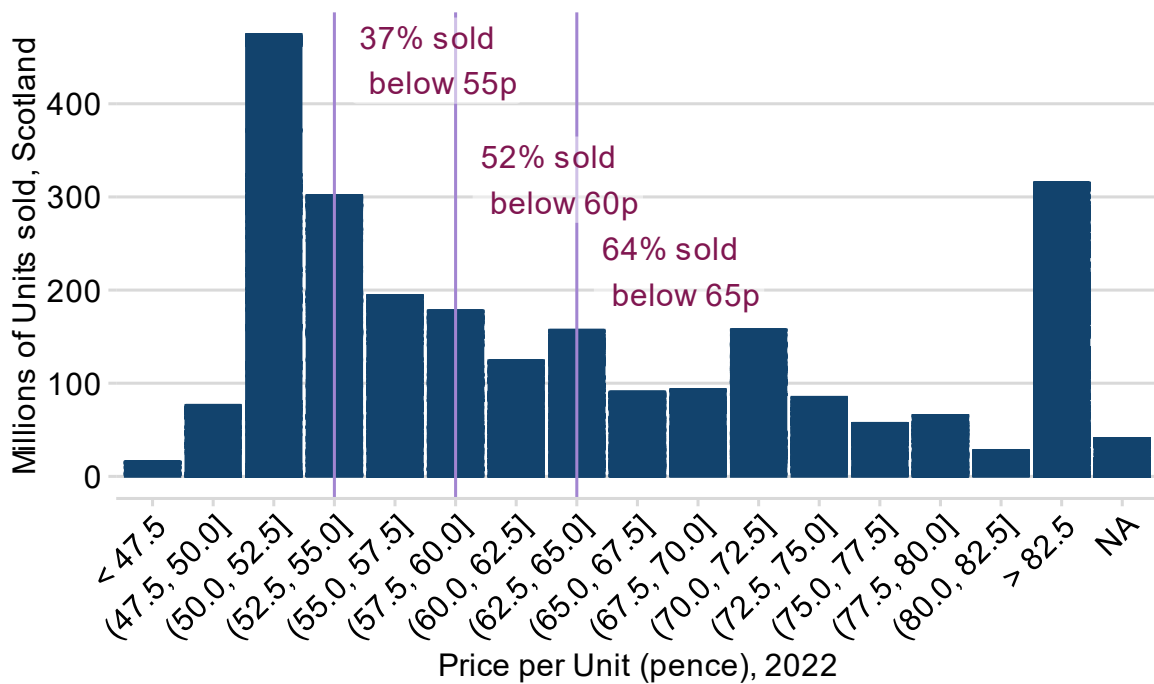


### Prices

Average prices are one indicator of the price level in the market but are not sufficient to allow an assessment of the likely impact of the move to a 65ppu minimum price. Data on the distribution of prices (expressed as the price of a unit of pure alcohol) is required.

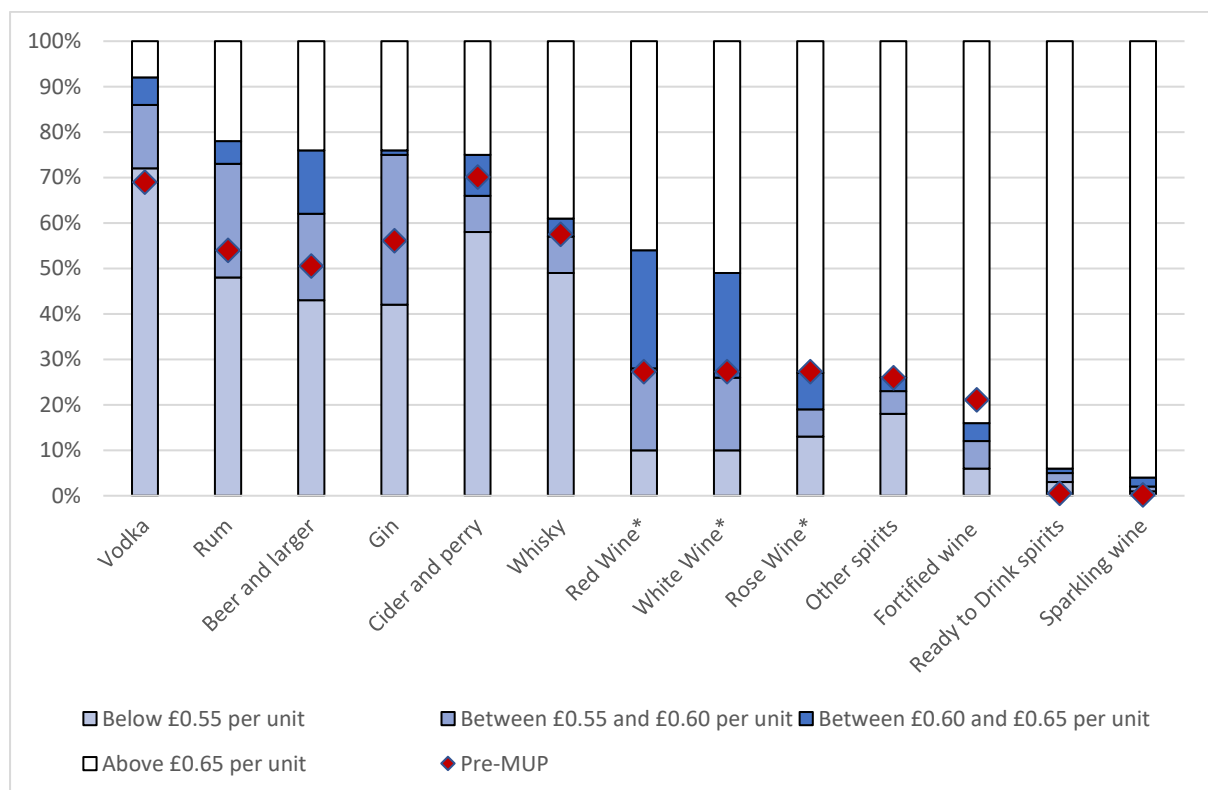
Figure shows the price distribution of the off-trade market in Scotland for 2022 (by volume of alcohol). This highlights that in 2022 64% of off-trade products were sold below a preferred MUP level of 65ppu. For comparison, in 2017 ahead of the introduction of MUP 45% of products were sold below 50ppu, while in 2012 when the policy was being originally considered it was around 60%.

