

Alcohol etc. (Scotland) Bill

Brewers Association of Canada (BAC)

The BAC is the national association representing brewers licensed to operate in Canada. Membership is comprised of 20 companies which account for more than 97% of domestic beer enjoyed in Canada and abroad.

Brewers have been operating businesses in Canada for over 350 years. Each year the Canadian brewing industry generates more than 1.2% of the gross domestic product (GDP), over CDN \$12 billion, and employs full-time more than 13,000 Canadians directly with another 153,000 jobs generated indirectly. In 2008, the volume of sales in the Canadian beer market was 23.2 million hectolitres, 13.9% of which was imported and 86.1% domestic. Average annual per capita beer consumption is 69.7 litres based on total population.

The Canadian Model

Minimum pricing (or social reference pricing as it is commonly called in Canada) does not exist in isolation, but rather is a key component of the Canadian model of alcohol control. In addition to social reference pricing and other forms of regulated pricing, other features of this model include: the government licensing of retailers and manufacturers; a minimum purchase age that is strongly enforced by liquor licensees (on- and off-trade); a federal legal blood alcohol limit of .08 (supplemented through provincial administrative sanctions at lower blood alcohol levels); federal and provincial advertising laws supported and complemented by a voluntary pre-clearance system for broadcast advertising and in some provinces print, administered by Advertising Standards Canada (an independent advertising self-regulatory body); and the control and regulation of beverage alcohol through provincial liquor boards and licensing agencies.

This policy framework is complemented through voluntary and cooperative initiatives between the brewing industry, governments, interested non-government organizations (NGOs) and experts in the research field. While industry provides the funding, responsibility for program development, content and implementation rests with these partners. In our view, this direct industry to partner programming is more efficient and effective than any government mandated "social responsibility levy" (as called for in Bill 34), ensuring the quick start up of initiatives, the reduction of administrative overhead, and direct assistance to those most in need.

The 2007 National Alcohol Strategy (NAS), "Reducing Alcohol Related Harm in Canada: Toward a Culture of Moderation", best illustrates the spirit of cooperation and multi-stakeholder participation inherent in the Canadian Model. The goal of the NAS is to encourage the development and maintenance of a culture of moderation, with sensible consumption of alcohol as an alternative to misuse. A key recommendation of the NAS in achieving

this goal is the introduction of indexed social reference pricing. A detailed description of the NAS and other initiatives involving industry is contained in Annex 1.

Social Reference Pricing (SRP)

Rationale

In Canada, social reference pricing (SRP) has both a public policy and a government revenue rationale. From the public policy perspective, SRP is seen as being an important measure to prevent discount pricing practices that would drive problematic levels of consumption and fuel youth drinking. It is generally regarded that SRP has more effect on price than tax increases alone, the latter which can be absorbed along the supply chain.

At the same time, SRP also drives government tax revenues when taxes are ad valorem (% of price). On this basis, government can indirectly increase tax revenue through action on an effective social policy instrument.

Development and Context

Provincial governments have exerted significant control over liquor prices since the end of Prohibition, more than eight decades ago. It was within this system that formal SRPs, as explicit pricing policies, began to emerge in the late 1980s and early 1990s.

Depending on the jurisdiction, SRPs are either established through the regulations of provincial governments, under the authority of provincial liquor control/licensing statutes, or, through the administrative policies/guidelines of provincial liquor regulators (Liquor Control Boards, Liquor Licensing Agencies) empowered through statute or regulation to regulate alcohol pricing. SRPs can be structured by alcohol content. As the alcohol volume rises, so does the cost; by dollar value per litre, or by pack size/ranges.

SRPs exist on a comprehensive basis at the retail level in eight of ten provinces (excluding Manitoba and Alberta). In the case of Manitoba, a minimum retail price was established in 2009 for large size (710 ml) single servings of beer. Although Alberta does not have a minimum retail price for alcohol beverages, a minimum level has been established for consumption on premise (on-trade), as exists in other provinces. A summary and description of the SRPs in place for retail sales is included in Annex 2.

SRP policies are endorsed by key Canadian health and alcohol interest groups, including the Canadian Centre on Substance Abuse (CCSA), the Centre for Addiction and Mental Health (CAMH), the Addictions Foundation of Manitoba (AFM), Mothers Against Drunk Driving (MADD), the Ontario Public Health Association (OPHA) and the Centre for Addictions Research of British Columbia (CARBC). These NGOs view minimum pricing thresholds as performing a social responsibility function, and being especially protective of the most vulnerable in the community.

