

Government Proposal to Parliament for an Act amending sections 17 and 26 of the Alcohol Act

MAIN CONTENT OF THE PROPOSAL

It is proposed to amend the Alcohol Act.

According to the Proposal, the provisions on the retail sale of alcoholic beverages would be amended by allowing for retail sale subject to authorisation not only of alcoholic beverages containing up to 5.5 per cent by volume of ethyl alcohol but also fermented alcoholic beverages containing not more than 8.0 per cent by volume of ethyl alcohol.

The proposed Act is intended to enter into force in spring 2024.

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RATIONALE

1 Background and preparatory work

1.1 Background

The purpose of the Alcohol Act is to reduce the consumption of alcoholic substances by limiting and controlling the related business activities in order to prevent harm caused by alcohol to its users, to other people and to society as a whole. The last reform of the Alcohol Act took place in 2017. The current Act entered into force in 2018.

The Proposal is part of the implementation of the Government Programme of Prime Minister Petteri Orpo. In accordance with the Government Programme, the Government will reform alcohol policy responsibly in a European direction and continue the overall reform of the Alcohol Act carried out in 2018. The Government's objective is to promote fair and open competition. A number of legislative amendments related to opening up the market and increasing competition in alcohol trade were agreed in the Government Programme.

The Proposal is the first legislative amendment. It includes a Proposal for the amendment of the provisions on the retail sale of alcoholic beverages by allowing for licensed retail sales of fermented alcoholic beverages containing up to 8.0 % by volume of ethyl alcohol in addition to alcoholic beverages containing up to 5.5 % by volume of ethyl alcohol.

In addition, the Ministry of Social Affairs and Health is preparing further amendments to the Alcohol Act in line with the Government Programme. The amendments concern, inter alia, the expansion of retail sales at the manufacturing site of domestic alcoholic beverage producers, clarification of the cross-border distance selling procedure, and allowing online sales and home delivery of alcoholic beverages.

In accordance with the Government Programme, the Government will also examine by the mid-term review a change that would enable alcohol retail sales subject to licence of wines with an alcohol content of 15.0 per cent. The Government will also commission an independent study on the transfer of alcohol policy regulation from the Ministry of Social Affairs and Health to the Ministry of Employment and the Economy. In addition, it is recorded in the Government Programme that the Government will not change the government-owned alcohol company Alko's public health role and status.

In line with the Government Programme, the Ministry of Finance has also prepared a Proposal to increase excise duties on alcoholic beverages by around 2 %. As a result of the tax changes, the price of alcoholic beverages as a whole is estimated to increase on average by less than 1 %. The reform will increase the taxation of alcoholic beverages and wines and reduce the tax burden on beer. The tax changes are part of the State Budget Proposal 2024. They are expected to enter into force on 1 January 2024.

1.2 Preparation

The Proposal was prepared by the Ministry of Social Affairs and Health as official work. For the preparation, the Finnish Institute for Health and Welfare published a memorandum entitled 'Alkoholin vähittäismyyntilupien laajentaminen enintään kahdeksanprosenttisiin juomiin: Muistio mahdollisista hyvinvointi- ja terveysvaikutuksista' [Extension of alcohol retail

licences to beverages up to 8 %; memorandum on the possible effects on wellbeing and health] on 24 August 2023.

Opinions on the Proposal were requested to be submitted between 19 October and 23 November 2023. Opinions were requested from the relevant ministries, public authorities, industry associations, trade and health organisations; a total of 51 bodies. The request for opinions was also published on the public website of the Ministry of Social Affairs and Health.

The request for opinions, a comments summary and the opinions received can be found on the public service at: www.lausuntopalvelu.fi.¹

The Finnish Council of Regulatory Impact Analysis assessed the draft Proposal on 12 December 2023. According to the statement issued by the Council, the draft Proposal is concise and clear and includes a high-quality and varied assessment of the impact of the amendment of the Alcohol Act. According to the Council's statement, the Proposal is transparent in showing the negative impacts, uncertainties and risks associated with the Proposal. The Council considers that the impact of the draft Proposal on the market and on competition must be further clarified. In its statement, the Council concluded that the draft Government Proposal successfully met the requirements of the impact assessment guidelines for the drafting of legislation, but the Council recommended that the Proposal be supplemented in accordance with the Council's statement before the Proposal is submitted to Parliament. As a result of the Council's assessment, the Proposal has been supplemented by an assessment of the impact on competition, the regional impact on the availability of alcoholic beverages, an assessment of the potential impact of the Proposal on retail imports and a more detailed assessment of the impact of the price on the demand for alcoholic beverages. In addition, the Proposal was supplemented with a description of how the feedback from consultation was taken into account in the further preparation of the Proposal.

The Proposal was notified to the European Commission in September 2023 in accordance with Directive 2015/1535. On 10 October, the European Commission asked the Finnish authorities to provide additional information on the notified draft, in particular the justification for the restriction of the production methods of alcoholic beverages, and an assessment of the impact of the measure on competition between alcoholic beverage producers. On 20 October 2023, the Finnish authorities replied to the request for information from the Commission. The reply of the Finnish authorities was taken into account in the Commission's notification.

In its notification, the Commission made comments on the draft Government Proposal. The Commission services highlighted the fact that the draft notified to the Commission would restrict the scope of the monopoly for retail sales of alcoholic products and would allow (currently permitted) beverages of a stronger alcoholic content to be sold more widely by retail trade subject to a licence, but that the expansion would be limited to fermented products and would not cover beverages containing distilled spirits. The Commission recalled Article 37(1)(2) of the Treaty on the Functioning of the European Union (TFEU), according to which "Member States shall adjust any State monopolies of a commercial character so as to ensure that no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of Member States." In the notification, the Commission services noted that the system of selling alcoholic beverages covered by the retail licences in question is not covered by harmonised EU rules and should therefore be assessed on the basis of

¹ <https://www.lausuntopalvelu.fi/FI/Proposal/Participation?proposalId=df57ca78-fe36-4133-a614-ca14701e3545>.

Articles 34–36 of the TFEU on the free movement of goods. According to the Commission, the measure based on the notified draft would appear, on the basis of Finland’s reply, to be based on purely hypothetical considerations and may therefore not be suitable to achieve the stated objective. According to the Commission, the proportionality assessment provided by Finland was not able to establish a concrete causal link between the activity that the Finnish authorities are trying to restrict (the licensed retail sale of distilled alcoholic beverages of 5.5 % to 8 % vol.) and the objective of avoiding social harm to public health. In addition, the Commission invited the Finnish authorities to analyse the potential effects on competition of the notified draft and ensure that the national measure does not result in indirect discrimination of imported products. The Commission asked the Finnish authorities to take into account the comments raised in the notification in the further preparation of the Proposal.

As a result of the Commission’s notification and the feedback to consultation, the Government considered removing the restriction of the production methods from the Proposal, but nevertheless came to the conclusion that it was in line with the entry in the Government Programme. Following the Commission’s notification, the impact assessments and other justifications of the Proposal have been supplemented, *inter alia*, by providing a clearer description of the study on the link between production methods of alcoholic beverages and the use of alcohol by young people, especially girls. At the same time, the Proposal seeks to demonstrate, on the basis of scientific knowledge, that the restriction of production methods is not based on purely hypothetical considerations, as stated in the Commission’s notification, but that the restrictive measures relating to the method of production of alcoholic beverages is linked to the reduction of harmful health effects associated with the consumption of alcohol by girls. Conversely, public policy often has to rely on moderately hypothetical considerations when predicting the future. However, these considerations are always based on up-to-date research data on the matter in question, as is the case with the proposed legislative amendment. Therefore it was assessed that the restriction of production methods is not based on purely hypothetical considerations but, on the basis of previous scientific knowledge, the measure is justified and proportionate in order to protect young people, in particular girls, from the health harms associated with alcohol consumption, and the restriction can therefore be assessed as acceptable under Article 36 of the Treaty on the Functioning of the European Union (TFEU), in particular, in view of the fact that the Proposal in fact promotes free movement instead of creating new restrictions. If the Proposal were not made at all, the restriction on the free movement of alcoholic beverages would be stricter than the one envisaged in the Proposal.

In its notification, the Commission also stated that more specific research should be carried out in order to substantiate and support the claim that maintaining a more restrictive regime for the sale of distilled beverages with identical alcoholic content would be justified by the objective of protecting the health of young female consumers and to prove the existence of a causal link and thus the suitability of the restriction. At this stage, new specified research has not yet been conducted, as it is not appropriate to carry out high-quality research to a very tight deadline. However, the Government proposal includes a description of a study published in 2015 on the impact of a special tax on mixed drinks imposed by Australia in 2008 on the consumption of alcohol by young people. According to the study, the tax on mixed drinks led to a marked reduction in outpatient visits due to alcohol consumption, especially among young females. The results of the study suggest that restricting the sale of mixed drinks is relevant to the prevention of alcohol-related health harms to young women. The Finnish Institute for Health and Welfare (THL) will monitor the social and health-related effects of the reform, including its effects on the consumption of alcohol by young people.

In response to the Commission's notification, the impact assessments and explanatory memoranda for the proposed Act have also been supplemented with a more detailed description of the effects on competition contained in the Proposal and an assessment of the Proposal in relation to Articles 34 and 36 of the TFEU. The proposal describes the proportions of domestic and foreign products of fermented alcoholic beverages and alcoholic beverages produced by other methods sold in Finland. The aim of this is to show that the proposal would open up foreign markets in relation to current legislation, and that the restriction based on production method would not in fact discriminate against citizens of Member States or favour domestically produced products. In the case of fermented products, slightly more than half the beers sold by the government-owned alcohol company were foreign and for wines, the proportion of sales comprising imported products was even larger. By contrast, in the case of mixed drinks, 92 % of beverages containing 5.5–8.0 % by volume of ethyl alcohol were domestic products. It is worth noting that the proposed amendment will in any case reduce the regulation of fermented beverages containing 5.5–8.0 % ethyl alcohol and thus give them better access to the market – the proposed amendment concerns all alcohol producers in the Member States from the point of view of alcohol sales. The restriction on production methods for alcoholic mixed drinks excludes mainly domestic products from the liberalised market and the proposed amendment cannot be considered to favour domestic operators at the expense of operators in the Member States. Alternatively, should the amendments not be introduced, the only way for producers of fermented alcoholic beverages to enter the Finnish market would continue to be through the government-owned alcohol company Alko.

2 Current situation and assessment thereof

2.1 Current situation

2.1.1 General development of alcohol consumption and harms

The purpose of the Alcohol Act is to reduce the consumption of alcoholic substances by limiting and controlling the related business activities in order to prevent harm caused by alcohol to its users, to other people and to society as a whole. Under the Alcohol Act, the state-owned alcohol company ('Alko') currently enjoys, with a few exceptions, an exclusive right to the retail sale of alcoholic beverages. As a result of the new Alcohol Act, Alko's exclusive rights to the sale of alcoholic beverages were reduced to enable shops, kiosks and service stations to sell alcoholic beverages with a higher alcohol content than before.

In Finland, total alcohol consumption tripled between 1960 and 2005, when total alcohol consumption per inhabitant aged 15 years or over was 12.1 litres of 100 % alcohol. Between 2007 and 2017, total alcohol consumption decreased by about a fifth (Figure 1). Several increases to alcohol duties and the prolonged economic downturn since 2008 contributed strongly to this development.

Similarly, for people of working age, both binge drinking and high-risk alcohol consumption decreased in the last decade. For pensioners, the trend of binge drinking remained fairly stable, but high-risk drinking increased. Since the turn of the millennium, the consumption of alcohol by young minors in Finland has continued to decline almost continuously.

The development of alcohol-related harms has largely followed changes in overall consumption. Between 2007 and 2017, mortality rates from alcohol-related diseases and alcohol poisoning decreased sharply, even more strongly than total consumption (Figure 1). Since 2017, mortality from alcohol-related diseases and alcohol poisoning increased by

around 8 % compared to 2018. In 2021, alcohol mortality decreased by 4 % compared with 2020, indicating a variation in alcohol mortality rates depending on the year. In 2021, 1 646 people died from alcohol-related diseases and alcohol poisoning.

2.1.2 Overall reform of the Alcohol Act in 2018 and its effects

The new Alcohol Act entered into force in its entirety on 1 March 2018. The aim of the overall reform of the alcohol legislation was to reform outdated legislation and seek a new balance between reducing alcohol-related harms and taking economic activity into account. The relevant Government Proposal (HE 100/2017 vp) describes extensively the harms and costs caused by alcohol, as well as the benefits and revenues generated by alcohol-related economic activity.

All alcoholic beverages containing up to 5.5 % by volume of ethyl alcohol may now be sold in retail trade subject to a licence. Prior to the reform, only fermented alcoholic beverages containing up to 4.7 % by volume of ethyl alcohol could be sold under a licence. The reform concerned 'A-class' beers, stronger ciders, long drinks and alcoholic mixed drinks, for example, regardless of the way in which they were produced.

Other changes in the new alcohol legislation included the liberalisation of the opening hours of restaurants and the harmonisation of alcohol serving rights.

The main effects of the legislative reform were related to increasing the availability of alcohol, which was estimated in the Government Proposal to increase alcohol consumption and related revenues, but also expenditure and costs related to alcohol-related harms.

In order to prevent the adverse effects of the reform, the tax on alcoholic beverages was increased in January 2018. This was followed by two further increases in alcohol taxes, in January 2019 and 2021.

In November 2022, the Finnish Institute for Health and Welfare published a report on the impact of the overall reform of the Alcohol Act on alcohol availability, consumption and harms (Katariina Warpenius, Pia Mäkelä & Thomas Karlsson (ed.), Vuonna 2018 voimaan tulleen alkoholilain jälkiarviointi. Vaikutukset alkoholin saatavuuteen, kulutukseen ja haittoihin Terveystieteiden ja hyvinvoinnin tutkimuskeskus, Raportti 7/2022) [Ex-post evaluation of the 2018 Alcohol Act. Effects on alcohol availability, consumption and harms], Finnish Institute for Health and Welfare, Report 7/2022)².