**Figure 14: Price distribution of the off-trade market in Scotland for 2022 (by volume of alcohol)**



Source: Scottish Government, Circana

**Figure 15: Share of each drink type sold (by volume) under selected unit prices**



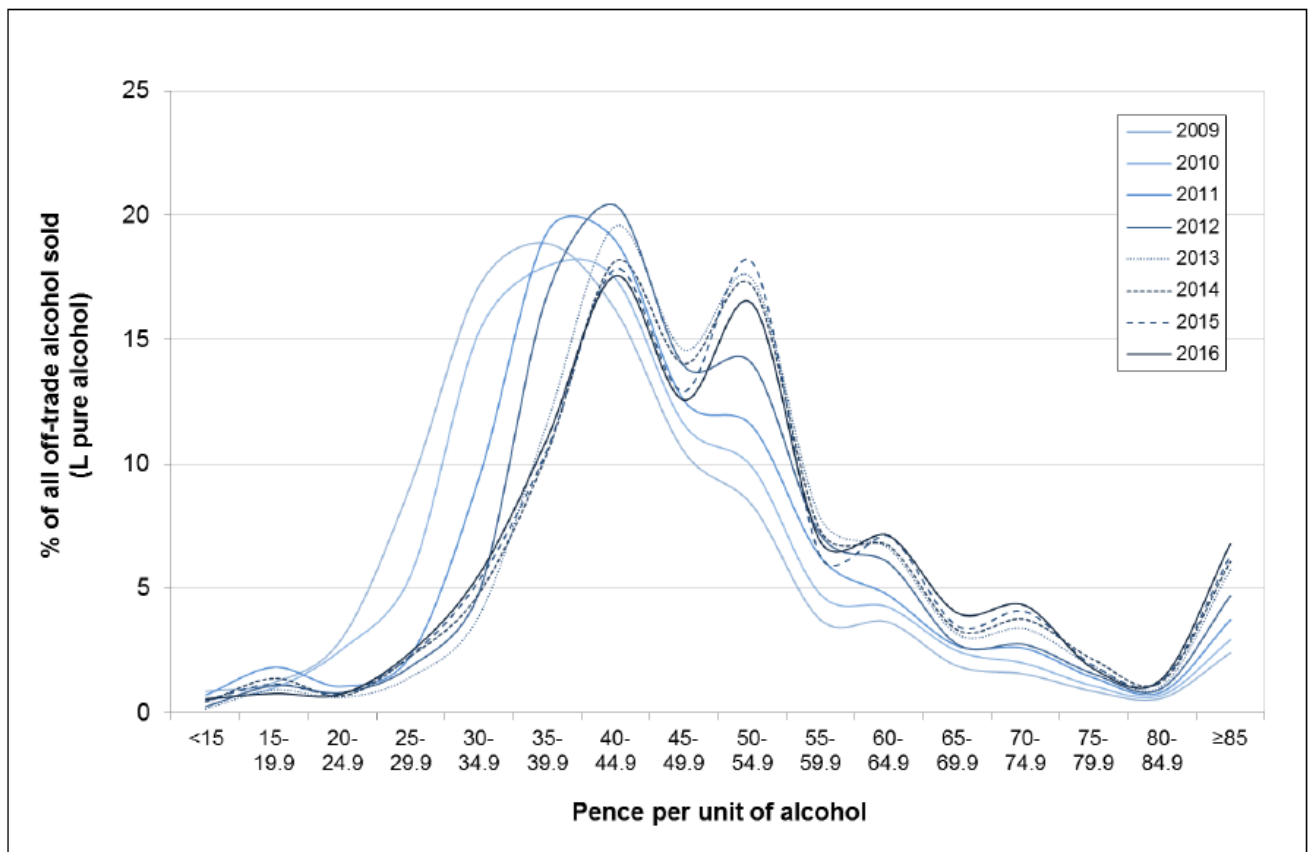


The more concentrated the market gets as a result of a Minimum Unit Price floor, the greater the impact will be on competition and the market. Products which currently compete to attract demand by charging a low price will no longer be able to do so to the same extent. If products of different quality – assumed by the current difference in price – are sold at the same price, due to the increase in MUP it will likely see demand, while lower overall, shift to the previously higher priced products.

For reference, in 2008 when MUP in Scotland was first under development, 81% of all off-trade alcohol was sold at below 50p per unit. Between 2009 and 2013 the percentage declined steadily (e.g. to 73% in 2010). But this decline slowed thereafter with 52% sold under 50p per unit in 2014 and 51% in 2016.

The shift to a bimodal distribution was due to the impact of substantial numbers of products clustering around price points e.g. Figure a bottle of spirits (ABV 37.5%) retailing at £11 was equivalent to 42ppu; a bottle of wine ( ABV 12.5%) retailing at £5 was equivalent to 53ppu (Figure ).

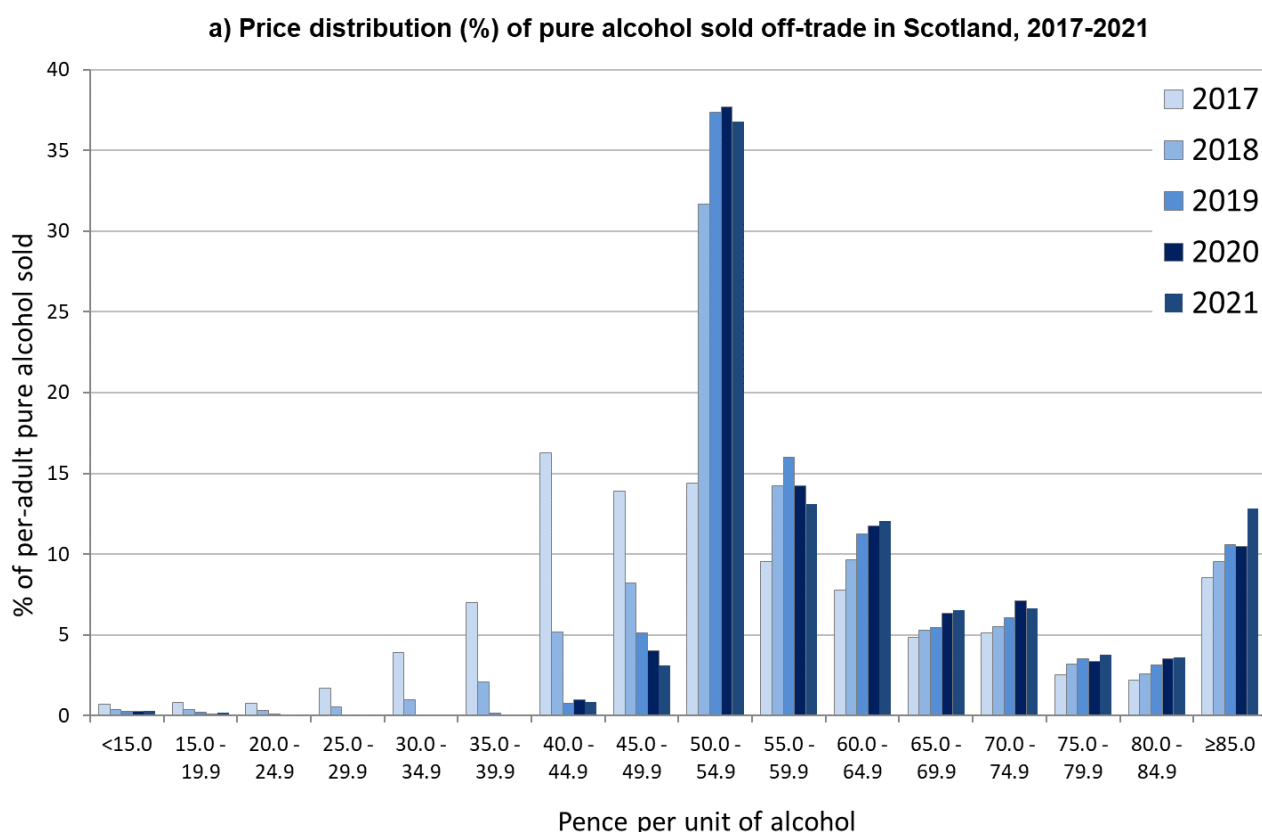
**Figure 16: Price distribution (%) of pure alcohol sold off-trade in Scotland, 2009-2016**



The introduction of minimum unit pricing in 2018 led to a clear rightwards shift in the price distribution as products could no longer be sold below 50ppu. This also removed the bimodal distribution since prior to minimum unit pricing.