Ontario Strong Beer Case

An Ontario beer industry review of the impact of SRP as applied to strong beer is especially instructive. In 2004, high alcohol single serve containers of beer were growing in popularity with street people and panhandlers who were causing disruption in a city neighbourhood. While SRP was already in place, and the system was geared to alcohol content, the top tier applied to all products 5% alcohol by volume and above. What this meant was that 10% alcohol by volume beer could be sold at the same SRP as 5%, despite having twice the alcohol. The solution to the problem was to adopt a new category of SRP better geared to alcohol content. On this basis, the SRP structure was modified to so that all beer above 5.5% was set at CDN \$55 per litre of absolute alcohol (LAA) – as the alcohol content increased so did the SRP. The end result was a dramatic decline of sales of higher alcohol beer categories above 5.5%. As an outcome, many higher alcohol brands were removed from the market, or their alcohol content was subsequently reduced.

In 2009, the Ontario government announced that it will be introducing a regulated annual indexation of all SRPs to the Ontario consumer price index (CPI). Under this change, expected to occur sometime in 2010, SRPs will now be adjusted by an amount equal to the average Ontario CPI for the preceding three years.

Saskatchewan High Alcohol Surcharge

Similar to the Ontario strong beer initiative, in June 2005, the Saskatchewan Liquor and Gaming Authority (SLGA) introduced a high alcohol surcharge on beer products, applying a flat rate of \$40 per LAA on the alcohol content of packaged beer greater than 6.5% alcohol by volume. The SLGA has noted that since the implementation of this surcharge, the percentage of high alcohol beer sold has declined relative to total beer sales.

Summary

According to Health Canada, most Canadians drink in moderation and without harm, and most do not have problems with alcohol.¹ That being said, the brewing industry is concerned about the misuse of alcohol and is working with government, NGOs, and researchers to address this problem. Social reference pricing in Canada is viewed by industry and other stakeholders as a key component of the Canadian Model to ensure that the benefits of moderate consumption are maximized while minimizing the harms. We thank you for allowing us an opportunity to contribute to the Committee review, and gladly offer any further assistance.

Ian Faris
President & CEO
Brewers Association of Canada (BAC)
20 January 2010

¹ Health Canada, Canadian Addiction Survey, A national survey of Canadians' use of alcohol and other drugs, Highlights and Detailed Report, 2004/2005.

Annex 1: Programs, Partnerships and Initiatives

- Alcohol Issues Panel - More than 12 years ago, the Brewers Association of Canada (BAC) created an Alcohol Issues Panel (AIP), comprised of independent experts and leading NGOs concerned with alcohol and addiction issues in Canada. The AIP continues to meet and provide valuable, content-laden advice to the BAC and its Members on how best to address alcohol misuse in Canada and on effective programming and initiatives.
- National Alcohol Strategy - In 2006 and early 2007, the BAC, along with participants drawn from the distilling and wine industries, provincial liquor boards, federal and provincial/territorial governments, NGO's, and academia-research, met to develop a National Alcohol Strategy (NAS). This working group produced: "Reducing Alcohol Related Harm in Canada: Toward a Culture of Moderation, Recommendations for a National Alcohol Strategy". The NAS is a landmark initiative which has as its objective the development and maintenance of a culture of moderation.
- Centre for Responsible Drinking - In Fall 2009, BAC launched the Centre for Responsible Drinking (CRD), a web-based presence for brewing industry programs and initiatives and repository for alcohol research and policy information. With the help of interested stakeholders and partners, the CRD is committed to leading the discussion with respect to alcohol use and educate all Canadians from all walks of life about the implications of alcohol consumption: www.responsibledrinking.ca.
- Screening, Brief Intervention and Referral – The BAC, Spirits Canada and the Canadian Vintners Association (CVA) are all contributing financial support to the SBIR initiative with the College of Family Physicians of Canada (CFPC) and the Canadian Centre on Substance Abuse (CCSA). SBIR will assist health professionals in advice and referral, based on their professional assessment, to patients at risk or who may already have alcohol-related problems, including advice concerning fetal alcohol spectrum disorder (FASD). This program is a derivative of the original BAC's ARAI program (Alcohol Risk Assessment and Intervention) launched in the early 1990's. Recent research from the U.S. government, the National Institute on Drug Abuse and the Substance Abuse and Mental Health Services Administration (SAMHSA), concludes that SBIR programs reduced heavy alcohol consumption rates by 38.6% among patients.²
- Canadian Foundation on Fetal Alcohol Research (CFFAR) – In September 2007, CFFAR, an independent non-profit foundation, was created to support research related to Fetal Alcohol Spectrum Disorder (FASD) with a \$1 million contribution over five years from the BAC and its member companies. To date CFFAR has announced six peer reviewed grants

