

Draft Act amending section 17 of the Alcohol Act

Impact assessment of the proposal

1. Background

Prime Minister Petteri Orpo's Government Programme (20 June 2023) states, among other things, that Finland's economic and productivity growth have been slow for a long time. The Government's objective is to promote fair and open competition. The Government has outlined that it will continue to open the market in a determined and responsible manner, create conditions for growth in the domestic market, and increase the wellbeing and freedom of Finns.

In this respect, the agreed Government Programme includes a number of measures related to opening up the alcohol market and increasing competition.

The preparation of this proposal is part of the implementation of the entry agreed in chapter 6 ('A formula for growth') of the Government Programme, according to which the Government will reform Finland's alcohol policy responsibly in a European direction and build on the overall reform of the Alcohol Act carried out in 2018. According to the entry, the retail sales licence defined in section 17 of the current Alcohol Act will be extended to include fermented alcoholic beverages containing up to 8 per cent of alcohol, in addition to beverages containing up to 5.5 per cent of alcohol. In this context, it has also been agreed that by the mid-term review, a report on the liberalisation of the sale of wine with an alcohol content of 15 per cent will be drafted in collaboration between the Ministry of Social Affairs and Health and the Ministry of Economic Affairs and Employment. On the other hand, according to the Government Programme, the Government will not change the government-owned alcohol company Alko's public health role and status.

The proposal has been prepared by the Ministry of Social Affairs and Health as official work.

2. Current status and proposed amendments

The current section 6, subsection 2, and section 26 of the Alcohol Act provide for the exclusive right of Alko to the retail sale of alcoholic beverages, one of the exceptions to which is the retail sale of lower strength alcoholic beverages to consumers by grocery stores and restaurants, for example.

This retail sales licence for alcoholic beverages referred to in section 17, subsection 1 of the Alcohol Act currently applies to all alcoholic beverages containing up to 5.5 per cent of alcohol by volume. It would be added to the section that the retail licence would also apply to fermented alcoholic beverages containing 5.5 to 8.0 per cent of alcohol by volume. In other words, the percentage limit for mixed drinks made with spirits would, according to the proposal, be maintained at 5.5 per cent by volume.

The requirements for granting a retail sales licence for alcoholic beverages would not be changed and the licence holders would not need to apply for a new licence to comply with the amendment. After the amendment, the exclusive right of Alko to retail sales would be more limited than at present.

3. Solution options

3.1. Amendment applying to all alcoholic beverages

The market would be opened and competition would be increased the most if retail sales of all alcoholic beverages were allowed for all retailers with a retail sales licence. However, the Government Programme emphasises the responsibility of the reform, and for this reason it was also agreed in the Government Programme that the Government will not change the public health role and status of Alko.

The proposal would therefore not apply to all alcoholic beverages, but rather the sale of alcohol will be liberalised in smaller steps.

3.2. Amendment applying to all alcoholic beverages containing up to 8.0 per cent of alcohol by volume

In the preparation of the draft it was estimated that, among other factors, the production method of alcoholic beverages affects children's and young people's consumption of alcohol.

In Finland, the most popular alcoholic beverage for boys is beer, while girls' favourites are long drinks, cider and strong drinks. In connection with the 2018 legislative amendment, the retail sale of mixed drinks in particular was liberalised and the consumption of the mixed drinks favoured by girls increased. Overall, the alcohol consumption of young Finns has decreased almost continuously since the turn of the millennium, but the development stopped between 2017 and 2019, and the amount of alcohol consumed by young people, especially girls, in one session increased after the legislative amendment.

Although alcohol consumption is harmful to young people regardless of the type of drink, the preference of underage girls for long drinks as their drink of choice suggests that allowing the sale of stronger long drinks in grocery stores is likely to lead to an increase in girls' alcohol consumption

Therefore, retail sales would not be liberalised for all alcoholic beverages containing up to 8.0 per cent of ethanol by volume. In this context, it has also been agreed that in 2025, a report on the liberalisation of the sale of wine with an ethanol content by volume of up to 15 per cent will be drafted in collaboration between the Ministry of Social Affairs and Health and the Ministry of Economic Affairs and Employment.

3.2. Amendment applying to fermented alcoholic beverages containing up to 8.0 per cent of alcohol by volume

As stated, the Government will reform Finland's alcohol policy responsibly towards a more European direction and build on the overall reform of the Alcohol Act carried out in 2018. It has been decided that alcohol trade will be liberalised by amending the Alcohol Act to allow licence holders to also sell to consumers fermented alcoholic beverages containing up to 8.0 per cent of alcohol by volume, whereas currently, holders of a retail sales licence are allowed to sell to consumers all alcoholic beverages containing up to 5.5 per cent of alcohol by volume.

4. Comments from stakeholders

The proposal has been agreed between the government parties in the Government Programme, but comments from stakeholders on its implementation have not yet been requested.

There has been public debate on whether there is sufficient justification to limit the change to alcoholic beverages produced by fermentation only. As indicated in section 3.2, the purpose of the limitation is to protect children and young people from the harm caused by alcohol.

5. Assessment of the impact of the selected option

In 2022, there were 6 317 outlets in Finland with a retail sales licence for alcoholic beverages. Of these, 1 444 were premises licensed for serving alcohol which also engaged in retail sales of alcohol beverages. Alko had 373 outlets.

Currently, Alko's selection includes 79 wines, 424 beers and 28 ciders produced by fermentation and with an alcohol content of between 5.6 and 8.0 per cent by volume.

The proposal would enable holders of a retail licence to offer for sale these beverages currently sold by Alko. Alko has turnover of approximately EUR 1.2 billion, and the alcoholic beverages referred to herein make up about three per cent of sales. As the current value of retail sales of these alcoholic beverages amounts to some tens of millions of euros, the amendment would have a relatively limited economic impact.

However, it is likely that, as a result of the amendment, more beers with an alcohol content of 5.6 to 8.0 per cent will come on the market in Finland. In particular, small breweries have already expressed support for the amendment, highlighting that the sale of these special beers in grocery stores is not currently allowed. Beer sales are therefore expected to increase.

The grocery market would also be opened up for country wines referred to in section 3, subsection 14 of the Alcohol Act. It is also possible that wine containing less than 8.0 per cent of alcohol by volume or other alcoholic beverages produced by fermentation from grapes could enter the grocery market as a result of the change. As the vast majority of wines contain between 11 and 14 per cent of alcohol by volume, it is not currently a large product group. The amendment is likely to result in the introduction of technological methods for lowering alcohol content in order to enter the market. Such new beverages are likely to replace to some extent the consumption of wines sold by Alko. However, wine consumption is still likely to increase somewhat.

Overall, it is difficult to predict the extent of the increase in sales of new beers and wines entering the wider retail market, as well as the extent to which the increase would replace purchases of other alcoholic beverages. In any case, beer enthusiasts will be able to increase their purchases of different special beers if they are more readily available.

According to the research literature, the dismantling of exclusivity systems for alcoholic beverages and the related increase in availability of alcohol have typically led to an increase in the consumption of alcoholic beverages that have become available for sale in the private sector, and in some cases there is evidence of an increase in alcohol-related harm. As mentioned above, the immediate

effects of the legislative amendment are relatively small and the future effects of the changes in the market are so far difficult to predict.

In any case, the harm caused by alcohol in particular can be mitigated, for example, by increasing alcohol taxes. In its Government Programme, Prime Minister Petteri Orpo's Government has outlined its actions on alcohol taxation.