

# Alcohol Makers Await Scottish Ruling

A court will decide this summer if the government can mandate minimum prices



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The alcohol industry says minimum unit pricing in Scotland would set an international precedent that could unleash a wave of regulation and crimp profits. Photo: Jeff J Mitchell/Getty Images

By  
Saabira Chaudhuri

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The global alcohol industry is bracing for a potentially precedent-setting court decision in Scotland this summer on whether the government can set a floor on alcohol prices.

The semiautonomous Scottish government in 2012 passed legislation that sets a minimum price for all alcoholic beverages of 50 pence (about 72 cents) a unit, which is equal to 10 milliliters of pure alcohol. So-called minimum unit pricing, or MUP, is meant to curb heavy drinking by sharply boosting the price of the cheapest booze on the market.

A 20-pack of Foster's 440-milliliter (15-ounce) beer cans, for instance, currently sells for £11 (\$16) at [Tesco PLC](#)

and [J Sainsbury](#) PLC stores in Scotland. The legislation would boost the price to at least £22.44.

While parts of Canada have some form of minimum unit pricing, if Scotland succeeds in court it will become the first country to implement a floor price per unit of alcohol. A handful of countries implement a floor price on alcohol, but it isn't per unit, allowing people to trade down.

The industry is concerned that regulation passed in the home of Scotch could set an international precedent that could unleash a wave of regulation and crimp profits, similar to plain-packaging moves in the tobacco industry. Canada last week kicked off a process to strip cigarette packs of their branding, following similar moves by Australia and the U.K. Wells Fargo estimates about 20 countries are considering plain packaging.

# Price Boost

Under the Scottish government's minimum-unit-pricing proposal, prices of the country's least expensive alcoholic beverages would rise sharply.

## Here's a sampling of potential price hikes

Crofter's  
hard cider



2 liters  
5% ABV\*

New price: **£5**

**151%**  
from current

Foster's Beer  
20 pack



440 ml cans  
5.1% ABV

**£22.44**

**104%**

Hardys Legacy  
Shiraz Cabernet



750 ml  
13% ABV

**£4.88**

**8.4%**

Famous Grouse  
Scotch whisky



1 liter  
40% ABV

**£20**

**5.3%**

\*Alcohol by volume, £1 = \$1.45

Source: Tesco PLC (prices)

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"If we lose it, I would expect that we will see MUP and similar health-justified schemes introduced not just in Scotland but eventually and gradually in many places around the world," said David Frost, chief executive of the Scotch Whisky Association, an industry trade group whose members include [Diageo PLC](#) and [Pernod Ricard SA](#)

Wales—like Scotland a part of the U.K. but with the ability to write many of its own laws—last year began consulting on setting a floor price on alcohol. Ireland has a minimum-unit-pricing law making its way through the legislative process. Estonia is considering implementing a similar plan. Alcohol-industry executives worry that countries struggling to contain the social and fiscal costs of heavy drinking—like South Korea and Thailand—could justify harder measures if Scotland successfully waves through minimum unit pricing.

Scotland's Parliament in May 2012 passed the law establishing a 50-pence floor on per-unit alcohol prices, with 86 members voting in favor of the measure. The single member who voted against the measure later said she did so by mistake.

The alcohol industry attacked the law as illegal and ineffective, saying it wouldn't stem heavy drinking but instead force responsible drinkers to pay more. The Scotch Whisky Association in July 2012 filed a complaint with the European Commission, saying a pricing floor would "artificially distort trade in the alcoholic drinks market, contrary to EU law." It also opposed the legislation in Scotland's highest civil court, Edinburgh's Court of Session, saying it breached the U.K.'s EU treaty obligations.

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After years of the case bouncing between courts in Scotland and Europe, the Court of Session will hold a hearing on minimum unit pricing Tuesday and is expected to make a decision by August.

"We don't believe in penalizing the majority of people who drink responsibly," said a spokeswoman for Diageo, the world's largest drinks maker and the biggest distiller of Scotch whisky. She added that the company believes in an approach focused on "the minority of irresponsible drinkers."

Establishing a pricing floor "is a very crude implement," said Pernod Ricard's U.K. managing director, Denis O'Flynn. "We think personal responsibility and education is how you address the whole issue of responsible drinking."

Industry moves successfully derailed minimum unit pricing in England, where British Prime Minister [David Cameron](#) pledged in March 2012 to introduce it.

"When beer is cheaper than water, it's just too easy for people to get drunk on cheap alcohol at home before they even set foot in the pub," Mr. Cameron said. He opened a consultation into the level at which a minimum price should be set, but said a floor of 40 pence a unit could mean 50,000 fewer crimes a year and 900 fewer alcohol-related deaths a year by the end of the decade.

The alcohol industry reacted swiftly. [SABMiller](#) PLC commissioned three reports from think tanks questioning the efficacy of minimum unit pricing and highlighting the importance of parents' roles in whether children grow up to drink responsibly. The Wine and Spirits Trade Association led a campaign called "Why Should Responsible Drinkers Pay More" and arranged industry meetings with the Home Secretary Jeremy Browne. The trade body also ignored the official scope of the consultation and said minimum unit pricing was ineffective, unfair and likely illegal under EU law, according to a person familiar with the moves.

Mr. Browne in July 2013 announced the government was shelving plans for minimum unit pricing, citing insufficient evidence that it works.

Several alcohol executives credit the Scotch Whisky Association's European Commission complaint that summer with helping to put England's policy on ice.

If Scotland implements minimum unit pricing, it could reignite calls for the measure to be passed in England. "We all recognize it could come back," said a London-based senior alcohol executive.

"Minimum unit pricing remains under review pending the outcome of the legal case between the Scottish Government and the Scotch Whisky Association and any implementation in Scotland," said a spokeswoman for the U.K. Home Office.

Variants of pricing based on alcohol strength have been effective where they have been implemented, health researchers say.

The Canadian province of Saskatchewan has five price bands per beverage based on alcohol strength. A 10% increase in the minimum price of alcoholic beverages in Saskatchewan was associated with an 8.43% reduction in total alcohol consumption, according to a 2012 analysis by Tim Stockwell, director of the Centre for Addictions Research of British Columbia.

Alcohol is a particularly hot-button issue in Scotland, where sales were 20% higher than in England and Wales last year, according to data released last week by Scotland's National Health Service. Drinking kills six Scots a day, and Scottish drinkers are twice as likely to die of alcohol-related health problems as those in the rest of the U.K., according to data from the Scottish Health Action on Alcohol Problems, a government-funded group.

"I'm not a teetotaler, but I'm concerned that cheap alcohol is ruining and costing the lives of many of my fellow countrymen," said Alex Salmond, who led the Scottish National Party when it pushed through minimum unit pricing in 2012.

**Write to** Saabira Chaudhuri at [saabira.chaudhuri@wsj.com](mailto:saabira.chaudhuri@wsj.com)