In the report, an increase of around 3 % in reported consumption is estimated to be an independent effect of the amendment to the Alcohol Act, i.e. its effect after eliminating the impact of other factors affecting alcohol consumption, such as taxation, stock replenishment in retail trade prior to the increase in tax and the warm summer.

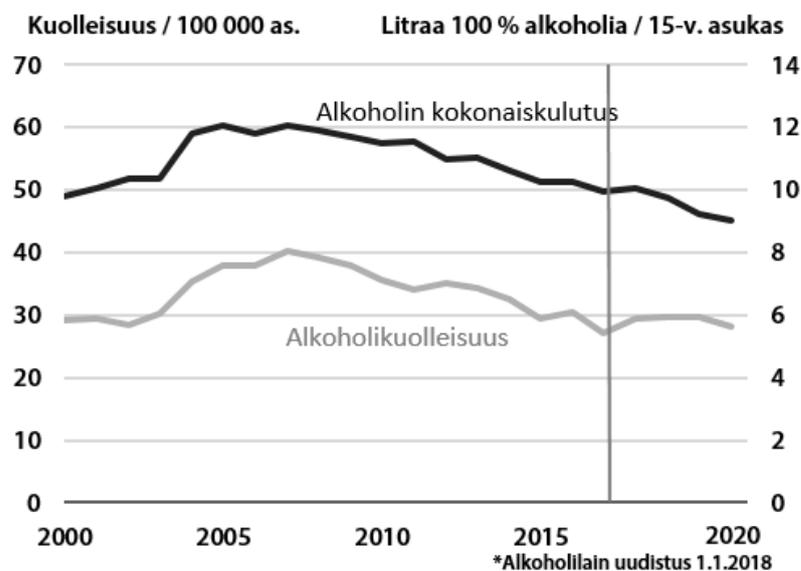
Overall, total alcohol consumption increased marginally (by 0.1 litres) in 2018 to 10.1 litres per person aged 15 years or older. Between 2019 and 2021, the decline in overall consumption continued, at least partly as a result of the increase in alcohol taxes and the COVID-19 pandemic.

² https://www.julkari.fi/bitstream/handle/10024/145635/RAP2022_007_Vuonna%202018%20voimaan%20tulleen%20alkoholilain%20j%C3%A4lkiarviointi_s.pdf?sequence=4&isAllowed=y.

The reform of the Alcohol Act did not have any effects on high-risk consumption or binge drinking among the adult population distinct from previous trends and random fluctuations. However, the long-lasting trend of minors reducing alcohol consumption seems to have stopped between 2017 and 2019, but has continued thereafter. At the same time, the declining trend of binge drinking among young people came to a halt. Girls also had indications of an increase in binge drinking and the number of units consumed at once, which is likely to be linked in particular to the increased consumption of mixed drinks observed among girls.

The Government Proposal estimated that, as a result of the legislative amendments, the number of alcohol-related deaths would increase by 150 per year. This forecast has proved fairly accurate, despite the increase in alcohol taxation. The long-lasting decline in mortality was interrupted by the reform, with around 130 more deaths on average between 2018 and 2021 compared to 2017. The increase in mortality is unusual in view of the fact that the long-standing good development of the most common causes of death, i.e. cardiovascular diseases and cancers in adults of working age, has continued after 2017.

Figure 1. Number of deaths from alcohol-related diseases and alcohol poisoning per 100 000 people and total alcohol consumption in the period 2000–2021



Kuolleisuus/100 000 as.	Mortality per 100 000 inhabitants
Litraa 100 % alkoholia / 15- v. asukas	Litres of 100 % alcohol/inhabitants over 15 years of age
Alkoholin kokonaiskulutus	Total alcohol consumption
Alkoholikuolleisuus	Alcohol mortality
*Alkoholilain uudistus 1.1.2018	*Reform of the Alcohol Act of 1 January

	2018
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As shown in Figure 1, following the reform of the Alcohol Act, the increase in alcohol-related deaths exceeded the level that could have been expected from the change in total alcohol consumption. This suggests that heavy drinkers who have already had liver damage in the past, for example, increased their consumption of alcoholic beverages more than other consumers.

Inequality in alcohol mortality has increased since 2017, with people in low-income groups being particularly affected by the increase in alcohol mortality. The number of liver disease cases caused by alcohol treated in healthcare increased in men since 2018 and the number of alcohol-induced diseases of the pancreas increased from 2019.

In 2022, the total consumption of alcohol was 8.9 litres of absolute alcohol per person aged 15 or over. As an example of alcohol-related harms, the number of the above-mentioned deaths from alcohol-related diseases and alcohol poisoning was 1 648 in 2021. The vast majority of them were men.

In 2021, Finns spent around EUR 4.7 billion on alcohol. Of this, the value of recorded retail consumption was around EUR 3.7 billion and the recorded consumption in establishments serving alcohol was around EUR 1.0 billion. However, while total alcohol consumption has continued to decrease since 2017, the value of retail consumption increased significantly between 2017 and 2021. After the 2018 reform, the annual value of recorded retail consumption increased from around EUR 3.3 billion to around EUR 3.4 billion, and in 2021 the value of retail alcohol consumption was around EUR 3.7 billion³.

2.2 Assessment of the current situation

As stated above, the objective of the Alcohol Act is to reduce the consumption of alcoholic substances by limiting and controlling the related business activities in order to prevent harms caused by alcohol to its users, other people and society as a whole.

Section 6, subsection 2, and section 26 of the current Alcohol Act provide for the exclusive right of Alko to the retail sale of alcoholic beverages, one exception to which is the opportunity laid down in section 17 for businesses to sell low alcoholic beverages to consumers based on a licence. The most significant change in the reform that entered into force in 2018 was the reduction of Alko's exclusive right to retail sales.

Although, according to international research and the World Health Organization, a state-controlled system of exclusive sales of alcohol is an effective means of preventing and reducing alcohol consumption and harms, such regulation of the availability of alcoholic beverages continues to restrict the functioning of the market and competition.

The trend of abstaining from alcohol among young people became more pronounced in the six-year period preceding the amendment to the Alcohol Act (2011 to 2017), but this development stopped between 2017 and 2019. In 2021, the proportion of young people abstaining from alcohol started to increase again. Similarly, after the amendment of the Alcohol Act, the volume of alcohol consumed in one sitting increased among young people,

³ Figures for the value of recorded alcohol consumption are presented at fixed 2021 prices.

especially girls. This is probably explained by the increase in the consumption of mixed drinks among girls. The stagnation of the positive development in young people's alcohol consumption at exactly the same time as the reform in 2018 of the Alcohol Act suggests that the legislative amendment had an impact on young people's alcohol consumption, even though the causal link cannot be properly established based on the available data and studies.⁴ According to the ESPAD study, girls' consumption of long drinks increased quite significantly between 2015 and 2019, by an average of 0.4 units, accounting for the largest share, 35 %, of the total amount of alcohol consumed the last time alcohol was consumed in 2019.⁵ A study based on the Adolescent Health and Lifestyle Survey (NTTT) in Finland also shows similar results: between 2017 and 2019, only mixed drinks increased in popularity among young people. In the case of girls, mixed drinks accounted for 24 per cent of consumption the last time alcohol was consumed in 2017; in 2019 the percentage was 37 per cent. For boys, the corresponding percentages were 19 and 21 per cent.⁶ (Lintonen et al. 2020.) In this context, the Government Programme has taken the political stance that alcoholic beverages with a higher ethyl alcohol content of between 5.6 % and 8.0 % by volume could in future only be sold under licence if they have been produced by fermentation. The increase in the availability of alcohol would therefore apply only to beer, cider and wine.

While it is known that the way in which an alcoholic beverage is produced is not really relevant to the type of harms caused by alcohol at individual or population level, the aim of this approach is to protect vulnerable groups, especially young people, from the adverse effects of alcohol consumption. The most popular alcoholic beverage among Finnish boys is beer, while girls' favourites are long drinks, cider and strong drinks. (Raitasalo, K. & Härkönen, J. (2019) Nuorten päihteiden käyttö ja rahapelaaminen - ESPAD-tutkimus 2019. [Substance use and gambling among young people – ESPAD study 2019] Helsinki: Finnish Institute for Health and Welfare, statistical report Tilastoraportti 40.)⁷

3 Objectives

The aim of the Government Proposal is to implement the Government Programme of Prime Minister Petteri Orpo. In accordance with the Government Programme, the Government will reform alcohol policy responsibly in a European direction and continue the overall reform of the Alcohol Act carried out in 2018. The Government's objective is to promote fair and open competition.

In line with the Government Programme, the draft Act proposes to amend the provisions on the retail sale of alcoholic beverages by allowing for the licensed retail sale of fermented

⁴ Finnish Institute for Health and Welfare, 2022. Vuonna 2018 voimaan tulleen alkoholilain jälkiarviointi

Vaikutukset alkoholin saatavuuteen, kulutukseen ja haittoihin. Report 7/22, p. 62. Available online at https://www.julkari.fi/bitstream/handle/10024/145635/RAP2022_007_Vuonna%202018%20voimaan%20tulleen%20alkoholilain%20j%C3%A4lkiarviointi_s.pdf?sequence=4&isAllowed=y.

⁵ Raitasalo, K. & Härkönen, J. (2019) Nuorten päihteiden käyttö ja rahapelaaminen - ESPAD-tutkimus 2019. Helsinki: Finnish Institute for Health and Welfare, Statistical Report 40.

⁶ Lintonen, T., Ahtinen, S. & Konu, A. (2020) Alcoholic beverage preferences among teenagers in Finland before and after the 2018 alcohol law change. *Nordic Studies on Alcohol and Drugs* 37 (2), pp. 141–152. Available online at <https://journals.sagepub.com/doi/10.1177/1455072520910547>. Accessed 6 October 2023.

⁷ https://www.julkari.fi/bitstream/handle/10024/138792/ESPAD_tilastoraportti2019.pdf?sequence=6&isAllowed=y. Accessed 6 October 2023.

alcoholic beverages containing up to 8.0 % by volume of ethyl alcohol in addition to alcoholic beverages containing up to 5.5 % by volume of ethyl alcohol. The purpose of the restriction related to the production methods of alcoholic beverages is to protect young people, in particular girls, from harmful health effects linked to the use of alcohol.

4 Proposal and its impact

4.1 Proposal

The 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 ethyl alcohol by volume.

It would be added to the section that the retail sales licence would also apply to fermented alcoholic beverages containing 5.5 to 8.0 per cent of alcohol by volume.

Under section 3, subsection 1, paragraph 9 of the Alcohol Act, the production of alcoholic beverages means the production of ethyl alcohol by fermentation or other means as well as increasing the ethyl alcohol content of a solution containing ethyl alcohol by distillation or similar means. The amendment would therefore apply only to alcoholic beverages which are produced using the first method, that is, by fermentation, which means a solution of ethyl alcohol fortified by distillation or otherwise should not be used in the preparation of the beverage.

Section 26 of the Act provides for the retail sale licence to be granted to Alko. The above-mentioned addition would be reflected in this section by reference to section 17, subsection 1 of the Act.

The requirements for granting a retail sales licence for alcoholic beverages would not be changed and the current 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 of alcohol would be slightly more limited than at present.

4.2 Principal impacts

4.2.1 General

The production, sale and marketing of alcoholic beverages generates over EUR 1 billion of tax revenues for society, billions of business income for various businesses and earned income for people involved in the production, sale and marketing of alcohol. On the other hand, alcohol consumption results in direct and indirect costs to society, businesses and individuals of billions of euros. An increase in alcohol sales and consumption increases both revenue from production and sales and the expenditure and costs associated with alcohol consumption.

Information on the actual impact of the reform of the Alcohol Act, which entered into force in 2018, has been used for the impact assessment of the proposed amendment. When comparing the 2018 reform and the reform proposed in the draft Act, Alko's sales in 2017 of products liberalised in 2018 (in terms of 100 % alcohol) can be compared with Alko's sales volumes in 2023 of the products proposed to be liberalised in 2024. The latter sales are roughly less than half the previous figure. However, the proposed amendment also has significant differences with the reform that entered into force in 2018. Although the main changes in the 2018 reform

concerned the liberalisation of sales of beverages with a stronger alcoholic content than before from Alko's exclusive right and allowed these to be sold more widely by shops, kiosks and service stations, the reform also liberalised the serving of alcohol, among other things.

In the light of past experience, three observations can be made. First, the direct effects of the draft law are estimated as likely to be rather limited in general terms. For example, other economic factors affecting the alcohol and consumer markets, such as an increase in alcohol taxation, possible changes in drinking culture and changes in marketing or purchasing power may conceal the effects of this Proposal over the coming years. These effects may also contribute to making the ex-post assessment of the impact of the reform more difficult. Second, the Proposal will nonetheless have immediate effects: increased competition is likely to have the desired positive economic effects. These include widening the range of alcoholic beverages available to consumers, although increasing the availability of alcohol will also have negative effects on the health and wellbeing of the population. Third, in the light of the more far-reaching measures and studies aimed at opening up the alcohol market set out in the Government Programme, the amendments to the current state of the legislation envisaged in the Government Programme would, taken as a whole, lead to significant economic, health and wellbeing impacts, which, as part of the present draft Act, are not possible to be assessed as part of this draft Act, due to a number of uncertainties.

The main effects of the Proposal relate to the increased availability of alcohol and increased competition in the retail sale of alcohol. A key part of the impact assessment is to assess the extent to which the draft Act is estimated to impact overall consumption of alcohol. Changes in overall alcohol consumption and sales have an impact on production and sales revenues as well as on alcohol-consumption-related expenditure and the alcohol-related costs to society. When referring to alcohol consumption, it is useful to clarify key terminology. *Total alcohol consumption* consists of unreported and reported consumption. *Reported consumption* includes consumption in establishments serving alcohol and retail consumption, and *unreported consumption* includes passenger imports and online purchases.

