Alcohol (Minimum Pricing) (Scotland) Bill

Royal Society of Edinburgh

Summary

- The evidence suggests a strong relationship between comparatively low cost and easy accessibility on the one hand and alcohol consumption on the other. There is a strong argument for the action that is proposed to control price as a way of reducing consumption and alcohol-related harm. If the Parliament decides to act, and we believe that it should, it must accept that there are some uncertainties about the level of demand elasticity; the level of minimum price that would be required in order to have a significant impact; and the potential unintended side effects.

- If such bold legislation is to be introduced, in order to maximise the achievement of the aims of reducing alcohol consumption and reducing alcohol-related harm, it is imperative that the minimum price is set at such a level that would ensure consumption is reduced by a material extent. The Committee should encourage Scottish Ministers to further consider the modelling work with a view to initially setting the minimum price to at least 50p per unit.

- Once set, the minimum price and its effect on alcohol consumption should be subject to comprehensive evaluation. It is important that the Government plans for evaluation studies early, ensuring that funding is made available for them. They should be designed to be as robust as possible, ensuring that data on sufficient variables is collected so that it is possible to isolate the pure effect of the measure as well as any indirect effects.

- The modelling work indicates that minimum pricing will result in estimated increased revenue to the alcohol industry. One way to mitigate societal concern about this would be for the Scottish Government to obtain a share of the increase in the profits of those who produce and/or supply alcohol. While the Scottish Government cannot do this through taxation, we propose a possible means whereby the licensing regime could be adapted for this purpose. Additional revenue to the state could then be spent on public good, including public health interventions aimed at reducing alcohol consumption and alcohol-related harm. We suggest that the Committee explores this further.

- The legislation being considered it to dissuade, not ban, and its success or otherwise will depend on its capacity to change behaviour. Pricing alone is not enough and price changes in isolation may fail to maximise the opportunities offered by legislation of the significance of that proposed. Minimum pricing should be one component of a broader strategy for reducing alcohol consumption and related harm.
Grey markets are likely to emerge as the effect of the measure will be to create a price differential between alcohol in Scotland and alcohol in the rest of the UK. While the emergence of these markets is acknowledged in the documentation accompanying the Bill, the impression given is that they are unlikely to have much impact. Ultimately, it is the size of the price differential that will determine the extent to which such markets take hold and this should be borne in mind by the Committee.

Concerns have been raised as to whether the proposal for a minimum price of alcohol would be compatible with EU law. While the RSE is not in a position to offer a legal opinion, we believe that the justification for the proposed measure must satisfy the following tests: A clearly identified health problem exists; The problem is specific - though not exclusive - to Scotland; The Scottish Parliament considers that action must be taken urgently to deal with the problem; Independent and impartial academic/scientific/medical advice, based on evidence, suggests (though it cannot prove) that a minimum price of alcohol would probably have a material effect on counteracting the health problem; and There is no convincing evidence that a minimum price of alcohol would be likely to restrict equal access to the Scottish market of domestic (i.e. UK) products and products from other EEA member states.

Introduction

1. The Royal Society of Edinburgh (RSE), Scotland’s National Academy, is pleased to respond to the Scottish Parliament Health and Sport Committee’s invitation to provide written comments on the general principles of the Alcohol (Minimum Pricing) (Scotland) Bill. The RSE provided written and oral evidence during the course of the Committee’s consideration of the Alcohol etc. (Scotland) Bill in the previous parliamentary session. The RSE is well placed to respond because of the multi-disciplinary breadth of its Fellowship which permits it readily to draw upon advice from experts in health and public policy, health inequalities, clinical medicine, economics and law. The RSE has sought the views of those experts that were involved in its previous working group on this topic and reviewed that submission. Given the importance of the issues being debated, we welcome the opportunity to address the key points raised by the current call for evidence. We would be pleased to discuss further any of the issues raised in this paper with the Committee.

The rationale behind the use of minimum pricing and the advantages and disadvantages of establishing a minimum alcohol sales price on a unit of alcohol

2. Excessive alcohol consumption is a major problem in contemporary Scotland both because of its health impacts on those who drink to excess and its secondary social effects. The evidence (some of which is referred to in the documents accompanying the Bill) suggests a strong relationship between comparatively low cost and easy accessibility on the one hand and alcohol consumption on the other. There is also abundant
epidemiological evidence of an inverse relationship between costs and rates of alcoholic cirrhosis.

3. Efforts at dissuasion have had little success. There is widespread lack of awareness and acceptance of the adverse effects of alcohol. The message that there should be ‘safe limits’ to consumption has been difficult to get across to the public; and excessive alcohol consumption has not been targeted with the hard-hitting techniques that have been used to encourage people to give up smoking. On the contrary there has been increasingly aggressive marketing by the drinks industry coupled with irresponsible, cut-price and easy-access promoting by retailers. At the same time, patterns of social behaviour, particularly in cities have lent themselves to greater alcohol consumption and to binge drinking, whilst tolerance of drunkenness appears to have increased in some communities.