The expected general shift to the right as cash prices of alcohol products increase can be seen at the higher end of the price distributions from 2018 onwards (Figure ). However, as many products currently at the minimum price level would be able to profitably sell for below 50ppu the share of products at that level has remained relatively stable since 2018, leaving the relatively condensed price distribution.

**Figure 17: Price distribution (%) of pure alcohol sold off-trade in Scotland, 2017-2021**



### Cross-border sales

Significant price changes and price differentials across borders can encourage cross-border trade in alcohol<sup>125</sup>. While the Minimum Unit Price of alcohol is in place in Scotland but not England there is potential for Scottish consumers to purchase alcoholic products in off-licences across the border, thereby shifting market demand away from Scottish supply (cross-border effects).

The likelihood of this occurring depends on consumers' willingness to travel for their alcohol purchases (both in terms of the cost of travel in terms of transportation and

<sup>125</sup> Tackling harmful alcohol use: economics and public health policy. Paris: Organisation for Economic Co-operation and Development (<https://www.oecd.org/health/tackling-harmful-alcohol-use-9789264181069-en.htm>)

time taken) and on the scale of the price differential between products in either country.

At 50ppu, the products most likely to be affected are high-strength, low price products and potential savings from purchasing these products in England would have to be weighed against the travel and transport costs incurred. All else equal, the higher the level of minimum unit price the greater share of products would face a price difference and the magnitude of the price differential would increase.

There is no strong evidence to suggest that there has been a substantial increase in cross-border sales since MUP was introduced in 2018. Qualitative interviews with retailers in towns near the Scottish/English border suggest that some Scottish consumers may have increased alcohol purchases in England after MUP was introduced in Scotland in 2018, but such cross-border sales accounted for a very small proportion of overall purchases.<sup>126</sup> PHS carried out a survey of cross-border purchasing of alcohol in March 2021<sup>127</sup> and the results are consistent with these findings. The survey was repeated in March 2022<sup>128</sup> with similar results.

As set out in the Costs and Benefits section, increasing the MUP to a preferred price of 65ppu is a real terms increase in the level compared to when MUP was first introduced. This would increase the price differentials between the cheapest alcohol either side of the Scotland England border, and therefore will increase the potential incentives for cross-border purchases due to increased savings available.

### **Internet sales**

Another potential consequence of MUP applying in Scotland and not England is an increase in internet sales. If the alcohol is despatched from within Scotland, minimum pricing applies (as it is a condition of the licence) e.g. weekly grocery shop or local home delivery service. If despatched from outwith Scotland e.g. a wine club based in England, it will not apply. Similar to cross-border shopping, the incentive to buy from outwith Scotland via the internet will be greater the bigger the price differential between the price of alcohol in Scotland and elsewhere, combined with the volume of goods being purchased.

PHS conducted an analysis of the price differential between products available online in comparison to in Scottish retail premises<sup>129</sup><sup>130</sup>.

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<sup>126</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>127</sup> Evaluating the impact of Minimum Unit Pricing (MUP) of alcohol in Scotland on cross-border purchasing, [Evidence on cross-border purchasing to date \(publichealthscotland.scot\)](#)

<sup>128</sup> Addendum (YouGov) to 'Evaluating the impact of Minimum Unit Pricing (MUP) of alcohol in Scotland on cross-border purchasing', published 31 January 2023, [Addendum \(YouGov\) to 'Evaluating the impact of Minimum Unit Pricing \(MUP\) of alcohol in Scotland on cross-border purchasing' \(publichealthscotland.scot\)](#)

<sup>129</sup> [Evidence on cross-border purchasing to date \(publichealthscotland.scot\)](#)

<sup>130</sup> Addendum (YouGov) to 'Evaluating the impact of Minimum Unit Pricing (MUP) of alcohol in Scotland on cross-border purchasing', published 31 January 2023, [Addendum \(YouGov\) to 'Evaluating the impact of Minimum Unit Pricing \(MUP\) of alcohol in Scotland on cross-border purchasing' \(publichealthscotland.scot\)](#)

Analysis in July 2020 found eight of the 18 products were available below 50ppu when purchased online and none were available below 50ppu when purchased in the supermarkets included.

However, at the time of data collection (July 2020) most of the alcoholic beverages that were available below 50 pence per unit when purchasing online required bulk purchase, often at significant cost, in order to take advantage of a price that was lower than the minimum price. As noted above it was possible to do so if the products were dispatched from places in the UK where MUP does not apply.

Distribution centres which are based in Scotland fall within the scope of the Licensing (Scotland) Act 2005<sup>131</sup>. The increase in online retailing has also resulted in an expanded logistics structure, with more distribution centres being built and used in Scotland. For example, Amazon was granted premises licences for distribution centres in Scotland, bringing them in scope of the Licensing (Scotland) Act 2005<sup>132</sup>.

Nevertheless, this remains a market segment which will require careful monitoring as the market continues to develop and the potential price differential grows with the increased minimum unit price level. It was noted in the economic impact study that the pandemic has driven significant changes in online shopping, with more people buying alcohol online than previously.

### **Impact on retailers, suppliers and wholesalers**

Guidance produced by the Competition and Markets Authority recommends the consideration of four key questions in order to discuss whether the legislation on alcohol products would have an impact on competition<sup>133</sup>. Each of these questions is discussed in turn for the proposal of a 60ppu minimum price of alcohol.

The four questions are as follows. In any affected market, would the proposals:

1. Directly or indirectly limit the number or range of suppliers?
2. Limit the ability of suppliers to compete?
3. Limit suppliers' incentives to compete vigorously?
4. Limit the choices and information available to the consumer?

#### ***1. Would the proposals directly or indirectly limit the number or range of suppliers?***

Minimum unit pricing does not award exclusive rights to supply or restrict procurement processes to a single supplier or restricted group of suppliers. There is also no direct impact or limitation (quota) on the number of suppliers or retailers as a consequence of the policy.

