

Corporate Responsibility Standards in the Alcohol Industry – Will voluntary become mandatory?

STANDARD LIFE INVESTMENTS



Introduction

Misuse of alcohol has been identified as a major risk to health, a cause of anti-social behaviour and disorder and a significant cost to society. The Department of Health for England estimates that the cost of harm from alcohol is between £17.7 billion and £25.1 billion per year, £2.7 billion of which is a cost to the NHS in England.¹ The Scottish Government estimates that the total cost of alcohol misuse to Scotland was around £2.25 billion in 2006-7, which included a cost to NHS Scotland of around £400 million.²

Some commentators have focused on Britain's 'binge drinking culture', the liberalisation of alcohol sales and increased pub opening hours as key factors that have led to increased alcohol misuse. The conduct of businesses that produce or sell alcohol has also been cited as a significant contributing factor. The alcohol industry has been accused of irresponsible practices such as:

- Heavy discounting by supermarkets using alcohol products as loss leaders
- Sales by pubs to persons under the age of 18
- Sales by pubs to persons who are already intoxicated
- Promotion of alcohol through low price offers that act as inducements to consume greater quantities
- Advertising that glamorises drinking; and
- Failing to make information available to consumers about the quantity of alcohol served and the consequences of drinking over the recommended limits.

Whatever the relative contribution of each of these factors, there is no doubt that there is strong pressure on Government to increase regulation on the alcohol industry in order to address the high social and economic costs of alcohol misuse.³

Current Government Reviews

Both the Scottish and UK Governments are currently considering renewed action to tackle alcohol misuse.

In June 2008 the Scottish Government published a discussion paper seeking views on a range of regulatory proposals, including prohibiting irresponsible promotions and below-cost selling, minimum retail pricing of alcohol, raising the minimum age for off-sales purchases to 21 in Scotland and introducing a 'social responsibility fee' for alcohol retailers to offset the costs of dealing with the consequences of alcohol misuse.

In July 2008 the Department of Health for England (Department of Health) published a consultation aimed at seeking views on the following questions:

- How much more should the NHS do to identify and warn those at most risk?
- Do people who drink alcohol need more information on the alcohol content of their drinks and the risks of regularly drinking too much?
- Should the alcohol industry do more to end irresponsible practices that contribute to excessive drinking?
- Should there be additional mandatory requirements on retail alcohol businesses to ensure better compliance with good practice, such as that currently set out in voluntary industry codes?

Thus both Governments have indicated that they will consider additional mandatory standards that would affect supermarkets, pubs and producers of alcohol.

The Regulatory Framework

In England the sale of alcohol is governed by the Licensing Act 2003. The Licensing (Scotland) Act 1976 is the primary legislation in Scotland, with the new Licensing (Scotland) Act 2005 coming into effect from 1 September 2009. The new legislation in Scotland prohibits irresponsible drinks promotions, which are defined to include promotions such as two for one offers at reduced prices and the provision of unlimited amounts of alcohol for a fixed charge, practices that have attracted criticism.⁴

Alcohol licensing is the responsibility of local authorities in both jurisdictions. Additional legislation covers drinking in public places, sports events, protection of children and young people, drunkenness, drinking and driving, and other alcohol related behaviours.⁵

The Role of Voluntary Standards

While alcohol sales are highly regulated, voluntary standards play a role. The UK Government's Alcohol Harm Reduction Strategy for England, published in March 2004, announced that the Government would consult with industry on the introduction of voluntary social responsibility schemes for alcohol retailers and alcohol producers in order to strengthen industry focus on good practice.

In 2005 a group of 16 trade organisations in the alcoholic drinks industry published Social Responsibility Standards for the Production and Sale of Alcoholic Drinks in the UK (the SR Standards). The SR Standards were developed in partnership with the UK Government to provide a comprehensive statement of the rules, regulations and additional commitments within the industry. They list nine alcohol social responsibility standards for companies (Table 1).