4. There should be no doubt that this is an immensely serious and important issue. Unfortunately, there is no proven route to success in dealing with the problem, and many possible approaches are likely to have side effects that are difficult to anticipate. If the Parliament decides to act, and we believe that it should, it must accept that there is some uncertainty about the extent of demand elasticity, and whether a minimum price can be set at an acceptable level that will significantly influence demand. The legislation being considered is to dissuade, not ban, and its success or otherwise will depend on its capacity to change behaviour.

5. Given the clear correlation between the relative low cost and consumption of alcohol there is a strong argument for the action that is proposed to control price as a way of reducing consumption. Unfortunately, there is no empirical evidence of which we are aware that demonstrates how and at what level minimum pricing would have a significant effect. The rationale for minimum pricing is based on the theory of the demand for a good: the higher a good’s price relative to those of other goods, the lower will be the consumption. The key point is that in theory a price control is a way to ration or restrict consumption. It is a traditional argument for the excise duties on alcohol and tobacco. The crucial issues are: what is the level of elasticity; at what level of minimum price would there be a significant impact; and what unintended side effects might there be.

6. In the absence of experimental data, the University of Sheffield ScHARR work\(^1\), which has been extensively referred to in the Scottish Government’s analysis, attempts to assess by modelling how increasing the price at which alcohol is sold can reduce consumption, with minimum pricing targeting those alcohol products which are currently available at relatively low cost. The ScHARR modelling shows that the demand for alcohol is inelastic which means that if the price were to rise by 10%,

\(^1\) Model-Based Appraisal of Alcohol Minimum Pricing and Off-Licensed Trade Discount Bans in Scotland Using the Sheffield Alcohol Policy Model (v2): An Update Based on Newly Available Data, April 2010
consumption would fall by less than 10% - and so total spending on that product would increase. Technically, the response of consumption to price is asymmetric. This reflects the fact that it is hard to give up an addictive or habit-forming good. The key point to take from this is that although the rise in price will reduce consumption, it will do so by a smaller percentage than the price rises.

7. In theory, increasing the price of alcohol will increase motivation to drink less, particularly in those for whom the price is critical, i.e. young drinkers and the more socially disadvantaged who are overrepresented among excessive drinkers. However, in order for this policy intervention to be meaningful, it is crucial that the minimum price is set at such a level as to have the desired effect on consumption and we look at this critical aspect in the next section.

8. Although the Scottish Government has not specified the level at which the proposed minimum price for a unit of alcohol will be set, 45p per unit was proposed in the previous parliamentary session. If such bold legislation is to be introduced, in order to maximise the achievement of the aims of reducing alcohol consumption and reducing alcohol-related harm, it is imperative that the minimum price is set at such a level that would ensure consumption is reduced by a material extent. Anything less would undermine the rationale and potential effectiveness of the measure. We have therefore taken this opportunity to reiterate the recommendation from our original submission that the Committee should encourage Scottish Ministers to further consider the modelling work with a view to initially setting the minimum price to at least 50p per unit.

9. Once set, it is important that the minimum price and its effect on alcohol consumption is monitored and evaluated. We note from the policy memorandum that consideration is being given to expanding the monitoring and evaluation plan to measure potential short/intermediate responses individuals in different groups make to the introduction of minimum pricing, including identifying any unintended consequences. We very much support this approach and it is important that the Government plans for such studies early, ensuring that funding is made available for them. It is important that the design of the evaluation studies is as robust as possible and this means ensuring that data on sufficient variables is collected so that it is possible to isolate the pure effect of the measure as well as any indirect effects.

10. On the basis of this evaluation and as other relevant data becomes available, legal provision should be made to enable review and variation of the minimum price if this is felt desirable by Ministers, subject to the control of the Scottish Parliament. This appears to be consistent with the process and order making power proposed in s.1 of the Bill.
11. The ScHARR studies that were undertaken in preparation for the original Bill showed that for any particular type of alcoholic drink, there was a price distribution, from low to high (perhaps with price reflecting “quality”). The effect of introducing a minimum price will, in principle, reduce the range of price by raising the lower bound. Whether or not this leads suppliers of higher-quality products to increase their prices, so restoring their “quality premium”, it will certainly lead to an increase in the average price for that type of drink. If it should be the case that for some types of drink the introduction of the minimum price has no impact on the price distribution, then these prices should be unaffected.

**An alternative to the simple minimum price**

12. As we refer to in paragraph 6, based on the modelling work that has been undertaken, the explanatory notes indicate that minimum pricing will result in estimated increased revenue to the alcohol industry. Scottish society might be concerned about producers and/or suppliers of alcohol making financial gain at the expense of consumers from a measure that is driven by public health considerations.

