Alcohol (Minimum Pricing) (Scotland) Bill

Scottish Health Action on Alcohol Problems (SHAAP)

Key point summary

- Alcohol consumption and harm in Scotland are at historically high levels. Although rates have stabilised over the past few years, alcohol-related mortality is currently three times higher than the early 1980s and hospital admissions are more than four times higher.

- Consumption and harm in Scotland has increased as alcohol has become more affordable and supermarket pricing practices have greatly expanded the supply of cheap alcohol.

- Extensive evidence indicates that pricing controls targeted at the cheapest alcohol products in the cheapest retail setting can deliver significant health and social benefits.

- Minimum pricing selectively raises the price of the cheapest alcohol. A 45p minimum price is estimated to reduce the consumption of harmful drinkers by 7.9 per cent, leading to 2,000 fewer hospital admissions and 1,600 fewer criminal offences a year.

- A number of unintended consequences or perceived disadvantages of a minimum pricing policy have been highlighted. The weight of evidence however strongly indicates that the benefits of alcohol minimum pricing will far outweigh any disadvantages.

- Minimum pricing for alcohol is specifically aimed at tackling the high burden of alcohol-related harm that Scotland is currently experiencing. It is a not a revenue-raising measure. If government wishes to raise revenue then it has other means at its disposal for this purpose. The proposed public health levy on large multiple retailers that sell alcohol and cigarettes is one such mechanism.

- Support for minimum pricing is growing across the world. It is ‘a solution whose time has come’.

1. Introduction

1.1 From the mid-1990s to mid-2000s, Scotland experienced one of the fastest growing liver cirrhosis mortality rates in the world. This precipitous rise was attributed to our increased alcohol consumption. Over the past 50 years, the amount of alcohol consumed in the UK has nearly doubled from 5.7 litres of pure alcohol per head (16+) in 1960, to 10.7 litres in 2009. As alcohol consumption has increased, so has the disease burden and social problems related to alcohol. Although levels of consumption and harm in Scotland have stabilised over the past few years, they remain at historically high levels. Today alcohol-related mortality is currently three
times higher than it was in the early 1980s, and alcohol-related hospital admissions are more than four times higher.¹

1.2 Harmful alcohol use can be reduced if effective actions are taken by governments and policy-makers to protect their populations. A substantial scientific knowledge base exists for policy-makers on which interventions are likely to be successful in preventing and reducing alcohol related harm and those which are not. Repeated empirical research findings demonstrate that one of the most effective and cost-effective ways for society to moderate alcohol consumption and minimise alcohol-related harm is by regulating the price of alcohol.

1.3 Minimum pricing is tool along with taxation for regulating the price of alcohol. Evidence indicates that pricing controls that are specifically targeted at the cheapest alcohol products in the cheapest retail setting can deliver significant health and social benefits. As yet minimum pricing for alcohol has not been widely implemented, but support for the measure is growing. The Global Strategy to Reduce Harmful Alcohol Use, adopted by consensus at the World Health Assembly in 2010, includes minimum pricing amongst actions countries should consider to reduce alcohol-related harm. Guidance on preventing the development of harmful drinking published by the National Institute for Health and Clinical Excellence in 2010 concluded that there was ‘extensive evidence’ to justify the introduction of a minimum price per unit in the UK. Within Scotland the measure has been widely supported by the police, directors of public health and social work, children’s charities, church representatives and other civil society organisations and actors.

1.4 Minimum pricing is not a panacea or a silver bullet. No-one has ever claimed that it was. However, as part of a comprehensive alcohol strategy, it serves as a vital public health safeguard against the easy availability of cheap alcohol that has proved so detrimental to our health and well-being. It is, as recently stated by the former Chief Medical Officer Sir Liam Donaldson for England, ‘a solution whose time has come’.²

2. Advantages of establishing a minimum retail price for alcohol based on a unit of alcohol

2.1 The main advantage of establishing a minimum retail price for alcohol is that there is compelling evidence to suggest that it will work to reduce harm. A strong correlation exists between the increased affordability of alcohol in Scotland/UK and rising consumption and harm. Lower production costs and cheap supermarket alcohol combined with rising disposable incomes has made alcohol 44 per cent more affordable than 30 years ago.³ Establishing a minimum price for a unit of alcohol is a tool for tackling affordability that specifically works to moderate and prevent some of the problematic alcohol pricing practices that have greatly expanded the supply of cheap alcohol. These include below-cost selling, loss-leading and extensive price discounting.