The reform of the Alcohol Act that entered into force in 2018 has been estimated to have increased reported consumption of alcohol by around 3 %.⁸ Also, based on previous scientific literature, increased alcohol availability is likely to lead to an increase in alcohol consumption in society.⁹ The draft Act would significantly increase the availability of fermented alcoholic beverages with an alcohol content of between 5.6 % and 8.0 %, because if all current retail licence holders were to sell fermented alcoholic beverages of up to 8 % vol. in the future, the number of outlets selling these beverages would increase 17-fold compared with the current number of Alko shops. In addition, it is estimated that the Proposal will have other effects in terms of overall consumption and sales; the legislative amendment is likely to increase the range of available alcoholic beverages, and an increase in competition for fermented alcoholic beverages with an alcohol content of between 5.6 % and 8.0 % is likely to lead to some

⁸ Mäkelä P, Norström T. (2022). Miten vuoden 2018 alkoholilaki vaikutti alkoholin tilastoituuun kulutukseen? [How did the 2018 Alcohol Act impact reported consumption of alcohol?] Aikasarjamallinnuksen tuloksia.[Results of time series analysis] Tutkimuksesta tiiviisti 18/2022. [Study summary 18/2022] Finnish Institute for Health and Welfare, Helsinki

⁹ Mäkelä, P & Karlsson, T (2019) Miten alkoholimonopolit vaikuttavat väestön alkoholinkulutukseen? [How do alcohol monopolies affect the population's alcohol consumption?] Katsaus tutkimuskirjallisuuteen. [Scientific literature review] Yhteiskuntapolitiikka magazine 84 (5-6): 618-628.
Babor, T, Caetano, R, Casswell, S, Edwards, G, Giesbrecht, N, Graham, K, Rossow, I (2010). Alcohol: No ordinary commodity. Research and public policy. Oxford: Oxford University Press.

reduction in the prices of these alcoholic beverages. The reform that entered into force in 2018 has been found to have reduced the prices of strong beers by about 8 % when the effect of the increase in the alcohol tax is eliminated. As stated above, the change in prices created by demand for the alcoholic beverages proposed in the Proposal can be assumed to be negative, meaning that it is expected that when the price of these beverages decreases, their consumption increases.

In connection with the 2018 reform, retail sales of new types of beverages increased significantly: Sales of beer with an alcohol content between 4.8 % and 5.5 % increased by more than 600 % and sales of mixed drinks by more than 500 % between 2017 and 2019. In the case of beer sales, this replaced some sales of low alcohol beers, but overall sales of mixed drinks also increased. If examined per beverage group, the draft Act is likely to significantly increase beer sales, especially strong beers with an alcohol content of between 5.6 % and 8.0 %, due to their increased availability and range as well as lower prices. As with the 2018 reform, increased consumption would be likely to replace the consumption of low alcohol beers. It is likely that the draft Act would increase the average strength of the beer consumed. As a result of the draft Act, reported consumption of beer could rise by about 1–2 %, mainly as a result of the consumption of stronger beverages. The impact of the draft Act on the sale of cider can be expected to be limited, as has been the case with the previous reform. Similarly, as far as wine consumption is concerned, the impact of the change is difficult to assess. First, as is the case for beer and cider, the draft Act would significantly increase the availability of wines already available on the market with an alcohol content between 5.6 % and 8.0 % and, consequently, the consumption of these wines. In addition, new categories of wines with an alcohol content of up to 8 % are likely to be introduced on the market. The extent to which increased sales of low alcohol wines in licensed retail sales would replace previous sales of wines in Alko or sales of other categories of beverages is very difficult to assess, as this assessment is accompanied by a number of uncertainties, the effects of which cannot yet be fully assessed. Overall, the increase in consumption is affected by the extent to which wines of up to 8.0 % of alcohol come to replace the sales of stronger wines sold in Alko or the consumption of other groups of beverages. The draft Act is estimated to increase wine consumption, but the impact is estimated to be limited and contains considerable uncertainty. Taking into account the above estimates, the total reported consumption of alcohol could increase by approximately 0.5 % to 1 % as a result of the draft Act. The exact impact of the Proposal on overall alcohol consumption is very difficult to assess and is subject to a high degree of uncertainty, in particular as regards the impact of the Proposal on wine consumption and the extent to which the increasing consumption of fermented alcoholic beverages with an alcohol content of between 5.6 % and 8.0 % replaces other consumption of alcoholic beverages.

4.2.2 Economic impacts

Public finances

The proceeds of the alcohol tax in 2022 amounted to approximately EUR 1 497 million. Beer accounts for the largest share of tax revenue, almost EUR 600 million. In particular, the legislative amendment may lead to an increase in total beer sales (100 % alcohol), in which case the bulk of the increase in tax revenue would be the result of an increase in beer sales. On an annual basis, the draft Act would increase the proceeds of the tax on alcoholic beverages to the State by approximately EUR 10 million. Similarly, the reduction in the beer alcohol duty planned by the Government would reduce the tax revenue by approximately EUR 25 million.

However, if alcohol consumption were to increase as a result of the Proposal, the direct and indirect costs of alcohol-related harms would also be likely to increase. Direct costs include costs related to social welfare and healthcare and maintaining public order. The Finnish Institute for Health and Welfare has estimated that the direct costs of alcohol to public finances were approximately EUR 640 to 940 million in 2020.

The burden placed on social and healthcare services by alcohol-related health harms is significant. In 2021, alcohol-related diseases caused around 37 000 hospital admissions for treatment. In addition, the economic cost impact of alcohol-related health issues on wellbeing services counties varies across the country, as exemplified by the alcohol morbidity index, which varied between 148.4 in North Karelia and 54.5 in Ostrobothnia in the period 2019–2021.

The estimated direct alcohol-related costs in 2020 are shown in Table 1 below. The minimum and maximum costs of adverse effects are calculated estimates between which the actual costs are assumed to lie.

	Min.	Max.
Total costs (EUR million)	638.5	940.1
Healthcare	95.4	206.5
Pensions and sickness allowances	169.2	223.5
Social services and social security	116.4	245.9
Maintenance of public order and security	176.8	176.8
Judicial system and prison administration	80.7	87.5

Table 1. Direct alcohol-related costs in 2020¹⁰.

For healthcare, cost calculations are likely to be underestimates as alcohol-related events, such as emergency care visits, are expected to be underreported in the records. In addition, records do not take into account diseases which may in part be associated with the over-consumption of alcohol, but which are not actual alcohol-related diseases according to the ICD-10 classification. With regard to the negative health effects of alcohol, it should also be noted that negative direct and indirect costs are not immediately realised among the population and negative gearing effects will gradually accumulate in the population in the medium term. This also makes it more difficult to calculate and estimate the costs of negative health effects more accurately at this point in time.

If the direct costs of alcohol are expected to increase in proportion to alcohol consumption, the previously estimated increase of between 0.5 % and 1 % in reported alcohol consumption would result in an increase in costs of no more than around EUR 10 million, taking into account only direct alcohol-related costs. However, the direct costs of alcohol are only part of the total cost of alcohol to society. In addition to direct costs, alcohol can be seen as resulting in various indirect costs for society. Indirect costs may include, inter alia, input losses due to alcohol-related deaths and transfers to disability pensions, as well as losses in working time caused by worker sickness absences.

¹⁰ THL - Päihdetilastollinen vuosikirja 2022:
https://www.julkari.fi/bitstream/handle/10024/146004/URN_ISBN_978-952-408-009-5.pdf?sequence=1&isAllowed=y

In addition, alcohol increases the risk of developing a number of diseases that are difficult to treat, such as memory disorders and various forms of cancer. If alcohol consumption increases as a result of the draft Act, it is very likely that the indirect costs of these diseases will also increase, putting a strain on the social welfare and services system as a result of the growing need for care. In particular, the rate of liver disease mortality in Finland is currently increasing at a worrying rate, which in practice means an increasing need for healthcare services and thus increased costs and an increased need for human resources. The liver disease mortality rate is highest in the working-age population and alcohol liver diseases accounted for 93 % of the liver disease deaths of the working-age population.¹¹ The number of cancers is also high and alcohol is responsible for about 2 100 cancers and 500 deaths per year in Finland. Alcohol also significantly increases the risk of other chronic diseases such as cardiovascular diseases, mental health problems and diabetes.¹²

Impact on enterprises

In general, the Proposal would increase the functioning of the market and competition by allowing retail sales of fermented alcoholic beverages with an alcohol content of 5.6 to 8.0 %, which are currently only sold in Alko's 373 shops, by retail licence holders, which total around 6 300.

However, even if the Proposal were to increase and liberalise competition on the market in general, there is only a limited supply and demand on the market for beers, ciders and wines of this strength. Currently, Alko's selection includes around 80 different wines, around 400 beers and around 30 ciders produced by fermentation, with strengths varying between 5.6 and 8.0 per cent by volume. Alko's range of products contains more than 11 000 products.

Alko's sales in 2022 were around EUR 1.2 billion, and said alcoholic beverages currently account for around 3 % of sales. The value of retail sales covered by the draft Act is therefore currently worth some tens of millions of euros. Even if a significant part of the sales of these alcoholic beverages were to be transferred from Alko to licensed retail trade, it can be estimated that the change will have a relatively limited direct economic impact on Alko's sales.

The majority of retail licence holders are grocery stores. The value of consumer goods sales in Finland in 2022 was EUR 21.6 billion and the sector is dominated by two retail chains: The S Group with a market share of 47 % and the K Group with 35 %. In 2022, around EUR 1.8 billion of alcoholic beverages were sold in the grocery sector. As a result of the Proposal, the sales of grocery shops could increase by a maximum of just over EUR 50 million. The increase in sales of just over EUR 50 million would at most be some tenths of a per cent of the total consumer goods sales value. However, the increase in sales in terms of euros will be significantly influenced by whether the Proposal will result in an increase in sales in terms of litres in grocery shops. In the event of virtually no increase in sales in terms of litres of alcoholic beverages, sales in euros would increase mainly due the increase in alcohol taxation resulting from the increase in alcoholic strength. Overall, the reform would not have a significant impact on the overall sales of the grocery trade, but the reform can be seen as very positive from the point of view of the grocery trade. The share of alcoholic beverages of grocery sales is largest in the smallest shops. The reform can be assessed as having a positive impact on the viability of these shops.

¹¹ Statement of the HUS Group.

¹² Statement of the Cancer Society of Finland

Increased retail sales of alcoholic beverages and a wider selection in grocery shops could, in principle, lead to a reduction in alcohol consumption in establishments serving alcohol. This effect can be estimated to be rather limited in the case of this draft Act, since the amendment would also allow the sale of the above-mentioned fermented alcoholic beverages – such as craft beers from domestic small breweries – to restaurants licensed for retail sale. The reform of the Alcohol Act, which entered into force in 2018, has not been found to have a significant impact on the share of alcohol consumed of establishments serving alcohol.

In addition to the immediate effects, it is likely that the reform will result in a larger number of beers with an alcohol content of between 5.6 % and 8.0 % and potentially other fermented alcoholic beverages on the Finnish market, with the result that the selection of these alcoholic beverages can be expected to increase in the future. In Finland, the domestic brewing and alcoholic beverages industry employs both directly and indirectly companies, subcontractors and households. In particular, small breweries have supported this change, stressing that the sale of their speciality beers is currently not allowed in shops. The expansion of the beer market, together with the reduction of the duty on beer which will enter into force on 1 January 2024, would result in a significant increase in the sales of strong beer compared to the current level, and would probably lead to a slight increase in the volume of production and sales, in particular for domestic producers.

The grocery trade market would also be partially opened up to domestic farm wines, whose alcoholic strength could be reduced to a maximum of 8.0 % for the domestic market. It is also possible that, as a result of the change, wines and other alcoholic beverages with an alcohol content of up to 8.0 % vol. produced by fermentation of grapes would enter the grocery trade market from outside Finland. As the vast majority of wines contain between 11 % and 14 % by volume of alcohol, this is not yet a large product group. However, different technical methods could be used to reduce the alcoholic strength of wines in order to gain access to the Finnish market.

The domestic share of beers, ciders and mixed drinks has typically been large in Finland, while wines are mainly imported, with the exception of domestic farm wines. An increase in the percentage limit for fermented alcoholic beverages sold in grocery shops could make it easier for non-Finnish beer and alcohol producers to enter the Finnish market. However, the impact on imports of alcoholic beverages and on the domestic share of the alcohol consumed is estimated to be negligible.

As a result of the draft Act, Alko's share of the total sales of alcoholic beverages would slightly decrease, the share of trade would increase slightly and the share of establishments serving alcohol would remain approximately the same. Due to the concentrated structure of the grocery trade, the product policies and purchasing conditions of dominant national traders already have a significant impact on the operating conditions of the brewing industry. The proposed amendment would thus further strengthen the position of the grocery trade in this respect.

Impact on the alcoholic beverages market, competition and imports of alcoholic beverages

According to the Proposal, in addition to alcoholic beverages containing up to 5.5 % ethyl alcohol by volume, fermented alcoholic beverages containing up to 8.0 % by volume of ethyl alcohol would be allowed to be sold in retail trade subject to a licence. Retail sales would therefore continue to be allowed for alcoholic beverages of 5.5 to 8.0 per cent produced by fermentation, but on the other hand, the alcohol company's monopoly would still apply to

mixed alcoholic drinks of 5.5 to 8.0 per cent. The amendment would therefore result in different treatment of alcoholic beverages produced by fermentation and alcoholic beverages produced by other methods – and, therefore, traders producing alcoholic beverages by different methods would also be treated differently.

The Proposal implements the Government Programme’s objective of fair and open competition by allowing operators holding a retail licence within the meaning of the Alcohol Act to sell more widely, while reducing the exclusive distribution right of the alcohol company Alko. In accordance with the Government Programme, the Government will continue to open the market in a determined and responsible manner. The most significant measures to promote competition in the proposal would therefore relate in particular to the retail sale of alcohol. The current alcohol percentage limit (alcohol content up to 5.5 per cent) excludes from authorised retail sales a large number of European and domestic fermented alcoholic beverages with an alcohol content of 5.5 to 8.0 per cent, such as beers from Belgium and Germany and beers produced by domestic small breweries. In that regard, it can be considered that the proposal to increase the percentage limit for fermented alcoholic beverages to 8.0 per cent would open up competition, in particular with regard to beers, and thus enable an increasing number of operators to sell and compete on the market subject to authorisation.