13. One way to mitigate this would be for the Scottish Government to obtain a share of the increase in the profits of those who produce and/or supply alcohol through taxation. The Scottish Government cannot however do that as specific duties, of which the tax on alcohol is one, are reserved to Westminster. We note from the policy memorandum that the UK Government does not see alcohol duty as a prime tool for addressing problems associated with alcohol consumption. Therefore, in the short term it appears unlikely that alcohol duty and taxation will be employed as a means to reduce levels of consumption.

14. As far as reduction in the consumption of alcohol is concerned, there seems no practical alternative in Scotland to minimum pricing from an economic viewpoint. The Committee could however explore the possibility of using the licensing regime as a means of the state obtaining a share of the increased revenue that the alcohol industry stands to gain. While the licence to sell alcohol is a local tax with revenue accruing to local authorities, if the local licensing authority set the licence fee as a function of sales revenue or profit\(^2\) (currently it is a lump sum type tax and so revenue is not related to sales revenue), it would be able to mimic the effect of the tax with an instrument over which it has power. As this would increase local “tax” receipts, the Scottish Government could offset that by an equivalent reduction in grant-in-aid and would then have additional revenue for spending on public good, including public health interventions aimed at reducing alcohol consumption and alcohol-related harms.

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\(^2\) Or some correlated characteristic like floor area or shelf space devoted to alcoholic products.
Emergence of grey markets

15. Grey markets are likely to emerge as the effect of the Bill will be to create a price differential between alcohol in Scotland and alcohol in the rest of the UK. This may take several forms: an increase in internet purchases by individuals; purchases from the nearest retail outlet in an area where the Bill does not apply; or the emergence of agents who purchase large quantities in the low-price area for resale outside of the licensing regime in the high-price one\(^3\). While the explanatory notes acknowledge the possible emergence of these markets, the impression given is that they are unlikely to have much impact. Ultimately, it is the size of the price differential that will determine the extent to which such markets take hold and this should be borne in mind by the Committee.

16. Of course, if minimum pricing is introduced and the outcome of the evaluation of the measure proves to be positive in terms of reducing the consumption of alcohol and its related harm, we would hope that the other countries in the UK (and in other parts of the world) might be encouraged to introduce the measure. If this were to happen, then the price differential between alcohol sold in Scotland and the rest of the UK would in all likelihood be reduced or perhaps eliminated entirely. In this respect it is important that there is dialogue and open communication between the Scottish and UK Governments.

Compatibility with EU law

17. We recognise that some commentators have raised concerns as to whether the current proposals for a minimum price of alcohol would be compatible with EU law. While the RSE is not in a position to offer a legal opinion, we believe that the justification for the proposed measure must satisfy the following tests:

- A clearly identified health problem exists.
- The problem is specific - though not exclusive - to Scotland.
- The Scottish Parliament considers that action must be taken urgently to deal with the problem.
- Independent and impartial academic/scientific/medical advice, based on evidence, suggests (though it cannot prove) that a minimum price of alcohol would probably have a material effect on counteracting the health problem.
- There is no convincing evidence that a minimum price of alcohol would be likely to restrict equal access to the Scottish market of domestic (i.e. UK) products and products from other EEA member states.

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\(^3\) A “black market”.
Minimum pricing as part of a broader strategy for reducing alcohol consumption

18. There is a clear need to improve health education to encourage sensible drinking particularly amongst the young with more explicit reference to the harmful effects of excessive intake through either binge drinking or persistent high cumulative doses. There must be greater insight into the root cause of excessive drinking.

19. If heavy alcohol consumption is socially important, or addictive, by analogy with other addictions, other areas of personal or family expenditure may suffer to ensure continuing access to the addiction. Psychological models of the determinants of behaviour change suggest that while minimum pricing could reduce consumption, pricing alone is not enough and that price changes in isolation may fail to maximise the opportunities offered by legislation of the significance of that proposed. It is therefore essential that minimum pricing is one component of a broader strategy for reducing alcohol consumption and related harm, including targeted approaches as well as population-based interventions. In this context, the Committee may wish to consider the report of the Alcohol Commission which recommended the introduction of a broad national strategy for action on alcohol that focuses on changing the Scottish culture in relation to alcohol and its misuse.

20. The services available to those who wish to reduce their alcohol consumption should be increased (and widely advertised) in association with minimum pricing. This can be done in a variety of ways and need not be enormously expensive. Scotland has already rolled out an Alcohol Brief Intervention (ABI) which health authorities are embedding into routine NHS delivery. In addition it is likely that greater use could be made of other agencies such as NHS 24 health information service and self help programmes delivered by internet.

Additional Information and References

Advice Papers are produced on behalf of RSE Council by an appropriately diverse working group in whose expertise and judgement the Council has confidence. This Advice Paper has been signed off by the General Secretary.

Royal Society of Edinburgh
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