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<sup>131</sup> <https://www.mshblegal.com/Licensing-Blogs/Licensing/alcohol-to-order.html>

<sup>132</sup> [Minimum unit pricing of alcohol : final business and regulatory impact assessment - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/minimum-unit-pricing-of-alcohol-final-business-and-regulatory-impact-assessment-2020/pages/10.aspx)

<sup>133</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/460784/Competition\\_impact\\_assessment\\_Part\\_1\\_-\\_overview.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460784/Competition_impact_assessment_Part_1_-_overview.pdf)

A licensing scheme is already in place for the retail of alcohol in off-sales and on-sales premises. Minimum unit pricing affects all off and on-sales licensed premises as it will continue to be a mandatory condition of a licence, however, it does not affect the existing licensing scheme or require the introduction of a new licensing scheme.

The minimum unit price has established a price floor for alcoholic drinks based on their units of alcohol. The preferred price could potentially make it harder for firms to enter or exit the market for producing or retailing alcohol if the price floor is binding, i.e. if the 'free market' price for their product lies below the preferred price floor. This could prevent low-cost producers from using their cost advantage to enter the market. New entrants would no longer be able to attract demand by challenging existing firms on price, and products below the minimum price would be left with the ability to compete only on non-price factors such as brand, quality, range, advertising, etc. So it may, indirectly, act as a barrier to entry for new firms.

Although conversely, for low-cost producers, retailers may continue to be attracted to their products. If the low cost of production continues to be reflected in the price charged to the retailer, there will be the potential for increased levels of profit per item.

Products that currently retail below the preferred minimum price per unit will require to raise their price to comply with the legislation. This could result in a number of brands of a similar product retailing at an identical price such as supermarket own/private label spirits, brands currently associated with a low retail price and those recognised as more premium brands. If there was no price differential it may be that demand for the own/private label product or value product diminishes leading ultimately to a reduction in the number of suppliers.

Research following the introduction of MUP at 50ppu found mixed evidence about the impact on own-brand products<sup>134</sup>. Industry interviews with some producers found that contrary to forecasts that own-label would have less relevance due to MUP there was in fact a significant growth in the own-brands in large retailers – although the extent of MUP on this finding was unclear.

Conversely, a large retailer interviewed felt their tertiary own-brand range (brands designed to be similar to leading brands) had been squeezed as there was no point in selling a product if it was unable to be retailed for a more affordable price. This suggests some different viewpoints among producers and retailers on the longer-term impacts of MUP on the own-brand segment. The impact going forward would also clearly be impacted by the degree to which the preferred price would compress the price distribution of products.

## **2. Would the proposal limit the ability of suppliers to compete?**

Minimum unit pricing restricts the ability of retailers to price alcohol products on the basis of their alcohol content. Since the limitation acts as a price floor, retailers are

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<sup>134</sup>[Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

not able to out-compete through undercutting one another on price across some or all of their product range or through loss-leading (i.e. below cost selling) using a price level below the floor.

While in theory this could present a weakening effect on competition between retailers, there is no strong evidence that the introduction of the 50ppu minimum unit price in 2018 was responsible for any significant detrimental impact to competition.

Identifying which part of the retail market will be most affected by the change to the level of MUP – supermarkets or small shops – is challenging. Large and small retailers are likely to be affected differently. Larger retailers sell large volumes of popular brands (often priced very competitively) but also, a greater range of products. Convenience stores' representatives have previously said that they need to maintain low prices to compete with supermarkets, particularly as supermarkets continue to develop their "convenience store" format.

The Scottish Government is aware from the introduction of MUP at 50ppu that the gap between the prices in convenience stores and supermarkets narrowed<sup>135</sup>. The average price per unit of alcohol in Scotland increased from £0.60 in the year prior to MUP being implemented to £0.66 in the year following - primarily driven by the supermarket sector where the average price increased from £0.56 per unit in the year prior to MUP implementation, to £0.66 in the year following (+17.9%). On average, alcohol sold through convenience stores was more expensive than that sold in supermarkets prior to MUP being implemented, but saw a smaller change in average price from £0.63 to £0.67 (+6.3%). This resulted in a similar average price per unit in supermarkets and convenience stores in Scotland during the first year following the introduction of MUP.

The economic impact study reported that views were mixed on the extent to which the market share of different retailers had changed as a result of MUP in 2018, and there was little evidence to suggest significant changes had taken place. Most of the respondents could see the potential benefits MUP offered for smaller retailers, by offering parity in terms of price and opportunities for promotions. The large retailers also believed they lost some market share when MUP was initially introduced as Scotland has a large convenience footprint and the level playing field gave convenience stores a marketing opportunity, while a few smaller retailers felt MUP had limited their opportunity to offer promotions just as much as the larger retailers.

It is very unlikely that the continuation of minimum price legislation would force any small retailers out of the market. In any exceptional circumstances where this was the case, there would be a potential competition impact since it could lead to a more consolidated market, and hence less competition between firms even on products where the minimum price floor does not have a direct effect.

The initial change in the market is likely to be in the quantities sold of a specific alcoholic product if the original price lies below the preferred price. The change in revenue to retailers and wholesalers will be determined by consumers' elasticity of

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<sup>135</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](#)

demand for that product – the more inelastic the demand, the greater the increase in revenue. This leads to a transfer of ‘rents’ from consumers to retailers. In effect, retailers can charge higher prices for the same goods than they otherwise could under free and unrestricted competitive markets.

With minimum unit pricing potentially reducing the relative price gap between lower and higher quality products another form of market distortion that has been raised by industry previously is the potential for increased ‘commoditisation’<sup>136</sup>, with a compressed price distribution leading to less ability for consumers to identify the premium products.

An alternative scenario could be a proportionate increase in prices of higher quality products by retailers in order to maintain product differentiation, which would then result in a higher level of prices throughout the alcohol product segment presented to the consumer.

Evidence from British Columbia shows that when the minimum price for alcoholic drinks was raised, prices rose across all of the price distribution, including those well above the minimum price. The scale of price increases reduced the higher the original price of the product<sup>137</sup>.

However, following the introduction of MUP in Scotland at 50ppu in May 2018 it was alcoholic drink products with the lowest price per unit of alcohol before MUP that saw the greatest increases. This particularly affected the cider (+25.6%) and perry (+50.0%) categories as well as own-brand spirits in supermarkets, such as own-brand vodka (+18.5%), gin (+16.1%), and blended whisky (+12.8%)<sup>138</sup>.

The economic impact study also found that the trend of increased premiumisation continued following MUP, with most industry respondents highlighting there was a shift towards a new equilibrium of lower volume and higher value sales in the alcoholic drinks sector.<sup>139</sup> The price compression MUP created was seen as one of the many contributing factors to this trend, and both retailers and producers were positive about the impact of this as it was consistent with their marketing and growth strategies.

The likely behavioural response to the increase in price is discussed in detail in the section on elasticities. Overall demand for alcohol tends to be inelastic. This means that an increased price leads to a proportionately smaller decrease in demand and an increase in revenue.