The effects of the proposal on competition between producers of alcoholic beverages can be expected to be minor but mainly pro-competitive in nature. In particular, for fermented alcoholic beverages of 5.6 to 8.0 per cent, the liberalisation of retail sales is estimated to increase the consumption of these alcoholic beverages and the size of the market for these alcoholic beverages in Finland. A larger domestic market for fermented alcoholic beverages containing 5.6 to 8.0 per cent alcohol may attract some new domestic and foreign players and thus increase competition.

On the other hand, while the proposed amendment is likely to increase sales of fermented alcoholic beverages and promote competition in this respect, it may in part be at the expense of alcoholic beverages produced by other methods. This means that while the sales of fermented beverages containing 5.5 to 8.0 per cent of alcohol would increase, sales of beverages of the same strength produced by other methods could fall. In addition, in the long term, the proposed change may have an impact on consumers’ purchasing and consumption behaviour, so that consumers will continue to favour fermented alcoholic beverages of those strengths over alcoholic beverages produced by other methods. Therefore, it is possible that even if at some point in Finland the retail sale of mixed drinks containing between 5.5 and 8.0 per cent of alcohol were to be authorised, consumers’ purchasing and consumption behaviour could already have been shaped in such a way that consumers would continue to favour fermented alcoholic beverages of the said strengths. In Finland, mixed drinks between 5.6 % and 8.0 % may not be an essential product category from the point of view of other countries and the foreign share of these products is unlikely to be larger and may instead be smaller than for the beers and wines proposed for the grocery trade. The domestic share of mixed drinks sold in Alko in 2023 was more than 90 %, while the product groups to be liberalised in the Proposal are currently mainly imported products in Alko’s product range. In the case of beers, just over half of the beers sold by Alko were foreign beers, and imported products accounted for an even larger proportion of wines. As a result of the draft Act, the domestic share of these product groups is unlikely to change significantly, e.g. in grocery trade; foreign operators challenging the restriction based on production method may not be found abroad and therefore the measure is not considered to favour products from Finland or discriminate against nationals of Member States.

Impact on employment and work

It has been noted above that the direct effects of the Proposal are likely to be rather limited. Total employment related to the sale and production of alcoholic beverages in Finland is no more than 30 000 person-years. The hospitality sector accounts for the largest share of jobs in the sector, and this sector will not be significantly affected by the reform. The direct employment impact for the brewing sector is around 2 000 employees. The most labour-intensive part of the brewing industry, i.e. small breweries, could benefit from the reform, with employment growth potential for some workers. Employment in the grocery trade will not be significantly affected by the reform at national level. Although the impact on employment is estimated to be small, it is estimated that the administrative work of the grocery trade will increase somewhat temporarily. It is the responsibility of the grocery trade to ensure that guidelines on the retail sale of new alcoholic beverages are up-to-date and that the personnel involved in the sale of alcoholic beverages are fully aware of the provisions relating to the sale of alcoholic beverages. In this respect, administrative work may increase briefly as a result of the new alcohol guidelines and the need to arrange training courses for staff.

The vast majority of people drinking at hazardous levels and a significant proportion of problem drinkers are employed. The increase in alcohol consumption, especially among these people, increases the risk of incapacity for work and unemployment, making it more difficult to extend careers and manage the fiscal sustainability gap. Even a lesser increase in alcohol consumption by working-age people is reflected in labour input and production losses through hangover days, accidents and sickness absences. Prevention of harms would require, for example, effective assistance and advice by occupational health services for people drinking at hazardous levels and problem drinkers to change consumption habits and to provide the necessary support to deal with alcohol problems as early as possible. These negative effects entail significant costs not only for tax-financed social and health services, but also for employers in terms of reduced labour productivity and increased absences from work, where in some situations the company would have to provide replacement labour.

Impacts on authorities

The draft Act would allow existing holders of retail licences for alcoholic beverages to sell stronger fermented alcoholic beverages. The amendment would not require applying for new licences or amending existing ones, but would require an update of the authorities' IT systems, the retail licence application procedure and the wholesale control process. In addition, the amendment would increase the need for official controls to a certain extent, as the sales rights would depend on the manner in which the alcoholic beverages in question were produced. There is no official method of analysis to distinguish whether an alcoholic beverage has been produced exclusively by fermentation or whether it is produced wholly or partly by diluting a strong alcoholic beverage or a spirit, and therefore the controls would increase the administrative burden to some extent. In addition, the Proposal would lead to some increase in the monitoring of retail sales by the Regional State Administrative Agencies as a result of the expansion of the sales network for fermented alcoholic beverages containing 5.5 % to 8.0 % alcohol. However, even if alcohol retail licences are extended to beverages of up to 8 %, this is not estimated to increase the need for additional human resources as it would be possible to carry out controls and other necessary administrative licence procedures with the existing human resources of the Regional State Administrative Agencies and the National Supervisory Authority for Welfare and Health Valvira.

Impact on the situation of households and consumers

Even with a relatively limited increase in the availability of alcoholic beverages, the immediate economic impact on households and consumers would be positive as the range of alcoholic beverages would expand. The availability of beers, wines and ciders subject to the amendment would be improved and their prices could also be reduced to some extent as competition increases.

Among households, alcohol consumption is associated with strong polarisation. Possible price reductions as a result of wider selection and increased competition will focus on the 10 % of consumers who consume alcoholic beverages the most, as they currently drink half of all alcohol. However, about half of all alcohol consumers drink less than 2 litres of absolute alcohol per year. For the majority of Finnish consumers, depending on consumption habits, the benefit from a slight reduction in alcohol prices would therefore range from zero to a few tens of euros per year. In addition to the above, for some households with very low alcohol consumption, this expansion of retail sales of alcoholic beverages is not estimated to have a key impact on consumption or purchasing behaviour. The 2018 reform of the Alcoholic Act did not result in any distinct effects compared with previous trends and chance variation on the hazardous consumption or binge drinking of the adult population, and this can be expected to be the case for this Proposal as well. However, it should be noted that fermented alcoholic beverages containing up to 8.0 % by volume of ethyl alcohol are associated with certain supply and demand uncertainties, the effects of which cannot yet be fully assessed at this point.

The reform will benefit grocery trade customers by providing them with a wider selection of fermented alcoholic beverages with an alcohol content of 5.6 % to 8.0 %. Opportunities to purchase this product group will improve throughout Finland, but particularly in sparsely populated areas where the distances to the nearest Alko shop can be long. At the same time, the availability of stronger alcoholic beverages in grocery stores will benefit those who already consume them when doing their shopping, especially in areas where distances to the nearest Alko shop are long. It is worth noting that the sale of stronger alcoholic beverages in ordinary grocery shops would in future expose all customers to greater promotion of alcoholic beverages. Customers in grocery shops who seek to refrain from alcohol or reduce their consumption would also be exposed to the increasing supply of alcoholic beverages in their daily environment.¹³

As regards the impact on households, the Government Proposal to Parliament for an Act amending the Annex to the Act on Excise Duty on Alcohol and Alcoholic Beverages (HE 37/2023 vp) may also be relevant. This Proposal proposes to amend the Act on Excise Duty on Alcohol and Alcoholic Beverages in order to increase the excise duty on wine, other fermented beverages, intermediate products and the group of ethyl alcohol beverages and to reduce the excise duty on beer. As a result of the tax changes, the price of alcoholic beverages as a whole is estimated to increase on average by 1 %. Beer prices would fall by an estimated

¹³ Finnish Institute for Health and Welfare 24 August 2023. Alkoholien vähittäismyyntilupien laajentaminen enintään kahdeksanprosenttisiin juomiin. [Extending alcohol retail licences to beverages with an alcohol content of not more than 8 %] Muistio mahdollisista hyvinvointi- ja terveysvaikutuksista. [Memorandum on potential wellbeing and health effects] Available at: https://thl.fi/documents/10531/9793207/Alkoholien+v%C3%A4hitt%C3%A4ismyyntilupien+laajentaminen+enint%C3%A4%C3%A4n+kahdeksanprosenttisiin+juomiin.+Muistio_.pdf/2961ace0-1252-2560-89e4-f47c03e0b65e?t=1693460580295.

1.5 % on average, while wine prices would increase by an estimated 2.4 %. The prices of the products and intermediate products of the ethyl alcohol beverages group would increase by an estimated 3.8 %. The price estimates assume that the tax increases would be fully reflected in consumer prices. According to the Proposal, the increase in the price of alcoholic beverages resulting from the increases in the alcohol tax is estimated to reduce the recorded consumption of alcohol by about 1 %. The impact of the proposed changes in the retail sale of alcohol on the situation of households and consumers is estimated to be limited, especially if assessed in conjunction with the effects of the proposed amendments to the Act on Excise Duty on Alcohol and Alcoholic Beverages.

4.2.3 Environmental impacts

In the production of wine and beer, the main environmental impact is the production of beverage containers. Beverage containers account for almost half of the environmental impact, 46 % for wine and 49 % for beer.¹⁴ The proposed amendment may have the effect of increasing consumption of fermented alcoholic beverages, which could have negative effects on the environment in the form of increased manufacturing of beverage containers. However, with an increase in the consumption of fermented beverages containing 5.5 % to 8 % alcohol, it is possible that consumption of other types of alcoholic beverages would decrease and the volume of beverage packaging would not substantially increase.

On average, in the production of alcoholic beverages, international transport contributes less than 3 % of the environmental impact. The vast majority of drinks entering Finland are transported by ship and trucks. Beverages may also be transported by air cargo, which is the most environmentally harmful mode of transport.¹⁵ The proposed amendment could lead to an increase in sales of alcoholic beverages produced abroad, which could have an impact on the environment in the form of increased international transport.

However, the draft Act is not assessed as having significant effects on the environment. However, there are significant uncertainties in the environmental impact assessment, including in relation to predicting consumer purchasing behaviour, which means it is not yet possible to fully assess the impact at this stage.

4.2.4 Other impacts on people and society

Social and health effects

In Finland, the number of people who die from alcohol-related diseases and poisoning is more than three times as high as in Sweden and Norway. Alcohol is also a determinant of many diseases. There is a significant increase in the risk of developing cancers of the oral cavity, larynx, throat, oesophagus and liver, and a slightly increased risk of breast and colorectal cancer. For example, alcohol increases the risk of breast cancer even at low levels of consumption and the risk increases in proportion to alcohol consumption.

An increase in alcohol consumption among the population would also increase the likelihood of negative health harms. The most common health problems associated with alcohol

¹⁴ Alko: <https://www.alko.fi/vastuullisesti/tuotteiden-vastuullisuus/alkoholijuomien-tuotanto-kuormittaa-ymparistoa>. Accessed 24 November 2023.

¹⁵ Alko: <https://www.alko.fi/vastuullisesti/tuotteiden-vastuullisuus/alkoholijuomien-tuotanto-kuormittaa-ymparistoa>. Accessed 24 November 2023.

consumption are the effects of alcohol on various forms of cancer, mental health and sleep problems, as well as circulatory and gastrointestinal conditions.¹⁶ Prolonged high alcohol consumption increases the likelihood of liver diseases such as fatty liver, cirrhosis and chronic pancreatitis. High alcohol consumption also harms cardiovascular health: there is a significant risk of heart attacks, sudden death and cerebrovascular disease associated with binge drinking. In addition, people who consume a large amount of alcohol are more affected by depression and anxiety disorders, and the risk of suicide for those suffering from alcohol problems is significantly higher.

Alcohol consumption increases the risk of a wide range of accidents such as road accidents, falls, burns, drowning and occupational accidents, as well as violence and falling victim to it. Alcohol has been identified as the most common factor behind violence, accidents and injuries. In addition to health harms, alcohol causes social harm, such as violence, neglect of children's safety and wellbeing, and financial difficulties for the family.

The relationship between total alcohol consumption and social and health harms has been rather stable, although it is influenced by a number of factors other than alcohol consumption. According to a conservative estimate, the ratio between consumption and harms would be 1:1. For example, if consumption were to increase by 0.5 % to 1 %, there would be a corresponding increase in harms of between 0.5 % and 1 %. The main reason why the level of alcohol-related harms is so closely linked to the level of overall consumption is that, in the context of an increase in overall consumption, the overall distribution of alcohol consumers tends to move in the same direction. For example, as average consumption among the general public increases, people whose alcohol consumption is low, medium, and high all increase their consumption, and consequently the risks in these population groups also increase. At the level of the population as a whole, it can be estimated that, for example, the impact of high alcohol taxation and restrictions on alcohol availability will reduce the social and health harms caused by alcohol. Similarly, the weakening of those measures leads to the opposite result.

As mentioned above, the immediate effects of the present Proposal are estimated to be rather limited, but the assessment includes uncertainties. In the light of past experience, it is likely that the implementation of the Proposal would at least lead to an increase in alcohol mortality, especially among people who consume a large amount of alcohol.¹⁷ In addition, a number of other reforms have been agreed in the Government Programme, the impact of which will be assessed separately in the relevant Proposals. It is worth noting that the combined effect of the present Proposal and subsequent legislative amendments on the availability of alcohol may become very significant during the Government's term. When assessed, the direct and indirect negative health effects of alcohol are not immediately realised among the population, but

¹⁶ Pia Mäkelä and Solja Niemelä: *Alkoholi ja terveys*. [Alcohol and health] Lääkärikirja Duodecim 25 October 2022. <https://www.terveyskirjasto.fi/dlk01120>.

¹⁷ According to Appendix 1 of the statement from the Finnish Institute for Health and Welfare (THL / 4160/4.00.00/2023),

alcohol disease and alcohol poisoning mortality decreased quite sharply in the years 2007–2017, but the good progress was stalled and alcohol deaths slightly increased after the reform of the Alcohol Act

entered into force in 2018. At that time, the increase in alcohol deaths was higher than had been expected

based on the change in the total consumption of alcohol. According to the Finnish Institute for Health and Welfare, this suggests that people who consume a lot of alcohol, who might have already suffered e.g. liver damage, increased their consumption of alcoholic beverages more than other consumers.

gradually accumulate among the population. This makes it more difficult at present to estimate and calculate the costs of negative health effects in terms of euros, without diminishing their fundamental importance. An example of this is the inequality in alcohol mortality, which has increased since 2017, as the increase in alcohol mortality has hit low-income men in particular.