² Madras, B.K. et. al. "Screening, brief interventions, referral to treatment (SBIRT) for illicit drug and alcohol use at multiple health care sites: Comparison at intake 6 months later", Drug and Alcohol Dependence, In Press, October 2008.

which will examine how prenatal exposure and stress interact to increase vulnerability to addiction; detection methods for FASD in children, and memory changes that occur in FASD children. www.fasdfoundation.ca

- Fetal Alcohol Canadian Expertise (FACE) Research Roundtable – Since 1999, the BAC has contributed to the support of the FACE conference which brings together over 200 Canadian FASD researchers on an annual basis – presenting scientific findings for peer review and identifying the next steps in the fight against FASD.
- Student Life Education Company (SLEC) - SLEC is a not-for-profit organization established in 1986 dedicated to enhancing the quality of student life in Canada by working with students and schools nationwide to encourage healthy decision making about drinking alcohol. BAC supports SLEC and has in the past contributed towards research to better effect changes in youth attitudes and behaviour involving alcohol consumption.
- Motherisk Program –The BAC finances the Motherisk national toll-free Alcohol and Substance Use Helpline. This confidential and bilingual toll-free service connects callers, primarily new and expectant mothers, with trained medical personnel who can answer questions, provide information, or point them towards treatment and support options.
- Traffic Injury Research Foundation of Canada (TIRF) – A national independent road safety institute, TIRF's mission is to reduce traffic related deaths and injuries. With ongoing funding from the BAC, TIRF has conducted research on effective public policy and technological measures aimed at reducing impaired driving, and addressing the problem of the hard core drinking driver or repeat offender. These measures have attracted attention from lawmakers and policy experts throughout the world.
- ABMRF/The Foundation for Alcohol Research – ABMRF is a non-profit independent research organization established in 1982 that provides support for scientific studies on alcohol consumption and prevention of misuse of alcohol beverages. It is one of the few organizations in Canada and the United States which provide support for research in the physiological, epidemiological, behavioural and social sciences in this field. Since its inception, the BAC and the brewers in the U.S. have funded the ABMRF, which is associated with Johns Hopkins University in Baltimore, Maryland, and is internationally recognized as a leading research institution on alcohol issues.
- Responsible Consumption Messaging - In addition to these efforts, since 1981, the Canadian brewing industry has strived to effect changes in the social conscience of Canadians when it comes to alcohol consumption and misuse, utilizing all available media and collateral materials, including public service advertisements.

- International Activities – Social responsibility initiatives are also supported by the brewing sector at the international level. The Worldwide Brewing Alliance (WBA) publishes a “Global Social Responsibility Initiatives” report which details activities by brewing companies and their associations at the global level in addressing alcohol misuse. The WBA also produces a global report on drinking and driving which, on a country by country basis, describes the legislation governing drinking and driving, legislative changes, statistical trends and industry programs.

ANNEX 2

Social Reference Price Policies Provincial Scan

Province	Reviewed Annually	Current Implementation Date	Rate
Saskatchewan	Yes	January 9, 2009	
Ontario	Every two years*	November 24, 2008	
Prince Edward Island	Yes	February 1, 2009	
Newfoundland & Labrador	Yes	April 2009	
Nova Scotia	Yes	April 1, 2009	
Quebec	Yes	April 1, 2009	
British Columbia	Has reviewed annually since 2005	January 27, 2008	
New Brunswick	No	March 10, 2009	
Manitoba	Effective April 2009, have social reference pricing for large single serve beer, equivalent to \$4.01 per litre.		
Alberta	On-premise minimum price newly implemented in the Summer of 2008. Alberta currently does not have a retail minimum price.		

Province	SRP per Case 24 x 341 ml Bottles Beer	SRP per Litre (apx) Tax included, deposit excluded
Saskatchewan	\$29.87	\$3.65
Ontario	\$25.60	\$3.13
Prince Edward Island	\$33.47	\$4.252 - \$4.396 (includes deposit)
Newfoundland & Labrador	\$37.78	\$4.37 - \$5.86 (Varies by SKU Size)
Nova Scotia	\$33.09	\$4.04 - \$4.44 (Varies by SKU Size)
Quebec	\$26.27	\$3.03 - \$3.21 (Varies by SKU/Alcohol Volume)
British Columbia	\$28.97	\$3.54
New Brunswick	\$33.55	\$3.49 - \$4.10 (Varies by SKU Size)
Manitoba	NA	\$2.85 for 710 ml single serve, or \$4.01 per litre (effective Apr 09)
Alberta	NA	NA

*The Ontario government will be introducing regulated annual indexation, expected sometime in 2010.