The most recent estimates from the Sheffield Model are that, after accounting for duty and VAT, a minimum unit price of 65ppu would lead to an increase in overall

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<sup>136</sup> [Minimum unit pricing of alcohol : final business and regulatory impact assessment - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/minimum-unit-pricing-of-alcohol-final-business-and-regulatory-impact-assessment-2018/pages/100.aspx)

<sup>137</sup> [Minimum unit pricing of alcohol : final business and regulatory impact assessment - gov.scot \(www.gov.scot\)](https://www.gov.scot/publications/minimum-unit-pricing-of-alcohol-final-business-and-regulatory-impact-assessment-2018/pages/100.aspx)

<sup>138</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](https://www.gov.scot/publications/evaluating-the-impact-of-mup-on-alcohol-products-and-prices-2022/pages/100.aspx)

<sup>139</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](https://www.gov.scot/publications/minimum-unit-pricing-impacts-on-the-alcoholic-drinks-industry-in-scotland/pages/100.aspx)

industry revenues compared to when MUP was introduced in 2018, all else being equal. The modelling also estimates that there would be a decrease in exchequer receipts compared to when MUP was introduced in 2018, all else being equal.

The likely distribution of industry revenues across the supply chain is not known. If the majority of profits are retained by retailers – as was seen with the introduction of MUP at 50ppu - margins would return to broadly similar levels to when MUP was introduced in 2018 and could be used to become more competitive in other areas, (e.g. fruit and vegetables). It might lead to loss-leading activities on staple items such as bread and milk.

This might put smaller retailers, who would not have the same flexibility of margins, at a competitive disadvantage. If producers raise their prices accordingly following the imposition of a minimum price, this could negate any profit margin increase for retailers.

However, the PHS economic impact evaluation found there was little evidence that retailers had shared any MUP surplus with consumers by discounting non-alcoholic products<sup>140</sup>.

The evaluation found that producer-retailer relationships have remained consistent since the introduction of MUP<sup>141</sup>. While initially some retailers would ask producers specific questions about products in relation to implementing MUP, over time they have made their own decisions about price points. Producers continue to find that large retailers are still unwilling to pass on any potential profits from MUP increases, while smaller retailers noted no change in their relationships with wholesalers, who they typically found would not negotiate on price. In addition, the use of price-marked products further limited opportunities to negotiate.

In some cases, there is a risk that Government-imposed restrictions on pricing could encourage rent-seeking activity e.g. lobbying by firms to maintain or increase restrictions. This could lead retailers to divert resources away from developing and improving their products and services. In the long-run this can result in higher costs. Raising the minimum unit price level above the rate of alcohol inflation would bring more products into scope of the regulations and therefore has the potential to increase this behaviour.

### **Production methods and innovation**

The producers that will be most affected by a minimum price change are those whose production consists of a significant volume of products which currently sell below that proposed updated minimum price threshold. These producers are likely to be the ones whose main production focuses on own/private label products, as these generally sell at lower prices.

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<sup>140</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>141</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)



There should be minimal negative impact on innovation or the introduction of new products. New, high-strength products would have to comply with the new minimum price, but would not be prevented from being introduced. There may even be an incentive to innovate. One possible effect of the updated minimum price could be the introduction of alcohol products containing lower strength alcohol which could be sold at a relatively lower price in larger quantities due to them containing fewer units of alcohol per litre. This would constitute an introduction of a new product in line with proposed legislation and would not change the characteristics of existing products. However, reducing the alcohol content will not be an option for some products such as Scotch Whisky, where legal definitions dictate that the product has to be of strength of at least 40% or higher<sup>142</sup>.

In the year following the introduction of MUP there were more products (at the brand level) discontinued compared to the corresponding period prior to MUP (27 compared to 32, with 506 unique products at baseline). Similarly, there were more products introduced in the year prior to MUP compared to the year after (52 compared to 33). It was also found that only a small proportion of products in Scotland, approximately 4.4%, had a change in ABV in February 2019 compared to February 2018.<sup>143</sup>

Case studies and interviews with the sector highlighted that the changes were most likely in the form of new format sizes and pack sizes to meet attractive price points rather product reformulation. Changes in products and strategies were limited due to Scotland representing only a small share of many of the firms' businesses.<sup>144</sup>

It is not anticipated that the proposals will limit suppliers' freedoms to organise their own production processes or their choice of organisational form.

### **International competition**

In the consultation prior to the initial introduction of minimum unit pricing in 2018 there was some concern raised by the industry<sup>145</sup> that the introduction of the MUP legislation in Scotland set a precedent which could lead to similar legislation being introduced in other countries, on the basis of a public health rationale.

Since its introduction in Scotland in 2018, minimum unit pricing legislation has been introduced in Wales, Republic of Ireland, and the Northern Territory, Australia. The extent to which this would have happened anyway is unclear.

While there could potentially be a detrimental effect on the export segment of Scottish drinks producers if the price floor outside of Scotland fell below the 'free market' price, the current minimum unit prices in Wales (50ppu) and the Republic of Ireland (10 cents per gram) would be unlikely to have a significant impact on Scotland's primary alcohol export of Scotch Whisky. Also, Scotch Whisky is already

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<sup>142</sup> [The Scotch Whisky Regulations 2009 \(legislation.gov.uk\)](https://www.legislation.gov.uk)

<sup>143</sup> [Evaluating the impact of MUP on alcohol products and prices \(publichealthscotland.scot\)](https://publichealthscotland.scot)

<sup>144</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<sup>145</sup> [Minimum unit pricing of alcohol : final business and regulatory impact assessment - gov.scot \(www.gov.scot\)](https://www.gov.scot)

subject to a number of imposed duties and restrictions in other countries, so it is difficult to see how minimum pricing introduces a precedent.

### **3. *Would the proposals reduce suppliers' incentives to compete vigorously?***

The primary effect of a price floor is to reduce the ability of retailers to compete on price grounds in a certain section of the market. Changing the minimum unit level would change the section of the market where retailers are no longer able to compete on price. Instead, retailers might switch to competing on other factors, such as customer service, quality, heritage, taste or origin. Some of this could be positive for consumers. However, other forms of competition can be less positive (e.g. competition on advertising). There has been no strong evidence that the introduction of MUP at 50p per unit in 2018 has led to any significant increase in non-price competition. All else equal, an increase in the level of price will lower the number of products which can be used to compete for custom via price, with the potential unintended consequence of increase in this type of non-price competition facilitated by the increase in revenue and any resultant impact on sales.

The Scottish Government has established that at a preferred price of 65ppu the impact on retailer revenues would likely be broadly positive (i.e. an overall increase) compared to when MUP was introduced in 2018 at 50ppu. However, the ability to compete on price diminishes as a greater share of products are brought under the minimum unit level, and at 65ppu this share is likely to be slightly larger than when MUP was first introduced (64% in 2022, 45% in 2017).

At the introduction of the minimum price it was noted that it was important to not inadvertently allow or encourage competitors to share information on their commercial matters (e.g. future price or demand projections) during the process of setting their price according to the regulations. There has been no evidence of any such practises since the introduction of the minimum unit price at 50ppu. Again, as there will likely be a greater share of products falling under the preferred price, the more these potential impacts need to be considered.

### **4. *Limit the choices and information available to the consumer?***

A change in the minimum price for a unit of alcohol can be expected to have direct and indirect impacts on consumers. The preferred price floor will lead to price changes for affected products. This means that relative prices of different alcoholic products would change as the minimum price floor would affect some products (whose price would increase), but not others (whose original price was already set above the preferred price).