Adherence to the Social Responsibility Standards is voluntary, apart from the provisions that relate to legally proscribed behaviour, and not all drinks industry organisations have formally committed to them.

Table 1

Alcohol Social Responsibility Principles - Social Responsibility Standards for the Production and Sale of Alcoholic Drinks in the UK

1. To promote responsible drinking and the 'Sensible Drinking Message'.
2. To avoid any actions that encourage or condone illegal, irresponsible or immoderate drinking such as drunkenness, drink driving or drinking in inappropriate circumstances.
3. To take all reasonable precautions to ensure people under the legal purchase age cannot buy or obtain alcoholic drinks.
4. To avoid any forms of marketing or promotion which have particular appeal to young people under the age of 18 in both content and context.
5. To avoid any association with violent, aggressive, dangerous, illegal or anti-social behaviour.
6. To make the alcoholic nature of their products clear and avoid confusion with non-alcoholic drinks.
7. To avoid any suggestion that drinking alcohol can enhance social, sexual, physical, mental, financial or sporting performance, or conversely that a decision not to drink may have the reverse effect.
8. To ensure their staff and those of companies acting on their behalf are fully aware of these Standards and are trained in their application in their own areas of responsibility.
9. To ensure that all company policies work to support these standards.

The Department of Health also reached a voluntary agreement with the alcohol industry to include alcohol unit content and government guidelines for lower-risk drinking on the majority of labels by the end of 2008. The UK Government asked that labels

carry a warning on the risks of drinking alcohol while pregnant. Arguably, alcohol industry companies that committed to these voluntary standards could point to their compliance as evidence that they have gone above and beyond their legal obligations to ensure that they:

- promote responsible drinking
- avoid the promotion of excessive or immoderate consumption
- do not sell, market or promote alcohol to young people under the legal purchase age
- make the alcoholic nature of products clear and avoid confusion with non-alcoholic drinks and
- ensure staff are trained in the application of the standards.

Do the Voluntary Standards Work?

In 2008 two separate studies were commissioned to assess the effectiveness of the voluntary standards described above.

1. Review of the SR Standards

The Home Office's Alcohol Strategy Unit asked KPMG to conduct an independent review of the SR Standards. KPMG was asked to examine:

- the extent of adherence to the SR Standards
- whether the SR Standards are fit for purpose and effective drivers for socially responsible practice
- how social responsibility can best be secured across the alcohol industry and
- the impact of the SR Standards in contributing to a reduction in alcohol-related harm.

KPMG sought the views of both industry and non-industry stakeholders on these questions and conducted a total of 726 observation visits to on-trade and off-trade locations to assess compliance with each of the nine principles in the SR Standards.

The KPMG report, published alongside the Department of Health's July 2008 consultation, contains highly critical findings on the industry's compliance with the standards and their effectiveness.⁶ The KPMG report states:

"We have concluded that currently the Standards are not being consistently adopted and applied across the whole body of the alcohol industry. In the current trading climate the commercial imperative generally overrides adherence. Inducements to people to drink more and faster, to allow under-age people entry to restricted premises, and blatantly serving intoxicated people are evidence of this conclusion.

The Standards are currently having negligible impact in either reducing bad practice or promoting good practice on the ground. They lack focus, they are a confusing mix of regulatory and voluntary provisions, and they are not cross referenced to the Licensing Act. In driving responsible practice they are ineffective because of a lack of consistent monitoring and enforcement."⁷

2. Review of voluntary alcohol labelling standards

A second review by Campden & Chorleywood Food Research Association Group (CCFRA) looked at the extent to which the voluntary alcohol labelling agreement with industry was being followed.⁸ The CCFRA report concludes that:

“...limited unit and health information and guidance is currently being made available on the label of alcoholic drinks and there are some instances where good practices are being adopted. At present, however, overall there is much inconsistency as to the unit and health information content, format and location.”⁹

In its July 2008 consultation document the Department of Health described these findings as disappointing, noting that only 57% of products contained information on alcohol unit content and only 3% contained the labelling scheme information in its entirety. The UK Government plans to conduct another review in late 2008 and signalled its intention to consider adopting a regulatory requirement for health information on alcohol labels, stating:

“...there is real doubt as to whether the agreement can be implemented to the extent that was originally expected. Therefore, we believe it is only prudent to plan for our next steps, should the agreement not be delivered. If necessary, this would mean a further consultation on the detail of a regulatory requirement for health information on alcohol labels...”¹⁰

Will Voluntary Become Mandatory?