According to scientific literature, the dismantling of exclusive rights systems for alcoholic beverages and the related increase in the availability of alcohol have typically increased the consumption of alcoholic beverages that have been transferred to sales in the private sector, and in some cases, there is evidence of an increase in alcohol-related harms. The social and health effects of the reform have been further assessed in the memorandum of the National Institute for Health and Welfare '*Alkoholin vähittäismyyntilupien laajentaminen enintään kahdeksanprosenttisiin juomiin*; Muistio mahdollisista hyvinvointi- ja terveysvaikutuksista" *Alkoholin vähittäismyyntilupien laajentaminen enintään kahdeksanprosenttisiin juomiin*] published on 24 August 2023.¹⁸

However, alcohol-related harms can be curbed, for example by increasing alcohol taxes. The Government Programme envisages an increase in the alcohol tax on wine and a reduction in the alcohol tax on beer. In line with the Government Programme, the Ministry of Finance has prepared a Government Proposal to increase excise duties on alcoholic beverages by about 2 %. As a result of the tax changes, the price of alcoholic beverages as a whole is estimated to increase on average by less than 1 %. The tax changes are part of the State Budget Proposal 2024. They are expected to enter into force on 1 January 2024.

In addition, alcohol-related harms can be prevented by government measures relating to the safeguarding of substance addiction treatment, health promotion and preventive measures aimed at maintaining health. Although the proposed amendment includes the adverse effects described above, the Government Programme is also prepared for these. Reducing the burden of chronic disease is necessary not only in terms of adding years of wellbeing and health to the lives of citizens, but also in terms of the sustainability of the social and health services system.

Impact on public order and security

Alcohol consumption also has an impact on public disorder, violence and perceived feelings of insecurity. In the event of an increase in alcohol consumption, the above-mentioned harms as well as the associated costs in euros are also likely to increase somewhat. The ratio between total alcohol consumption and criminal harms in Finland has been fixed for crimes endangering life and health. Alcohol consumption, in particular binge drinking, increases the risk of both committing and becoming a victim of a violent crime. For example, the level of alcohol-related homicides in Finland is 4.5 times higher than in Sweden.¹⁹ The ratio between overall consumption and criminal harms is also fixed for instances of driving under the influence of intoxicating substances. The risks associated with increased availability of

¹⁸ Finnish Institute for Health and Welfare 24 August 2023. *Alkoholin vähittäismyyntilupien laajentaminen enintään*

kahdeksanprosenttisiin juomiin. [Extending alcohol retail licences to beverages with an alcohol content of not more than 8 %] Muistio mahdollisista hyvinvointi- ja terveysvaikutuksista. [Memorandum on potential wellbeing and health effects] Available at: https://thl.fi/documents/10531/9793207/Alkoholin+v%C3%A4hitt%C3%A4ismyyntilupien+laajentaminen+enint%C3%A4%C3%A4n+kahdeksanprosenttisiin+juomiin.+Muistio_.pdf/2961ace0-1252-2560-89e4-f47c03e0b65e?t=1693460580295.

¹⁹ Ministry of the Interior, Internal security portal.

alcohol are particularly relevant for young drivers, who are at a higher risk of traffic accidents even at low levels of alcohol in the blood. The effects of the proposed amendment are likely to be negative, but rather limited.

Intoxicated people have a greater risk of causing a feeling of insecurity in public places and dangerous incidents due to their intoxication. In a 2016 survey, one third of Finns reported having been afraid of intoxicated people in public places during the previous year. In particular for young women, experiences of fear were widespread: almost half of women reported having been afraid of intoxicated people in public places and about one fifth of men. As many as 70 % of young women (15–29 years old) had experienced fear, compared with 30 % of young men. Experiences of harassment and bullying in public spaces were also widespread among young women: just under half had experienced harassment or bullying from an intoxicated person in the preceding year, and about one-sixth of men.²⁰

Impact on children and young people

According to Article 3 of the Convention on the Rights of the Child (SopS 60/1991), inter alia, legislative action must take into account the best interests of the child in matters concerning children. According to the Committee on the Rights of the Child, which monitors the implementation of the Convention, a child impact assessment must always be carried out in issues affecting children. Impacts on children and adolescents include issues related to children's development and wellbeing and the best interests of the child.

Even moderate alcohol consumption during pregnancy increases the risk of foetal developmental disorders and diseases for the child. Binge drinking in particular is associated with risks. It has been suggested that around 600–3 000 children are born each year in Finland (1–6 % of those born) with some degree of alcohol-related damage.

On the basis of records and statistics, it is estimated that there are currently 65 000–70 000 children in Finland (around 6 % of minors) one or both of whose parents have a substance abuse problem. At the age of 13–17, the risk of mental health problems in children with parental substance abuse is about one and a half times higher and the risk of harmful substance use twice as high as for children whose parents do not have a substance abuse problem.

Changes in alcohol consumption affect the number of parents with substance abuse issues; as alcohol consumption increases in society, there is also an increased risk that the number of parents with alcohol and substance abuse problems increases. Serious substance abuse issues of a parent increase the risk of injuries, hospitalisations and mental development disorders in children. A particular threat is the increase in parents' uncontrolled alcohol consumption, as its negative effects on children and adolescents are long-lasting and reflected in later age as a significant risk of increased mental health, substance abuse and deprivation problems. Changes in licensed retail sales of alcoholic beverages do not contribute to transferring alcohol consumption away from homes, but rather increases consumption and use in homes.

²⁰ Finnish Institute for Health and Welfare: Alkoholinkäytön haitat muille kuin käyttäjille. [Alcohol-related harms affecting people other than those consuming alcohol] Updated: 4 April 2022. <https://thl.fi/fi/web/alkoholi-tupakka-ja-riippuvuudet/alkoholi/alkoholihaitat/alkoholinkayton-haitat-muille-kuin-kayttajille>.

The negative effects of alcohol on children and adolescents are not only related to children of parents with severe substance dependence. Hazardous drinking is common in many families. According to the 2023 Juomatapatutkimus²¹ study on drinking habits, it is estimated that 15 % of men aged 20–69 and 9 % of women consume alcohol to an extent that they are at an increased risk of long-term health harms. In families where hazardous drinking takes place, there is also an increased risk to children and adolescents of feeling unsafe, fearfulness of different kinds and of their everyday care being neglected. The effects of children and young people feeling unsafe can harm their growth and development in many ways, including in later life, such as their educational success and social relations. Also, in the context of ‘learning by example’, the hazardous drinking habits learned from parents may increase the child’s risk of consuming alcohol above the risk limit, when they are compared to families where the parents consume very little alcohol. Parental alcohol consumption also has a significant impact on the number of child welfare cases. Placements of children outside their home are much more common in families where the parent has a substance abuse problem than in families where this is not the case. As a result of the draft Act, the harms experienced by children and families may increase and this may increase the need for and cost of child welfare measures. The harms to children related to physical or domestic violence are significantly higher, more than four times, in households where someone consumes too much alcohol²². Recent Finnish survey results suggest that the violence experienced by children in families has increased over the last 10 years, but that the use of physical discipline has decreased²³.

The risks of alcohol consumption are higher for young people. Early use of alcohol predisposes to the development of addiction more than adult use. The undeveloped body tolerates alcohol poorly, so even low per mille levels can be life-threatening. Binge drinking also exposes young people to accidents. In 2023, the UN Committee on the Rights of the Child issued recommendations to Finland on the implementation of the UN Convention on the Rights of the Child. The Committee recommended, among other things, that Finland provide more care for parents with alcohol problems and step up efforts to prevent the consumption of alcohol by young people (General Recommendations 3 E and G).

The draft Act would expose children and young people to a wider range of alcoholic beverages. The opening of the market and the increased availability of alcoholic beverages would not apply to mixed drinks, which are among the alcoholic beverages favoured by young girls. The aim of this policy is to protect vulnerable groups, especially young people, from the adverse effects of alcohol consumption. In the ex-post evaluation of the 2018 Alcohol Act, it was noted that following the reform, the consumption of mixed drinks increased among girls, in particular. There were also indications of an increase in binge drinking as well as an increase in the number of units consumed at once among girls between 2015 and 2019. In 2008, Australia introduced a special tax on mixed drinks, aimed at reducing the harms associated with the consumption of alcohol among young people. As a result, the number of outpatient visits due to alcohol consumption, especially among young women, decreased markedly²⁴. The exclusion of mixed drinks from the reform can be seen as protecting young girls in particular from the negative effects of alcohol consumption. However, the reform would cover beer, which is the most popular drink for young boys, and ciders, which are

²¹ As a risk limit, the study used a moderate risk limit of 7 units or more for women and 14 units or more for men per week. <https://thl.fi/fi/web/alkoholi-tupakka-ja-riippuvuudet/alkoholi/nain-suomi-juo>.

²² Laslett, Stanesby et al., 2020.

²³ Mielityinen et al. 2022, p. 113.

²⁴ Gale et al. (2015) Alcopops, taxation and harm: a segmented time series analysis of emergency department presentations, *BMC Public Health*, Vol. 15.

among young girls' favourite drinks. In addition to these, low alcohol sweet wines may also be of interest to underage young people. Therefore, in order to implement the recommendation of the UN Committee on the Rights of the Child, the Government has decided in its Government Programme to pay particular attention to preventative action in connection with activities provided for children and adolescents.

Gender impact

Although both men and women are affected by the accumulation of socio-economic health inequalities, mental health problems, disadvantages and exclusion caused by increased consumption of alcohol, the number of men affected is larger. According to statistics published by the Finnish Institute for Health and Welfare, consuming alcohol at least once a week and engaging in binge drinking is more common in men than women. The intertwining of mental health issues and substance abuse, becoming excluded from work and family life, and the increase in suicides particularly affect men in disadvantaged socio-economic situations. The increase in alcohol mortality since 2017 was stronger for men (+5 %) than for women (+2 %), and affected people over 45 years of age (+5–6 %). This disrupted the long-standing good development seen in 45–59-year-olds, although the good progress has continued in the most common causes of death of people of working age.

As men suffer significantly more alcohol-related harms than women, the negative health effects of the proposed change, as well as the increase in alcohol mortality, would therefore be more felt by men and boys. However, the risk is not solely affected by gender, and the risk arises from a combination of socio-economical background, income level and gender.

For women, the adverse health effects of alcohol are significant because the risks of harms increase in women at lower consumption levels than for men. In addition, an increase in alcohol consumption increases the insecurity experienced by women in public spaces and the risk of domestic violence typically affecting women.

Alcohol is a major determinant of domestic violence, and therefore the risk of increasing domestic violence can also be estimated to increase. Women are much more likely than men to be subjected to violence by a partner or relative. The perpetrator of domestic violence is intoxicated in almost half of the situations of violence and the consequences of alcohol-related domestic violence are often more serious than non-alcohol-related domestic violence. In Finland, changes in alcohol consumption levels are linked to developments in violent crime, so although the Proposal is unlikely to have a major impact on consumption, it is not likely to reduce alcohol-related domestic violence.

5 Other implementation options

5.1 Options and their impacts

The Proposal is based on the policy agreed in the Government Programme, so the option of not opening up the market for alcoholic beverages and increasing the availability of alcoholic beverages has not been considered in the preparation of the Government Proposal.

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 in relation to this, it was also agreed in the Government Programme that the Government will not change the

public health role and status of the government-owned alcohol company Alko. Instead, alcohol trade would be liberalised by means of smaller steps, according to the Government Programme.

5.2 Foreign legislation and other means used abroad

5.2.1 Sweden

In Sweden, the production, import and export of alcoholic beverages, and their marketing, wholesale and retail trade, as well as the serving of alcoholic beverages, are regulated by the alcohol act reformed in 2010 (Alkohollag 2010:1622). The government-owned alcohol company Systembolaget Aktiebolag, founded in 1955, has an exclusive right to the retail sale of spirits, wine and strong beer (above 3.5 %). The sale of beer with an alcohol content of between 2.25 % and 3.5 % in grocery stores and the serving of alcohol in restaurants is permitted, subject to notification to the municipality.

5.2.2 Norway

The Norwegian alcohol act (LOV-1989-06-02-27) governs the manufacture, import and export of alcoholic beverages, the sale and serving of alcoholic beverages and the related licensing system and marketing. The state-owned alcohol company (Vinmonopolet) has an exclusive right to the retail sale of alcoholic beverages with an alcohol content above 4.75 %. The sale of beverages up to 4.75 % of alcohol is subject to licensing.

In case E-9/00, the EFTA Court found that the State of Norway had infringed the EEA Agreement by maintaining two retail licensing systems. The Norwegian Alcohol Act allows the sale of beer with an alcohol content between 2.5 % and 4.75 % in grocery shops, but not the sale of other packaged alcoholic beverages of the same strength. The system was considered to favour domestic production and the Norwegian Alcohol Act was amended following the judgment.

5.2.3 Estonia

Estonia's independence led to the privatisation of the alcohol trade, with little initial regulation of alcohol. Legislation aimed at preventing alcohol-related harms was reintroduced in 1995. Kiosk sales of alcoholic beverages were banned altogether in 2001. In 2008, retail sale hours were harmonised throughout the country so that the sale of alcohol was allowed from 10.00 to 22.00.

5.2.4 Denmark

In Denmark, regulation of the retail sale of alcoholic beverages has been minimal. The licence for grocery trade, which is issued by the trade authority, automatically includes a sales licence for alcoholic beverages. Retail opening hours were abolished in 2012, with the exception of approximately a dozen public holidays during which establishments are not allowed to open.

5.2.5 Other EU countries

Among the EU countries, only Finland and Sweden have a system of monopoly on the retail sale of alcoholic beverages. Other legal means that are most effective in reducing alcohol-related harms – restrictions on the availability and advertising of alcoholic beverages and

taxation of alcoholic beverages – are used in all EU countries. However, seven Member States do not levy excise duties on wine. In most EU countries, the retail sale of all or at least the sale of spirit drinks is subject to licensing. Seven countries do not require authorisation for the retail sale of alcoholic beverages. Half of the Member States limit the places where the sale of alcoholic beverages is allowed – e.g. sales at service stations are restricted in one third of the countries – and one third of EU countries limit the times during which alcohol can be sold.