It may limit consumer choice in a particular market segment as the ability to retail alcohol at prices which are cheap relative to the strength of the product will be curtailed. Those who drink most heavily will be most impacted as they are highly likely to buy these products. The volume of alcohol affected will vary with the type of alcohol.

Consumer choice may be reduced as, depending on the market response to the imposition of the preferred price floor, products which previously retailed below that may disappear from the market; or they may displace those previously retailing at

the preferred price required. Alternatively, all products may remain in the market with adjustment occurring across a wide range of price points.

In terms of pricing information it will be possible for consumers to calculate the minimum price below which a product cannot be sold. It is estimated that the change will result in increased income to the industry via the off-trade. If firms choose to spend this on additional marketing and advertising then consumers could, potentially, have more information about the products that are available.

The evaluation of the introduction of MUP at 50ppu<sup>146</sup> found some qualitative evidence that MUP had constrained the promotions that could be offered by large retailers in Scotland. They had responded to this with more creative marketing of products in Scotland, including considering the use of location and space to create excitement about different products.

In the same study smaller retailers had noted they were somewhat limited in their marketing already due to licensing regulations, so had not changed their approach particularly. In addition, the increased presence of price-marked products combined with MUP meant they were more limited on what they could offer.

For some producers, more recent changes and decisions have been made in response to Covid-19 lockdowns (e.g. selling more products in supermarkets while the on-trade was closed).

Consumers can be expected to respond to the change in price in either of two ways, either by reducing their consumption of an alcoholic product if the price increases, or by switching to alternative products (substitutes) whose relative price has decreased. The extent to which this happens will depend on consumers' price responsiveness, i.e. the own-price elasticity (PED) and cross-price elasticities (XED) of demand, which will determine change in consumption and switching behaviour. It is not expected that minimum unit pricing will affect the ease with which customers can switch between competing products.

Own-price and cross-price elasticities:

- Own-price elasticity of demand is defined as the measure of responsiveness in the quantity demanded for a commodity as a result of a change in its own price. It is a measure of how consumers react to a change in price.
- If demand for a good is inelastic, a change in the good's price will invoke a proportionately smaller change in demand for that good ( $0 < PED < 1$ ). If the demand for a good is elastic, then a change in price will result in a relatively larger change in quantity demanded ( $1 < PED < \infty$ ).
- Elasticities will vary with the level of drinking, and individual's level of income. Aggregate analysis tends to suggest that heavier drinkers have relatively more inelastic elasticities of demand for alcohol than moderate drinkers, meaning that an overall change in the price of alcohol will cause

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<sup>146</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

heavier drinkers to change their consumption behaviour by relatively less than moderate drinkers. However, since heavier drinkers, by definition, consume more in *absolute* terms, the total quantities of alcohol consumed could change more than for moderate drinkers.

- The Sheffield Model found that heavier drinkers were more responsive to price change. The model takes into account cross-price impacts which vary in a very complex way between moderate and hazardous/harmful drinkers and across the different drink and price groups of goods.
- Cross-price elasticities of demand (XED) measure the responsiveness of the demand for one good, to a change in the price of another good. If the XED between two alcohol products is high, this means that consumers would switch easily to an alternative if the price of one product increased.

As alcohol is both mind altering and addictive it might be reasonable to suggest alcohol has relatively few substitutes<sup>147</sup>. The PED for alcoholic beverages is therefore likely to be inelastic. Estimates of the PED will vary, however, depending on how the beverage is defined, e.g. it could reasonably be argued the most important substitute products for beer are wine and spirits. As there are relatively few substitute products, it is likely the absolute value of the own-price elasticity of beer is quite low. The same is obviously also true for wine and spirits.

The more narrowly defined the market of a product (e.g. alcohol), the greater the flexibility to switch to alternative products, i.e. the greater the elasticity. For any given brand of beer, or beer sub-market category, e.g. imported beer, there are therefore many substitute beer products. As such, it is reasonable to expect the absolute value of the PED for a specific beer brand or beer sub-market category to be relatively high.

Estimates of own price elasticities calculated and used in the most recent version of the Sheffield Model for the Scottish Government are shown in Table 67. The Sheffield Model now uses a two-step approach to price responses, in that the price affects both whether people drink or not and then if they do drink it then affects consumption level. This means there are separate participation and consumption (conditional on consumption) elasticities as shown below.

**Table 67: own price elasticities for off and on-trade beer, cider, wine, spirits and RTDs in Great Britain**

Participation					
	Beer	Cider	Wine	Spirits	RTDs
Off-trade	-0.247	-0.116	-0.314	-0.195	-0.031
On-trade	-0.288	-0.086	-0.235	-0.176	-0.012
Conditional consumption					
	Beer	Cider	Wine	Spirits	RTDs
Off-trade	-1.197	-1.136	-0.342	-0.221	-0.486
On-trade	-0.803	-0.342	-0.387	-0.777	-0.144

<sup>147</sup> Fogarty, J. (2008) *The demand for beer, wine and spirits: Insights from a meta analysis approach*, American Association of Wine Economists, Working paper No.31, November 2008

The interpretation of this is that a 1% increase in the price of off-trade beer would lead to 0.247% reduction in the number of people drinking off-trade beer at all, and a 1.197% reduction in the beer consumption of those who carried on drinking off-trade beer.

For comparison, examples of price-elasticities from other studies are given in Table 68.

**Table 68: Examples of price elasticities in academic studies**

Study	Region	Period/type	Mean own-price elasticities			
			Alcohol (aggregate)	Beer	Wine	Spirits
Huang <a href="#">[403]</a> (HMRC)(2003)	UK	1970-2002, on-trade		-0.48	-0.75	-1.31
		1970-2002, off-trade (beer only)		-1.03		
Fogarty <a href="#">[404]</a> (2004)	UK	Meta analysis		-0.47	-0.72	-0.76
Gallet <a href="#">[405]</a> (2007)	International	Meta analysis	-0.54			
Wagenaar <a href="#">[406]</a> (2009)	International	Meta analysis	-0.51	-0.46	-0.69	-0.8
		Harmful drinkers only	-0.28			
Collis, Grayson & Johal <a href="#">[407]</a> (HMRC) (2010)	UK	2001-2006, on-trade		-0.77	-0.46	-1.15
		2001-2006, off-trade		-1.11	-0.54	-0.89
Sousa J <a href="#">[408]</a> (HMRC) (2014)	UK	2007-2012 on-trade		-0.34	-0.24	-1.25
		2007-2012 off-trade		-0.74	-0.08	-0.4
Griffith, O'Connell and Kate Smith. Institute for Fiscal Studies (2017) <sup>148</sup>	UK	2010-11	-0.71 (over 35 units per week) to -2.09 (under 7 units per week)			

<sup>148</sup> [WP201702.pdf \(ifs.org.uk\)](#)

Meng et al (2014) <sup>149</sup>	UK	2001-2009		-0.98 (off- trade)	-0.38 (off- trade)	-0.082 (off- trade)
Guindon et al (2022) <sup>150</sup>	International	Meta analysis		-0.3	-0.6	-0.65

Although there is little consistency in estimates, these tables show that demand for wine and beer is generally inelastic in the UK.