Not unexpectedly, alcohol industry organisations have criticised the suggestion that voluntary regulation is not working and that more regulation of business is appropriate or warranted. The British Beer & Pub Association reacted strongly, stating:

“With the economy in a precarious position, business under pressure, pubs closing at record rates and people feeling the pinch, now is not the time to be announcing a raft of new costs, regulations and restrictions on either businesses or individuals. The inevitable impact of such measures is to force up costs and prices and push more pubs towards penury.”¹¹

The British Institute of Innkeeping, the professional body for the licensed retail sector, disagreed with the KPMG findings that voluntary standards are not working and complained that “our industry has yet again taken an unfair bashing.”¹²

Also not surprisingly, the British Medical Association (BMA) welcomed the potential for additional government regulation of industry. The head of science and ethics of the BMA called on the UK Government to take action, saying: “There can be no more softly, softly approach.”¹³ The BMA in Scotland announced that it encourages mandatory labelling of alcohol products with the number of units of alcohol in each product, the number of units which should not be exceeded each day and a warning message stating that consuming more than the recommended daily guidelines is likely to cause harm.¹⁴ It also urged that the Licensing (Scotland) Act should be extended to prohibit promotions in off sales in order to tackle bulk buying and increased consumption of alcohol.¹⁵

The Scottish Government consultation closes on 9 September 2008; the UK Government consultation closes on 14 October 2008. It remains to be seen whether the alcohol industry can yet persuade Governments that self-regulation can be an effective means of ensuring that the industry is an active and full partner in achieving a reduction in levels of crime and disorder, harms to young people or health. If not, the industry may be facing new legislation from Governments to drive change.

Notes

¹Department of Health (2008). 'Safe, Sensible, Social – Consultation on further action', p.7

²The Scottish Government (2008). 'Changing Scotland's relationship with alcohol: a discussion paper on our strategic approach', p.11. <http://www.scotland.gov.uk/Resource/Doc/227785/0061677.pdf>

³ibid

⁴Note, however, that these two restrictions only apply to drinks promotions where alcohol is sold for consumption on the premises, not off the premises.

⁵For a comprehensive listing of laws relating to alcohol see IAS Factsheet –'Alcohol and the Law', Institute of Alcohol Studies, July 2007

⁶KPMG (2008), 'Review of the Social Responsibility Standards for the production and sale of Alcoholic Drinks', Volume 1, <http://drugs.homeoffice.gov.uk/publication-search/alcohol/alcohol-industry-responsibility/alcohol-industry-vol-1?view=Binary>

⁷ibid, p. 10

⁸Campden & Chorleywood Food Research Association Group (2008), 'Monitoring Implementation of Alcohol Labelling Regime'.

⁹ibid, p. 3

¹⁰Department of Health (2008). 'Safe, Sensible, Social – Consultation on further action', p 20

¹¹BBPA comments on Department of Health consultation, 22.07.2008

¹² British Institute of Innkeeping (BII), 'BII deeply disappointed by KPMG report', 31 July 2008. http://www.bii.org/index.cfm/asset_id,3973694/fuseaction,news/index.html

¹³ The Daily Telegraph, 'Cheap alcohol and a 'tsunami of harm'', 23 July 2008

¹⁴ British Medical Association, 'Tackling alcohol misuse in Scotland', July 2008. <http://www.bma.org.uk/ap.nsf/Content/tacklingalcoholmisusescotland?OpenDocument&Highlight=2,misuse>

¹⁵ ibid

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