6 Feedback from consultation

The draft Government Proposal was published in the electronic consultation service Lausuntopalvelu on 19 October 2023. A summary of the draft Proposal in Swedish was also published in the consultation service²⁵. In addition, the invitation for opinions and a summary of the draft in Swedish were sent to several addressees. The deadline for submitting comments was 23 November 2023.

A total of 85 comments were received. Opinions were submitted by the Ministry of Agriculture and Forestry, the Ministry of Justice, the Ministry of Economic Affairs and Employment, the Finnish Competition and Consumer Authority, the Ombudsman for Children in Finland, the Finnish National Agency for Education, the National Police Board of Finland, the National Supervisory Authority for Welfare and Health Valvira, the Ombudsman for Equality, the Finnish Institute for Health and Welfare, the Finnish Institute of Occupational Health, wellbeing services county of South Karelia, the wellbeing services county of Southern Ostrobothnia, the wellbeing services county of Kainuu, the wellbeing services county of Kanta-Häme, the wellbeing services county of Western Uusimaa, the wellbeing services county of Pirkanmaa, the wellbeing services county of North Karelia Siun Sote, the wellbeing services county of Päijät-Häme, the wellbeing services county of Satakunta, the wellbeing services county of Southwest Finland, HUS Group, the Regional State Administrative Agency for Southern Finland, the Regional State Administrative Agency for Eastern Finland, the Regional State Administrative Agency for Lapland, the Regional State Administrative Agency for Western and Inland Finland, the Regional State Administrative Agency for Northern Finland, the City of Helsinki, the City of Kotka, the brain injury association Aivovammaliitto, the substance abuse recovery association A-Kiltojen Liitto ry, the A-Clinic Foundation, Alko Oy, EHYT Finnish Association for Substance Abuse Prevention, the substance abuse ombudsman of EHYT Finnish Association for Substance Abuse Prevention, Network for Preventive Substance Abuse Work, Elämäni Sankari ry, Federation of Mother and Child Homes and Shelters, the Swedish-speaking health organisation Folkhälsans förbund rf, the wellbeing services counties company Hyvinvointialueyhtiö Hyvil Oy, Karjaan Ratatupa ry, the Finnish Commerce Federation, the Finnish Association on Intellectual and Developmental Disabilities, K Group, Kipinä ry, K-kauppiasliitto ry, Kuluttajaliitto ry, the Central Union for Child Welfare, the Finnish Road Safety Council, the Central Union of Agricultural Producers and Forest Owners, Mannerheim League for Child Welfare, Finnish Hospitality Association MaRa, MIELI Mental Health Finland, Munuais- ja maksaliitto ry, Finnish Youth Research Society, Nykterhetsförbundet Hälsa och Trafik r.f., Olutliitto, Oy Hartwall Ab, Oy Sinebrychoff Ab, Service Union United PAM, the Federation of the Brewing and Soft Drinks Industry, Pienpanimoliitto ry, Pientislaamoliitto, Päihdelääketieteen yhdistys, Päihdetoimijoiden valtakunnallinen yhteistyöverkosto PÄIVYT, the Finnish Grocery Trade Association Päivittäistavarakauppa ry PTY, Raittiuden Ystävät ry, Sininauhaliitto ry, SOKS Group, SOSTE Finnish Federation for Social Affairs and Health, Suomen Aivot ry, the Association of Alcoholic Beverage Suppliers in Finland, ASH Finland, the Finnish Medical

²⁵ The summary in Swedish contained the main content of the draft Act, the main reasons, the draft Act (the draft sections) and a narrative of the draft Act and its main effects.

Association, Suomen Sydänliitto ry, Cancer Society of Finland, the Finnish Association of Public Health Nurses, the Finnish Wine Growers Association, Suomen Yrittäjät ry, Tehy ry, Tukikohta ry. In addition, three private individuals submitted comments. Finnish Customs stated that it had no opinion on the matter.

The majority of those who submitted a comment opposed the Proposal. The Proposal was supported by 15 respondents, most of which, however, required the removal of the restriction on the production method of alcohol, which was perceived as discriminatory. A number of comments did not express a view on whether the legislation should be amended as described in the Proposal, but highlighted potential challenges and suggestions for further preparation of the Proposal. A number of statements – both against and in favour of the Proposal – pointed out that the amendments to the alcohol legislation envisaged by the Government and included in the Government Programme should be treated as a package and presented as a single Proposal, rather than as separate Government Proposals. Many statements pointed out that the impact of the amendments to the Alcohol Act should be assessed in conjunction with the effects of the envisaged changes to the excise duty on alcoholic beverages. One statement commented on the amendment to the excise duty legislation and not the amendment to the alcohol legislation at issue here.

Many comments stressed that alcohol cannot be considered a normal consumer good because of the many harms it causes. Several comments highlighted that improving access to alcohol will have multiple negative effects on citizens' health and ability to work, with the result that social welfare and healthcare costs will increase. In addition, many comments considered that the Government Proposal was incompatible with the objectives of the Alcohol Act. In contrast, the statements that took a more favourable view of the Proposal considered that the changes would increase the range of products in grocery shops, increase the number of sales outlets and, at the same time, increase the number of jobs. However, according to some comments, the competitive position of restaurants in respect of alcoholic beverages would be weakened. A number of statements also pointed out that, if implemented, the proposed amendment could lead to an increase in violent behaviour and crime.

A number of statements pointed out that some of the impact assessments of the Proposal are incomplete and should be supplemented in the further preparation of the Act. The statement of the Ministry of Justice also draws attention to the need to supplement the explanatory memorandum, inter alia by supplementing the assessment of the relationship between the draft and the provisions of section 19, subsection 3 and section 20 of the Constitution with an assessment of its relationship to section 6 of the Constitution and the obligation of the public authorities to ensure the fulfilment of fundamental and human rights laid down in section 22 of the Constitution. In its statement, the Ministry of Justice draws attention to the assessment made in the draft Proposal of the relationship between the Proposal and the restriction of the freedom to conduct a business laid down in section 18 of the Constitution. The Ministry of Justice notes that in the further preparation, the explanatory memoranda in this regard should be clarified, taking into account the legislation in force, including the link between the restrictions on retail sales in the Alcohol Act and section 19, subsection 3 and section 20 of the Constitution, the relationship between the proposed amendments and the statement practice of the Constitutional Law Committee. According to the Ministry of Justice, the explanatory memorandum should consider, inter alia, to what extent alcohol products will be transferred to retail sale, taking into account the previous restrictions on retail sales in the Alcohol Act and their constitutional assessment. The Proposal proposes different treatment of fermented and non-fermented alcoholic beverages, which is why the Ministry of Justice is of the opinion that the difference in treatment between different types of beverages should be

assessed in the light of section 6 of the Constitution and the justifications should be clarified. In its opinion, the Ministry of Justice also draws attention to the need to assess the overall impact of the amendments to the alcohol legislation mentioned in the Government Programme, at the latest in the preparation of future reforms.

All the wellbeing services counties, HUS Group and the Regional State Administrative Agencies that issued opinions opposed the proposed amendment. The National Supervisory Authority for Welfare and Health Valvira, the Finnish Institute for Health and Welfare (THL), the Finnish Institute of Occupational Health, the Ombudsman for Children in Finland, the Finnish National Agency for Education and the majority of the organisations and associations that submitted comments also opposed the proposed amendment. All the Regional State Administrative Agencies that submitted a statement considered that the harms resulting from the proposed amendment are likely to outweigh the benefits. In addition, according to the opinions of the Regional State Administrative Agencies, if the amendments take place despite the adverse effects, and the retail sale of 8 % alcoholic beverages is liberalised, there is no reason to revert to the old system in which the authorisation of alcoholic beverages for retail sale depends on the way in which the beverage is produced. According to the Regional State Administrative Agencies, if 8 % alcoholic beverages are to be allowed to be sold in grocery shops and other retail outlets, the retail sale of alcoholic beverages produced by all methods of production should be allowed at the same time, provided that this does not significantly increase harms. According to the Regional State Administrative Agencies, this would also facilitate the supervisory work of the supervisory authority.

The wellbeing services county of Western Uusimaa stated in its opinion that, if the proposed amendments are implemented and thus the availability of stronger alcoholic beverages is increased, alcohol consumption would be likely to shift to ever stronger alcoholic beverages and overall alcohol consumption would increase. Increasing alcohol consumption undermines public health and the economy and increases social problems. The wellbeing services county of Western Uusimaa further notes that the combined effects of the legislative changes under the Government Programme should be assessed from the point of view of their impact on children, the increase in social inequalities and the cohesion of society. In its statement, the wellbeing services county of Pirkanmaa pointed out that the Alcohol Act should remain unchanged in order to prevent adding to the burden of social and health care. In its statement, the wellbeing services county of Pirkanmaa points out that, as a result of the impact of the amendments to the alcohol legislation introduced in the Government Programme, the capacity of the social welfare and healthcare system would not be able to withstand the increase in alcohol-related harms in the wellbeing services county.

In its statement, HUS Group states that the Government Proposal is considered contradictory and worrying overall by healthcare operators, particularly healthcare professionals working in the areas of liver disease, substance abuse and psychiatric diseases, and brain injuries. HUS Group's statement points out that studies have unequivocally demonstrated that the most effective means of reducing alcohol-related harms is the regulation of alcohol availability. In HUS Group's view, the proposed amendment would increase alcohol mortality, the cost of social welfare and health services caused by alcohol consumption, the risk of being excluded from working life and, presumably, also criminality related to alcohol. HUS Group considers that the tax revenue from the increase in alcohol sales will not cover the cost to society of the harms resulting from increased alcohol consumption, let alone the increase in human suffering. According to HUS Group, it is not possible to fully address the current acute and worsening shortage of workers in the health care system in the near future, even by means of funding. According to HUS Group's statement, such a totally avoidable increase in the need

for the services of the healthcare system, which is already in a tight financial position and at the limits of its ability to function, prompted by the State itself is completely inappropriate. According to HUS Group, neither the availability of alcohol nor the high price of alcohol are significant problems in Finland, but the health harms caused by alcohol are.

The Finnish Institute for Health and Welfare points out that, if the current retail licence holders were to sell fermented alcoholic beverages with an alcohol content of up to 8 % as proposed, the number of retail outlets for these beverages would increase by 17 times compared to the current number of Alko outlets. The Finnish Institute for Health and Welfare states that, according to scientific data, even a much smaller percentage increase in the number of sales outlets will also lead to an increase in alcohol consumption as a result of increased availability. The Finnish Institute for Health and Welfare holds the view that the amendment could make various strong beers, special-strength lagers and boxed wines with an alcohol content of up to 8 % alcohol, as well as dessert wines, more widely available. According to the Finnish Institute for Health and Welfare, in particular, the increase in the range of beers, as well as stronger beers, in conjunction with a reduction in the excise duty on beer, would particularly affect men, who already suffer significantly more from alcohol-related harms than women. Furthermore, as regards the proposed restriction on the method of production, the Finnish Institute for Health and Welfare stated that the underlying objective of protecting young minors does not take boys into account and therefore does not amount to equal treatment. In its statement, the Finnish Institute for Health and Welfare also points out that the proposed amendment would put a strain on the already overburdened social welfare and healthcare system. The Finnish Institute for Health and Welfare argues that the amendments to alcohol legislation contained in the Government Programme need to be assessed as a whole from the point of view of their impact on the Finnish system of selling alcoholic beverages, including on the conditions for the State's system of exclusive rights, and, consequently, on alcohol consumption and on harms to the wellbeing, health and safety of the population.

The statement of the Ombudsman for Children in Finland stresses that all children under the age of 18 are entitled to special protection under the UN Convention on the Rights of the Child (Article 3(2)). This means protection from factors threatening both physical and psychological wellbeing. In the statement, the Ombudsman for Children in Finland points out that one serious threat is the availability of different substances that may, in the worst case, have very harmful effects on the child's health and wellbeing, both directly (children's and adolescents' own alcohol consumption) and indirectly (problematic use of alcohol by parents or other close relatives). The Ombudsman notes that the changes proposed in the Proposal substantially weaken the position and rights of children and in the worse case will cause great human suffering to children and adolescents. According to the Ombudsman, moving forward with the Proposal is unequivocally contrary to the best interests of the child and, therefore, it cannot be considered acceptable. In its statement, the Finnish National Agency for Education also expresses concern about the impact of the amendments to the Alcohol Act on children and adolescents.

In its statement, the National Police Board points out that easier access to ever stronger alcoholic beverages could increase the number of police call-outs related to public order and public security. According to the National Police Board, easier access to stronger alcoholic beverages is likely to be reflected in the wider occurrence of alcohol-related harms, both in public places and in people's homes, thus implying an increase in the number of police call-outs.

In the view of the Finnish Competition and Consumer Authority, it is important, in principle, for fair conditions of competition and freedom of choice for consumers that the sale of alcoholic beverages with the same intended use and of the same alcoholic strength is regulated equally. The Finnish Competition and Consumer Authority states that different types of alcoholic beverages may be regulated differently based on grounds of public health, but that the regulation of beverages with similar health effects should, in principle, be neutral.

The Proposal was supported by the Ministry of Agriculture and Forestry, the Finnish Commerce Federation, K Group, K-kauppiasliitto ry, the Finnish Hospitality Association MaRa, Olutliitto, Oy Hartwall Ab, the Federation of the Brewing and Soft Drinks Industry, Pienpanimoliitto ry, Pientislaamoliitto, the Finnish Grocery Trade Association Päivittäistavara-kauppa ry PTY, SOK/S Group, Suomen Yrittäjät ry, and two private individuals. However, a number of supportive opinions called for the Proposal to be amended to abolish the proposed production method restriction and to liberalise all alcoholic beverages containing less than 8 % by volume of alcohol, regardless of the method used, for retail sale.