A change in the price of alcoholic products following a change in the level of the minimum unit price will therefore have different effects on consumption depending on these elasticities. For the more inelastic products, it can be expected that consumers will spend more if the price increases. For the relatively more elastic products, like off-trade cider, consumers would be expected to reduce their consumption in response to price increases.

The own price elasticities in Table 67 do not take into account switching behaviour. This issue is addressed by the XEDs between different alcoholic products as defined above. The values show both whether products are substitutes or complements and the strength of the relationship. The extent of switching is likely to be limited.

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<sup>149</sup> [Estimation of own and cross price elasticities of alcohol demand in the UK—A pseudo-panel approach using the Living Costs and Food Survey 2001–2009 \(sciencedirectassets.com\)](#)

<sup>150</sup> [Prices, taxes and alcohol use: a systematic umbrella review - Guindon - 2022 - Addiction - Wiley Online Library](#)

## 9. CONSUMER ASSESSMENT

**Q1. Does the policy affect the quality, availability or price of any goods or services in a market?**

### Price

Minimum Unit Pricing places a floor on the price at which alcohol can be sold based on the alcohol content in the drink. The aim of the policy is to increase the price of high strength low-cost alcoholic products in order to reduce the health harms associated with consumption of these. The minimum unit price level is selected so as to balance the benefits of reduced health harms against the costs to consumers and businesses of higher prices for certain products.

The introduction of MUP at 50 pence per unit in 2018 was associated with an increase in the average price of alcohol sold in Scotland. However, there was no strong evidence that the prices of products not directly impacted by MUP increased to maintain a price differential.<sup>151</sup>

### Availability

There are no direct restrictions on the availability of products in the market. Products which would be sold below the minimum unit price in the absence of the policy can continue to be sold as long as they are retailed in compliance with the minimum unit price.

Evidence suggests that the introduction of MUP at 50 pence per unit in 2018 was not associated with an increase in the number of products introduced or discontinued in Scotland.<sup>152</sup>

### Quality

There are no direct restrictions on the quality of products sold in the market. The quality of alcoholic beverages is a subjective measure based on the preferences of consumers. The overall market assessment of the quality of a product will be largely reflected in its price – i.e. higher quality products will have a higher price due to both a higher demand and higher production costs (more expensive inputs, longer maturation time, increased quality control). The policy is intended to target high strength low-cost products which will typically not include products regarded as ‘premium’.

Evidence suggests that the introduction of MUP may have contributed to the continuing trend of the ‘premiumisation’ of the alcohol market, with consumers purchasing less volume but higher quality products.<sup>153</sup>

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<sup>151</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](#)

<sup>152</sup> [Evaluating the impact of MUP on alcohol products and prices 2022 - Publications - Public Health Scotland](#)

<sup>153</sup> [Minimum Unit Pricing: Impacts on the alcoholic drinks industry in Scotland - Publications - Public Health Scotland](#)

<b>Q2. Does the policy affect the essential services market, such as energy or water?</b>
No
<b>Q3. Does the policy involve storage or increased use of consumer data?</b>
No
<b>Q4. Does the policy increase opportunities for unscrupulous suppliers to target consumers?</b>
No
<b>Q5. Does the policy impact the information available to consumers on either goods or services, or their rights in relation to these?</b>
No
<b>Q6. Does the policy affect routes for consumers to seek advice or raise complaints on consumer issues?</b>
No

## **10. TEST RUN OF BUSINESS FORMS**

No new business forms will be introduced in the implementation of the two pieces of proposed legislation.

## **11. DIGITAL IMPACT TEST**

MUP applies to all alcohol, regardless of whether the product is bought in person or online. It is not anticipated that continuation would have any specific digital impacts given the proposal is to continue an existing scheme.

## **12. LEGAL AID IMPACT TEST**

We have consulted with the Scottish Government Legal Aid Policy Team. They have confirmed that they do not foresee any impact on the legal aid fund.



### **13. ENFORCEMENT, SANCTIONS AND MONITORING**

On the continuation of MUP, there will be no change to the current situation as regards enforcement and sanctions. MUP is already a mandatory condition of a premises and occasional licence and there are existing enforcement arrangements in place. Licensing Standards Officers (LSOs) monitor compliance of MUP with the legislation and they are able to report infringements to the Licensing Board. The Licensing Board is then able to apply a number of sanctions to the licence holder which are available through the 2005 Act, ranging from a warning to the revocation of the licence.

In terms of the cost of implementing and enforcing the policy, MUP is very low cost economically as the infrastructure being used to deliver it is already in place for other policies and legislation. This provides a strong argument for even a small benefit being worthwhile.

For the preferred price, there will be minimal change to the current situation. LSOs will continue to monitor compliance. In the event of continuation of MUP and any change in price, full consideration to awareness raising will be given, as part of any required implementation period, for both the general public and for health and care services including those delivering alcohol treatment services. Some additional input from LSOs may be required to raise awareness of the preferred price prior to implementation and shortly afterwards to ensure retailers understand their obligations and are compliant.

As regards monitoring of the preferred price, data on alcohol are routinely collected and this will continue. Both the alcohol surveillance and DAISy<sup>154</sup> systems collect data on alcohol sales, price, harms, treatment and will feed into the annual reporting of trends in consumption, price and harm which forms part of the MESAS portfolio.

For acute conditions (such as alcohol-related injuries, drink driving and acute intoxication), an increase in price would be expected to have an immediate impact on prevalence rates, the relationship between changes in price and consumption levels, if such impacts were to materialise. The incidence of chronic alcohol conditions, however, is much more difficult to quantify. There is likely to be a 'time lag' between a reduction in consumption, due to the introduction of the preferred price, and the full benefits in terms of reduced chronic health harms. The expected time lag is also assumed to vary across conditions and by individual.

### **14. IMPLEMENTATION AND DELIVERY PLAN**

The preferred price of 65ppu would be implemented by all licensed premises. As mentioned in the previous section, MUP is a mandatory condition of a premises and occasional licence, and Licensing Standards Officers (LSOs) are responsible for

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<sup>154</sup> [Drug and Alcohol Information System](#) is a national database that holds data about drug and alcohol services across Scotland.

ensuring compliance with licence conditions. When MUP was introduced originally (at 50ppu), there was a high level of compliance.

Previously, the Scottish Government produced guidance on the implementation of minimum pricing (at 50ppu) in consultation with relevant parties such as retailers, wholesalers, producers, LSOs, Police Scotland and Licensing Clerks to the Licensing Boards. In the event of any change to the minimum unit price level, this guidance would be updated with the preferred price, and we would consult with the relevant parties again to discuss any issues and to make sure there is a smooth transition.

We would also undertake the appropriate public awareness activities to ensure an understanding and awareness of the implementation of the preferred price. The Scottish Government would ensure that local services and service commissioners are aware of the potential increase in demand for alcohol services which could result from the introduction of the preferred price. The Scottish Government is also working with partner organisations to develop and introduce a national service specification and national standards for alcohol and drug services which is designed to improve capacity and quality of treatment services (and would form part of any mitigation required should there be increased demand for service support).

The existing legislation sets the date at which the minimum pricing provisions will expire, unless continued (the sunset clause). That date is 30 April 2024. The Scottish Ministers were required to review the operation and effect of the policy over its first five years (1 May 2018 to 30 April 2023), and lay a report before the Scottish Parliament on their findings. If Orders are laid to continue the effect of the minimum pricing provisions and to amend the minimum unit price, those would be subject to the affirmative procedure, and would need to be approved by the Scottish Parliament before they could be made and brought into force.

In the Business price review survey, businesses were asked to consider the impact of changes to MUP on different products and any potential positive or negative impacts this would have on revenue, profits, and additional costs. Businesses generally considered there would be some potential costs associated with changing MUP mainly due to administrative changes. The majority of producers considered 3 months was sufficient lead time for a change in price, whilst retailers considered up to 12 months was required for any changes to MUP being implemented. This interim BRIA is being published alongside a public consultation, when further views on this may be forthcoming. Such views will be taken into consideration before a decision is taken on the date for any change in the level of minimum unit price to take effect.

## **15. SUMMARY AND RECOMMENDATION**

Table 69 below summarises the costs and benefits of the options outlined above. Given the analysis above, and the summary, we recommend Option 4.a.iii: continue MUP, and increase the level to 65ppu. We consider this strikes the most appropriate balance between the positive health impacts balanced against the impact on the market.

**Table 69: Summary of Costs and Benefits of all options**

Option	Benefits	Costs
<p><b>Option 1:</b> Do nothing and let the 2012 Act requirements sunset i.e. cease</p>	<p>Would benefit drinks producers who could sell products for below 50ppu in the absence of a price floor.</p> <p>It could also benefit retailers who rely on sales of the cheapest drinks for a large share of revenues.</p> <p>While on average spending would be expected to increase, for some individuals the cost of consumption would fall.</p>	<p>The removal of MUP is estimated to increase alcohol consumption and hence alcohol harms, which is not consistent with our policy aim of reducing alcohol-related harm.</p> <p>There would be an increase in hazardous and harmful drinkers and the increase in mortality (+131) and hospital admissions (+1751) in the first year would be felt most acutely by those in the most deprived areas of Scotland. NHS costs increase.</p> <p>Retail revenue forecast to fall - 0.4%</p>
<p><b>Option 2:</b> Continue MUP at 50ppu</p>	<p>Minimal transition costs: businesses would see a continuation of current MUP implementation.</p> <p>Health harms would be reduced compared to no MUP but this effect is likely to diminish as inflation erodes the real value of the MUP level.</p>	<p>Health costs increase as time passes and inflation erodes real value of MUP.</p> <p>Approximating from row 2 of table 8: Deaths +82 and hospital admissions +1,125 compared to 60ppu in 2023.</p>
<p><b>Option 3:</b> Continue MUP at a level lower than 50ppu</p>	<p>Lower price floor would allow price competition at lower levels. Products de-listed at 50ppu might re-enter market, increasing choice.</p>	<p>Estimated to increase alcohol consumption due to lower prices, not consistent with aim of policy.</p>
<p><b>Option 4: Continue MUP at levels above 50ppu</b></p>		
<p>4.a.i. 55ppu</p>	<p>Increased health impact compared to 50ppu in cash terms 2023.</p> <p>Lower impact on market: 37% affected (2022),</p> <p>Lower than inflation rise – retailer prices can be lower in real terms, leading to more competition.</p> <p>Exchequer revenue increase +1.0%</p>	<p>Lower than inflation rise: estimate +49 deaths; +654 hospital admissions compared to 60ppu in 2023.</p> <p>Small increase in healthcare costs</p> <p>Retailer revenue forecast to decrease -0.2% (compared to 60ppu)</p>
<p>4.a.ii. 60ppu</p>	<p>Maintains level of health impact relative to 50ppu in 2019, approximately equivalent to increasing MUP by CPIH,</p>	<p>Larger impact on market than at 50ppu at implementation. Impact 52% of market (2022).</p>

	<p>keeping the price constant in real terms.</p> <p>PHS evaluation estimated MUP at 50ppu in 2018 reduced deaths directly caused by alcohol consumption by 13.4% and likely reduced hospital admissions by 4.1% compared to no MUP.</p> <p>Cheapest alcohol does not become relatively more affordable.</p> <p>Producers of high priced products might benefit if consumers perceive quality as a reason to switch from a newly higher priced product.</p>	<p>On-trade retailers revenue falls due to consumer switching to off-trade.</p> <p>Producers of alcohol currently below 60ppu are likely to see greater reductions in sales.</p> <p>The evaluation of MUP found some evidence of increased harms as a result of the increase in spending on alcohol, particularly for those with alcohol dependence on low incomes</p> <p>Minor operational costs for retailers to update pricing systems, though evaluation found MUP quickly became 'business as usual'.</p>
4.a.iii. 65ppu	<p>A real terms increase in MUP, reducing health harms. Estimate -60 deaths (Y1) and -774 hospital admissions compared to 60ppu.</p> <p>The modelling estimates that the health benefits would be experienced most acutely by those in the most deprived groups of the population on average (22 fewer deaths in the most deprived SIMD quintile and 6 fewer deaths in the least deprived SIMD quintile in year one of the policy compared to a 60ppu MUP.</p> <p>Retail revenue increases 0.1% (£4.4m) in year one.</p> <p>15,742 fewer hazardous drinkers, 11,403 fewer harmful drinkers</p> <p>Cumulative NHS savings over 5 years of £5m (undiscounted) assuming MUP raised in line with inflation annually</p>	<p>Larger market impact than 60ppu, 64% of volume affected (2022).</p> <p>Minor operational costs to retailers updating pricing systems.</p> <p>Producers with a large share of sales below 65ppu most impacted. In 2022, vodka would be the most-affected off-trade category.</p> <p>Higher MUP more likely to generate unintended adverse consequences. However, there was limited evidence of this when MUP was introduced at 50ppu so there is uncertainty around the extent that rising to 65ppu would generate these.</p>

<p>4b: Continue MUP, increasing to 70ppu, 75ppu or 80ppu</p>	<p>Further reductions in alcohol harms; reaching -197 deaths</p> <p>Retail revenue estimated to be broadly unchanged.</p>	<p>Much greater impact on alcohol market reaching 80% of off-trade volume</p> <p>Significant impacts on consumers and businesses from rising prices.</p> <p>Exchequer Tax and Duties reduced by up to 5.9%</p>
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## **PUBLICATION AND DECLARATION**

### **Sign-off for Interim BRIAs:**

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

**Signed:** 

**Date:** 20<sup>th</sup> September 2023

**Minister's name:** Elena Whitham

**Minister's title:** Minister for Drugs and Alcohol Policy

**Scottish Government Contact point:** James Wilson



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