In its statement, Oy Sinebrychoff Ab states that the restriction on the method of producing alcoholic beverages between 5.5 % and 8 % of alcohol proposed in the Proposal is not based on research data. As a result, according to Oy Sinebrychoff Ab, the Proposal appears illogical and differs from the law that previously entered into force in 2018, which abolished the production method restriction. According to Oy Hartwall Ab, the amendment is discriminatory, since the opening of a retail channel for products containing up to 8 % by volume of ethyl alcohol concerns only fermented alcoholic beverages and similar strength ethanol-based mixed drinks would be excluded from the amendment as their retail licence continues to be limited to 5.5 % ethyl alcohol without any justification. According to Oy Hartwall Ab, the measures presented give rise to discriminatory treatment from the point of view of competition. According to Oy Hartwall Ab, the health policy arguments put forward do not provide a scientific basis for treating alcoholic beverages of the same strength differently depending on their production method.

The opinion of K-Kauppiasliitto ry points out that the proposed reform of the Alcohol Act would create a level playing field for grocery shops, as the presence of an Alko outlet increases the attractiveness of adjacent grocery stores and thus distorts competition. According to K-Kauppiasliitto ry, the reform would allow shops to offer their customers high-quality food wines and speciality beers in the category of fermented beverages containing up to 8 % by volume of ethyl alcohol, which would result in purchases of convenience goods being more evenly distributed between shops, even when located far away from an Alko outlet. K Group states in its statement that the proposed amendment to widen the range would have a significant impact on the operating conditions of local shops. According to K Group, customer flows are currently driven, among other things, by the locations of Alko outlets, which are often located in large shopping districts. According to K Group, the reform would also help to maintain the viability of shops in sparsely populated areas, which are often key to maintaining the vitality of the area. Unlike many other comments, K Group considers that staggered reforms make it possible to monitor the impact of changes and thus to achieve a responsible alcohol policy through the reforms. The Finnish Hospitality Association MaRa considers it justified that Finnish alcohol policy should move towards a European direction. However, MaRa believes that equal treatment of businesses and ensuring fair competition are important in implementing the change and that the regulation should not treat alcoholic beverages of the same strength differently. MaRa states that the Alcohol Act prohibits selling alcohol to minors and supplying alcoholic beverages to minors, which, in MaRa's view, is

sufficient to protect minors against alcohol-related harms and therefore there is no need for a separate production method restriction.

The Ministry of Economic Affairs and Employment supports the objectives of the reform of alcohol policy and the promotion of competition. The Ministry supports the Proposal to allow the retail sale of beverages with a maximum strength of 8 % subject to a licence. However, the Ministry of Economic Affairs and Employment has reservations about the proposed manufacturing method restriction and stated in its statement that the sale of alcoholic beverages with the same purpose and the same alcoholic strength should be regulated equally. According to the Ministry of Economic Affairs and Employment, the impact assessment of the draft has comprehensively assessed the impact of the Proposal by type of effect. However, the Ministry suggests that the impact assessment should be supplemented if the further preparation of the final Government Proposal includes the restriction based on production method. According to the Ministry of Economic Affairs and Employment, the impact assessment should assess the impact of the introduction of the segregation on companies manufacturing alcoholic beverages, their competitive situation and a level playing field, as well as on the EU internal market and the free movement of goods.

On the basis of the opinions, the impact assessments of the Proposal have been supplemented, inter alia, in terms of business impact, environmental impact, social welfare and healthcare effects, as well as the effects on children and young people. In addition, the explanatory memoranda of the Proposal have been supplemented as required by the opinion of the Ministry of Justice. No substantive changes were made to the Proposal based on the feedback from consultation.

7 Entry into force

The proposed Act is intended to enter into force in spring 2024. According to the transitional provision, retail sales licences issued before the entry into force of this Act pursuant to section 17, subsection 1 of the Alcohol Act shall apply to alcoholic beverages referred to in the Act after the entry into force of the Act.

8 Implementation and monitoring

The economic, social and health impacts of the reform will be monitored in cooperation with the Finnish Institute for Health and Welfare and the Finnish Competition and Consumer Authority.

It has been agreed in the Government Programme that by the mid-term policy review session, a report on the liberalisation of the sale of wine containing 15 per cent of alcohol will be drafted in collaboration between the Ministry of Social Affairs and Health and the Ministry of Economic Affairs and Employment.

9 Relationship to the Constitution and legislative procedure

9.1 Introduction

The provisions of the Alcohol Act on the retail sale of alcoholic beverages limit the retail sale of alcoholic beverages by providing, inter alia, that retail sales are subject to licence and for the exclusive right of Alko to the retail sale of certain alcoholic beverages. These restrictions are linked to section 19, subsection 3 of the Constitution, according to which public

authorities, as further specified by law, must promote the health of the population. According to the explanatory memorandum, the obligation to promote the health of the population refers, on the one hand, to preventive action in the field of social and health care and, on the other, to the development of social conditions in the various branches of public authorities, with a view to promoting the health of the population in general.

The restrictions are also linked to the obligation of the public authorities, referred to in the second sentence of section 19, subsection 3 of the Constitution, to support the ability of the family and other carers to ensure the wellbeing and individual growth of the child. They also relate to the requirement laid down in section 20 of the Constitution that the public authorities must endeavour to ensure everyone's right to a healthy environment.

9.2 Freedom to conduct a business

The restrictions should be assessed in the light of section 18, subsection 1 of the Constitution. According to that provision, everyone has the right by law to earn their livelihood by the employment, occupation or commercial activity of their choice. Although, in practice, the Constitutional Law Committee has considered the freedom to conduct a business as the general rule, it has considered it acceptable to require the various forms of alcohol-related economic activity to be subject to authorisation in order to reduce, inter alia, the health harms associated with alcohol consumption and the social harms caused by alcohol use. The same applies to the rules on exclusive rights (see PeVL 48/2017 vp).

The freedom to conduct a business is also enshrined in the Charter of Fundamental Rights of the European Union, Article 16 of which recognises the freedom to conduct a business in accordance with Union law and national laws and practices. Article 15 of the Charter guarantees the right to freely pursue a chosen or accepted occupation.

Under Article 52 of the Charter, any limitation on the exercise of the rights and freedoms recognised by the Charter must be provided for by law and respect the essence of those rights and freedoms. In accordance with the principle of proportionality, restrictions may be imposed only if they are necessary and effectively meet the objectives of general interest recognised by the Union or the need to protect the rights and freedoms of other persons.

National law within the scope of EU law must not conflict with the provisions of the EU Charter of Fundamental Rights. The drafting of legislation must therefore take into account EU fundamental rights to the extent that a matter for which national law is being prepared can be considered to fall within the scope of EU law. For example, in Case C-198/14 *Visnapuu*, the Court of Justice of the European Union specifically examined and applied the licensing system and Alko's exclusive rights provisions laid down in the Alcohol Act.

While it is estimated that the Proposal will contribute to a certain increase in alcohol consumption and the health harms caused by alcohol, the main point of assessment under constitutional law will be whether the licensing system, following the proposed amendment, meets the requirements of necessity and proportionality of the restrictions. The draft Act in question does not constitute a new restriction on conducting a business, but essentially involves the transfer of some of the products for which Alko currently has exclusive rights to licensed retail trade. Therefore, the Proposal would de facto reduce the restrictive rules relating to the alcohol industry.

9.3 Equality

The draft Act also concerns equality of treatment as provided for in section 6 of the Constitution. In principle, the non-discrimination provision of the Constitution applies only to people. However, the principle of equal treatment may also play a role in the assessment of regulation applied to legal persons, in particular where the legal situation of natural persons may be affected indirectly. The more distant this connection is the less important this point of view is.²⁶ The proposed amendment concerns, in principle, legal persons and their status. The change may have an indirect effect on the legal situation of natural persons whose economic activity is based on the production of alcoholic beverages. In its statement, the Finnish Institute for Health and Welfare²⁷ notes that while alcohol consumption is harmful to young people, regardless of the type of beverage, underaged girls preferring long drink as their primary type of drink suggests that allowing the sale of stronger long-drinks in grocery stores is likely to increase girls' alcohol consumption. According to the Finnish Institute for Health and Welfare, this assumption is supported by previous findings on the impact of the previous amendment to the Alcohol Act on girls' alcohol consumption. In its statement the Finnish Institute for Health and Welfare points out that a number of international studies have shown that the increase in the availability of mixed drinks has led to an increase in the consumption of alcohol by young people and, for example, Germany and Australia decided in 2004 and 2008 respectively to increase the taxation of such beverages in order to discourage consumption.²⁸

The restriction on the retail sale of alcoholic beverages must be proportionate to the health harms and other harms caused by the economic activity. Both fermented alcoholic beverages and alcoholic beverages produced by other methods can be considered to meet similar consumer needs on the market. They can therefore be considered, at least in part, to be in a competitive situation on the market. As stated above, the way in which alcoholic beverages are produced does not generally affect the harmful effects of alcohol. From the point of view of equal treatment of traders, it must therefore be borne in mind that alcoholic beverages produced by methods other than fermentation would not be in the same position as fermented alcoholic beverages of the same strength. This creates a disparity in the position of traders producing alcoholic beverages by different methods. However, this difference in treatment can be regarded as an acceptable and proportionate measure from the point of view of the fundamental rights system, since the aim is to protect children and adolescents in particular from the risks associated with substance use. The liberalisation of the market for non-

²⁶ See e.g. PeVL 11/2012 vp, p. 2.

²⁷ Statement of the Finnish Institute for Health and Welfare (THL/4160/4.00.00/2023), 24 August 2023. Alkoholien vähittäismyyntilupien laajentaminen enintään kahdeksanprosenttisiin juomiin. [Extending alcohol retail licences to beverages with an alcohol content of not more than 8 %] Muistio mahdollisista hyvinvointi- ja terveysvaikutuksista. [Memorandum on potential wellbeing and health effects]

²⁸ Gale, M., Muscatello, D.J., Dinh, M. et al. (2015) Alcopops, taxation and harm: a segmented time series analysis of emergency department presentations. *BMC Public Health* 15, p. 468. Available online at <https://bmcpublichealth.biomedcentral.com/articles/10.1186/s12889-015-1769-3>; Müller, S., Piontek, D., Pabst, A., Baumeister, S. E. & Kraus, L. (2010) Changes in alcohol consumption and beverage preference among adolescents after the introduction of the alcopops tax in Germany. *Addiction*, 105(7), pp. 1205–1213. Available online at <https://onlinelibrary.wiley.com/doi/10.1111/j.1360-0443.2010.02956.x>; Wicki, M., Gmel, G., Kuntsche, E., Rehm, J., & Grichting, E. (2006) Is alcopop consumption in Switzerland associated with riskier drinking patterns and more alcohol-related problems? *Addiction*, 101(4), pp. 522–533. Available online at <https://onlinelibrary.wiley.com/doi/10.1111/j.1360-0443.2006.01368.x>.

fermented alcoholic beverages could pose particular risks for the use of substances by children and adolescents, in particular girls. In practice, the Constitutional Law Committee has consistently stressed that the principle of equality cannot give rise to strict limits on the discretion of the legislator when it comes to the regulation required by the relevant social developments.²⁹ Therefore, for the reasons set out above, the proposed regulation can be regarded as constitutionally acceptable.

9.4 Right to social security

According to section 19, subsection 3 of the Constitution, public authorities must ensure adequate social and health services for everyone and promote the health of the population. In addition, the public authorities must support families and others responsible for providing for children so that they have the ability to ensure the wellbeing and personal development of the children. The provision in section 19, subsection 3 of the Constitution on the duty of public authorities to promote the health of the population refers, on the one hand, to the preventive measures of social and healthcare services and, on the other hand, to the development of social conditions in the various branches of public authorities in a manner conducive to the health of the population in general.³⁰

Article 35 of the EU Charter of Fundamental Rights also states that everyone has the right of access to preventive health care and the right to benefit from medical treatment under the conditions established by national laws and practices.

The proposed amendment, as highlighted in the impact assessment of the Proposal, may have certain adverse effects on human health and wellbeing.

According to Article 3 of the Convention on the Rights of the Child (SopS 60/1991), *inter alia*, legislative action must take into account the best interests of the child in matters concerning children. According to with Article 24 of the EU Charter of Fundamental Rights, children have the right to such protection and care as is necessary for their wellbeing. According to the same article, in all actions relating to children, whether taken by public authorities or private institutions, the child's best interests must be a primary consideration.

As stated in the impact assessment of this Proposal, there are currently around 65 000–70 000 children (around 6 % of minors) in Finland one or both parents of whom have a substance abuse problem. At the age of 13–17, the risk of mental health problems in children with parental substance abuse is about one and a half times higher and the risk of harmful substance use twice as high as for children whose parents do not have a substance abuse problem. However, the negative effects of alcohol on children and adolescents are not only related to the situation of substance-dependent parents. Hazardous drinking is common in many families. In families where hazardous drinking takes place, there is also an increased risk to children and adolescents of feeling unsafe, fearfulness of different kinds and of their everyday care being neglected. The effects of children and young people feeling unsafe can harm their growth and development in many ways, including in later life, such as their educational success and social relations. The proposed amendment would increase the availability of stronger alcoholic beverages, which could have an impact on alcohol consumption for people with substance-related problems and also for high-risk alcohol users. In families with children where one or both parents have alcohol problems or whose alcohol

²⁹ see e.g. PeVL 2/2011 vp, p. 2/II, PeVL 64/2010 vp, p. 2

³⁰ see Government Proposal to Parliament to amend the fundamental rights provisions of the Constitution (HE 309/1993 vp, p. 71).

consumption is at hazardous levels, the child's wellbeing and individual growth may be further weakened as a result of the proposed amendment.

The proposed amendment may therefore have some harmful effects on human health and wellbeing in general, as well as on children's and young people's wellbeing and individual growth. At the same time, however, the Proposal would facilitate the economic activity of alcohol traders with fewer restrictions. However, as regards the potential adverse health effects of the draft Act, the Government is taking a number of other measures to support health promotion and the wellbeing of children and young people. For example, the Government plans to implement social and health care reforms to enable the wellbeing services counties to prepare more efficiently for the challenges of the future. The structure of the services will be reformed towards a step-by-step approach, with the aim of shifting the focus from corrective services towards earlier support, assistance and prevention. The Government will take action to try to ensure timely access to care and services and to reduce existing waiting times.

The Government is also committed to promoting the availability and effectiveness of social and healthcare services, including those related to mental health and substance abuse problems. These services pay particular attention to the prevention of mental health and substance use in children and young people. In line with the Government Programme, substance abuse prevention will also be developed by considering and securing different substance abuse treatment models that meet customers' needs. These and other reforms in social and health care, services for children and adolescents, and especially in work preventing substance abuse and promoting mental health will promote health and safeguard children's wellbeing and individual development in a context that also allows for liberalisation of the alcohol trade.

9.5 Responsibility for the environment

According to section 20, subsection 2 of the Constitution, the public authorities must endeavour to guarantee for everyone the right to a healthy environment and for everyone the possibility to influence the decisions that concern their own living environment. The requirement of a healthy environment must be understood in a broad sense. Human habitats must be viable in such a way that their condition does not directly or indirectly pose a risk of disease to human beings. On the other hand, the state of the environment must be subject to more far-reaching requirements. For example, healthiness includes at least a certain dimension of an attractive environment.

The proposed amendments can have an impact on the health and safety of the environment, as it is well known that alcohol consumption also has an impact on public disorder, violence and perceived feelings of insecurity. If the amendments now proposed would lead to an increase in alcohol consumption, the above-mentioned harms are likely to increase somewhat. Alcohol consumption, in particular binge drinking, increases the risk of both committing and becoming a victim of a violent crime. The risks associated with increased availability of alcohol are particularly relevant for young drivers, who are at a higher risk of traffic accidents even at low levels of alcohol in the blood. The proposed amendment could therefore have adverse effects on the health and safety of the environment if the proposed amendments would lead to an increase in alcohol consumption – but, as indicated in the impact assessment, the changes are likely to be minor and, in relation to the positive effects on the right to conduct a business, the regulation in this respect can be considered constitutionally acceptable and proportionate.

9.6 Public authorities' duty to safeguard fundamental rights

Fundamental rights are binding on and primarily oblige the public authorities. The fundamental rights regulation has traditionally been based on the protection of freedom of the individual against state interference. Section 22 of the Constitution states that the public authorities must guarantee the observance of basic rights and liberties and human rights. The effective exercise of fundamental rights often requires active public intervention, for example to protect fundamental rights against external violations or to create effective conditions for the exercise of fundamental rights. The means of safeguarding and clarifying the exercise of a fundamental right also include the establishment of legislation which guarantees and clarifies the exercise of a fundamental right.

The proposed amendment to the Alcohol Act may have detrimental effects on human health, the wellbeing of children and young people, and also on the burden of social and health services, and thus the adequacy of social and health services due to the possible increase in alcohol-related diseases. On the other hand, the draft Act would ease restrictions in the alcohol sector and allow these operators to enjoy the right to carry on business in a way that the current regulation does not.

The Government is committed to measures to improve access to social and health services, access to mental health services and equal access for children and young people to short-term psychotherapy services. In its Government Programme, the Government is also committed to improving the availability and effectiveness of social and healthcare services related to mental health and substance abuse issues, paying particular attention to the prevention of mental health and substance use in children's and adolescents' activities. These actions, together with the proposed amendments, can contribute to the realisation of fundamental and human rights, the wellbeing of children and young people, and individual development, while at the same time enabling the alcohol industry to operate with fewer restrictions.

The purpose of the Alcohol Act is to reduce the consumption of alcoholic substances by limiting and controlling the related business activities in order to prevent harm caused by alcohol to its users, to other people and to society as a whole. The proposed amendment is not contrary to the aim and purpose of the Alcohol Act. The objective of the Alcohol Act would continue to be to reduce alcohol-related harms. While increasing the availability of alcoholic beverages would increase alcohol consumption and the harms to health caused by alcohol, the legislation is planned to be progressively lightened, thereby removing restrictions on economic activity linked to the production and retail trade of alcoholic beverages. However, the proposed amendment does not remove Alko's exclusive right to the retail sale of alcoholic beverages with an alcohol content of more than 8 %. Furthermore, the Proposal would not abolish the licence-based system for the retail sale and serving of alcohol or the provisions on control, and the proposed amendment is therefore still acceptable from the point of view of the objective and purpose of the Alcohol Act.

9.7 Free movement of goods

Article 37(1)(2) of the Treaty on the Functioning of the European Union (TFEU) states that "Member States shall adjust any State monopolies of a commercial character so as to ensure that no discrimination regarding the conditions under which goods are procured and marketed exists between nationals of Member States." According to the Commission's notification, the system of selling alcoholic beverages covered by the retail licences is not covered by

harmonised EU rules and should therefore be assessed on the basis of Articles 34–36 of the TFEU on the free movement of goods.

Under Article 34 TFEU, quantitative restrictions on imports and all measures having equivalent effect shall be prohibited between Member States. However, according to Article 36 TFEU, Article 34 TFEU shall not preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, public policy or public security, the protection of health and life of humans, animals or plants, the protection of national treasures possessing artistic, historic or archaeological value, or the protection of industrial and commercial property. Such prohibitions or restrictions shall not, however, constitute a means of arbitrary discrimination or a disguised restriction on trade between Member States.

In fact, the proposed amendment reduces the scope of the national monopoly in relation to the legislation in force. Under the current Alcohol Act, alcoholic beverages containing a maximum of 5.5 % by volume ethyl alcohol may be sold in retail trade and the government-owned alcohol company has exclusive rights to sell alcoholic beverages above that limit. The amendment therefore aims to extend the free movement of alcoholic beverages and reduce the restrictions on imports of alcoholic beverages. However, the amendment would liberalise only fermented alcoholic beverages containing between 5.5 % and 8.0 % by volume ethyl alcohol for retail sale, thus placing alcoholic beverages produced by other methods in a different position in relation to these fermented beverages which, it is proposed, would fall outside the system of exclusive rights. As indicated in the impact assessment of this Proposal, the effects of the Proposal on competition between alcoholic beverage producers can be expected to be limited, but mainly pro-competition in nature. A larger domestic market for fermented alcoholic beverages containing 5.6 to 8.0 per cent alcohol may attract some new domestic and foreign players and thus increase competition.

According to the Commission, the measure based on the notified draft, namely the restriction based on the method of production of alcoholic beverages, would appear to be based on purely hypothetical considerations. On the basis of the Commission's notification, the impact assessments of the Proposal have been supplemented with a clearer description of the background to and effects of the aim of the restriction based on production method. The impact assessment now highlights that although alcohol consumption is harmful to young people regardless of the type of drink, underage girls preferring long drinks as their primary choice of drink suggests that allowing the sale of stronger long drinks in grocery stores is likely to lead to an increase in girls' alcohol consumption. This assumption is supported by the findings on the impact of the Alcohol Act that entered into force in 2018. Overall, alcohol consumption among young Finns has decreased fairly steadily since the turn of the millennium, although the trend came to a halt between 2017 and 2019, and the amount of alcohol consumed in one session by young people, especially girls, increased after the change to the law. The amendment to the Alcohol Act has been found to have led to an increase in the consumption of mixed drinks among girls in particular (Lintonen et al. 2020). In 2008, Australia introduced a special tax on mixed drinks, aimed at reducing the harms associated with the consumption of alcohol among young people. As a result, the number of outpatient visits resulting from alcohol consumption, especially by young women, fell significantly (Gale et al. 2015). It is thus possible to predict that the restriction based on production method could achieve the underlying objective of preventing health harms caused by alcohol among young people and girls in particular, and the proposal would thus be proportionate and acceptable on the basis of Article 36 TFEU.

In its notification, the Commission also invited the Finnish authorities to analyse the potential effects on competition of the notified draft and to ensure that the national measure does not result in indirect discrimination of imported products. The assessment of the effects of the Proposal have also been supplemented in this respect, and it has been pointed out that mixed drinks with an alcohol content of between 5.6 % to 8.0 % currently constitutes a predominantly domestic product group in Alko's range of products. The proportion of domestically produced mixed drinks sold by Alko in 2023 accounted for around 92 % of total sales of mixed drinks. The product groups proposed to be liberalised for retail sale currently comprise mainly imported products in the Alko range. In the case of beers, just over half of beers sold by Alko were foreign and imported products accounted for an even larger proportion of wines. The proportion of domestically produced products sold in e.g. grocery shops in the case of the relevant products is unlikely to change much as a result of the legislative proposal. Therefore, the production method restriction is not considered to be favouring domestic products over imported products. As regards mixed drinks, the legislation would not change from the current legal situation and the current regulation treats domestic and foreign operators in the same way – i.e. the sale of mixed drinks would continue to take place in the context of the government-owned alcohol company's exclusive rights system, in which both domestic operators and operators of other EU Member States are treated equally under section 25 of the Alcohol Act.

In line with the above, the draft Act can be considered acceptable and proportionate for the fundamental rights system.

On the basis of the above considerations, the Proposal may be dealt with under the ordinary legislative process. The proposed amendment includes such a meaningful balancing exercise between different fundamental rights that the Government considers it desirable for the Constitutional Law Committee to issue an opinion on the matter. For example, there may be a conflict to some extent between the obligation of the public authorities to promote the health of the population and to take into account the best interests of the child as a matter of priority in their decision-making, on the one hand, and to enable the right to carry on a business more freely, on the other hand.

Resolution

Based on the foregoing, the following Government Proposal is submitted to Parliament for approval:

Bill

Act

on amending section 17 and section 26 of the Alcohol Act

By decision of Parliament, section 17, subsection 1; and section 26, subsection 2 of the Alcohol Act (1102/2017) are *amended* as follows:

Section 17

Retail sale licence for alcoholic beverages and requirements for the granting thereof

The retail sale licence for fermented alcoholic beverages containing up to 8.0 per cent of ethyl alcohol by volume, and alcoholic beverages produced by other methods and not exceeding 5.5 per cent by volume applies to retail sales within one place of sale and the licence is granted to:

(1) an applicant selling a diverse selection of food products for everyday use in a building within the meaning of the Land Use and Building Act (132/1999), if the share of the sales of alcoholic beverages of the total business activities is not considerably larger than the share of the sales of other food products sold;

(2) an applicant operating a business within the meaning of subsection 1 out of a sales truck or boat which runs on a regular route in regions with permanent or seasonal residents and the route is approved by a licensing authority;

(3) an applicant with an alcohol serving licence for the retail sale of the alcoholic beverages served under the serving licence; however, a retail sales licence can only be granted to an applicant with a temporary alcohol serving licence or operating within an area licenced for serving alcohol within the meaning of section 20 for events where several producers of alcoholic beverages present their products to consumers;

(4) an applicant with a production licence for retail sales at the place of production.

Section 26

Retail trade establishment and granting of retail trade licence

If the government-owned alcohol company applies for a retail licence as referred to in section 17, subsection 1, the licence may be granted if the retail trade establishment meets the conditions laid down in subsection 1 of this section.

This Act enters into force on [day] [month] 20...

This Act also applies to retail licences in force at the time of entry into force of this Act.

Helsinki 15 February 2024

Prime Minister

Petteri Orpo

Minister of Social Security Sanni Grahn-Laasonen

Act

on amending section 17 and section 26 of the Alcohol Act

By decision of Parliament,
section 17, subsection 1; and section 26, subsection 2 of the Alcohol Act (1102/2017) are
amended as follows:

Existing Act

Section 17

Retail sale licence for alcoholic beverages and requirements for the granting thereof

A retail trade licence for alcoholic beverages containing a maximum of 5.5 per cent ethyl alcohol by volume applies to retail sales inside one retail trade establishment, and shall be granted to:

(1) an applicant selling a diverse selection of food products for everyday use in a building within the meaning of the Land Use and Building Act (132/1999), if the share of the sales of alcoholic beverages of the total business activities is not considerably larger than the share of the sales of other food products sold;

(2) an applicant operating a business within the meaning of subsection 1 out of a sales truck or boat which runs on a regular route in regions with permanent or seasonal residents and the route is approved by a licensing authority;

(3) an applicant with an alcohol serving licence for the retail sale of the alcoholic beverages served under the serving licence; however, a retail sales licence can only be granted to an applicant with a temporary alcohol serving licence or operating within an area licenced for serving alcohol within the meaning of section 20 for events where several producers of alcoholic beverages

Proposal

Section 17

Retail sale licence for alcoholic beverages and requirements for the granting thereof

For fermented alcoholic beverages containing up to 8.0 per cent of ethyl alcohol by volume, and alcoholic beverages produced by other methods and not exceeding 5.5 per cent by volume, the retail sale licence applies to retail sales within one retail trade establishment and the licence is granted to:

(1) an applicant selling a diverse selection of food products for everyday use in a building within the meaning of the Land Use and Building Act (132/1999), if the share of the sales of alcoholic beverages of the total business activities is not considerably larger than the share of the sales of other food products sold;

(2) an applicant operating a business within the meaning of subsection 1 out of a sales truck or boat which runs on a regular route in regions with permanent or seasonal residents and the route is approved by a licensing authority;

(3) an applicant with an alcohol serving licence for the retail sale of the alcoholic beverages served under the serving licence; however, a retail sales licence can only be granted to an applicant with a temporary alcohol serving licence or operating within an area licenced for serving alcohol within the meaning of section 20 for events where

Existing Act

present their products to consumers;
(4) an applicant with a production licence
for retail sales at the place of production.

Section 26

*Retail trade establishment and granting of
retail trade licence*

If the government-owned alcohol company
applies for a retail licence referred to in
section 17, subsection 1 to *sell alcoholic
beverages containing not more than
5.5 per cent ethyl alcohol by volume*, the
licence may be granted if the retail trade
establishment meets the requirements set out
in subsection 1.

Proposal

several producers of alcoholic beverages
present their products to consumers;
(4) an applicant with a production licence
for retail sales at the place of production.

Section 26

*Retail trade establishment and granting of
retail trade licence*

If the government-owned alcohol company
applies for a retail licence as referred to in
section 17, subsection 1, the licence may be
granted if the retail trade establishment meets
the conditions laid down in subsection 1 of
this section.

This Act enters into force on [day] [month]
20...

This Act also applies to retail licences in
force at the time of entry into force of this
Act.