2.2 Evidence supporting the effectiveness of minimum pricing

Although minimum pricing is a relatively new form of pricing control for alcohol, the evidence underpinning its efficacy in reducing alcohol consumption and harm is not. The most recent meta-analysis of 112 studies of the tax/price-consumption relationship found beverage alcohol prices and taxes significantly related to drinking,
including heavy drinking.\textsuperscript{4} If the empirical evidence consistently demonstrates that an increase in the price of alcohol leads to a reduction in overall consumption, then there are strong grounds for assuming that an increase in the price of the cheapest alcohol will lead to a reduction in the amount of consumption linked to cheap alcohol.

2.3 Sheffield University tested this assumption in its modelling research for the Scottish Government. Using the most comprehensive Scottish data available on alcohol sales, expenditure and consumption, as well as statistical information on a range of alcohol-related harms, the study modelled the impact of a number of different minimum pricing and discount-ban scenarios. The findings show that establishing a minimum price is likely to be associated with a reduction in consumption and harms attributable to alcohol. A minimum price of 45p per unit of alcohol for example is estimated to reduce the consumption of harmful drinkers in Scotland by 7.9\%, leading to 2,000 fewer hospital admissions and 1,600 fewer criminal offences per year.

2.4 New research from Canada supports the findings of the Sheffield study and provides the first empirical evidence of the effectiveness of minimum pricing as a means of controlling alcohol consumption.\textsuperscript{5} Minimum pricing has existed in eight out of ten Canadian provinces for decades; however its impact on alcohol consumption has only recently been evaluated. Initial results of a three-year study by Professor Tim Stockwell from the Centre for Addictions research in Victoria, Canada find minimum pricing associated with a reduction in consumption in the two provinces examined. Further work is being undertaken to assess the impact of minimum pricing in reducing alcohol-related problems.

2.5 \textbf{A targeted policy measure}

All alcohol pricing controls impact most on those who drink the most. However, minimum pricing is seen to be a particularly well-targeted intervention as cheaper alcohol tends to be bought by more harmful drinkers. It is estimated that 64\% of low cost alcohol (below 40p a unit) is drunk by men and women consuming more than 50/35 units weekly. If the price of the cheapest alcohol goes up, we can expect the consumption of harmful drinkers to fall.\textsuperscript{6}

2.6 \textbf{Legality of minimum pricing}

Both UK competition law and EU free trade law allow for the setting of a minimum price for the retail sale of alcohol by a government or public authority for public health purposes. Article 30 of the EC Treaty states that restrictions on the free movement of goods (that a minimum pricing regime \textit{may} bring into effect) can be justified if implemented on the grounds of public policy and the protection of health, providing such restrictions are shown to be proportionate and necessary and are not a disguised trade barrier. The European Court of Justice has accepted the right of member states to use pricing measures to control consumption and harm for public health objectives. It is also a matter of “settled case-law” that when considering compliance with the principle of proportionality in the field of public health, member states “enjoy wide discretion” in determining the level at which they would like to protect public health.\textsuperscript{7}

2.7 Reference has been made by the Scotch Whisky Association (SWA) to a previous ruling by the European Court on minimum prices for spirits in the
Netherlands, which the court found to be unlawful. It should be noted, however, that the imposition of a fixed minimum price in this case was *not* for reasons of protecting public health or public order, and the court therefore made no determination on the validity of using minimum pricing for alcohol to achieve public health objectives in this case.

2.8 Using taxation to achieve a minimum price?

It has been suggested that alcohol taxation can be used instead to achieve a minimum price for alcohol. However, it is difficult to replicate the effect of a minimum price using taxation. It is not possible under the current EU-controlled duty regime to tax cheaper alcohol products more than expensive ones. Using taxation to achieve a minimum price that the evidence indicates would reduce harm would require a duty increase on all products by 300 per cent or more. Excise duty for alcohol in Europe is not structured and is rarely applied to address public health concerns about excessive alcohol consumption. The prospect of there being any change to the duty regime in the foreseeable future is unlikely.

2.9 Minimum pricing per unit of alcohol by contrast is a measure that is specifically aimed at tackling the high burden of alcohol-related harm that Scotland is experiencing now. It selectively raises the price of the cheapest alcohol products and the evidence indicates that this may be a more effective approach for reducing the consumption of harmful drinkers than an overall price increase (Fig 1).

Figure 1

![Impact of pricing policies on consumption](image)

3. Perceived disadvantages or unintended consequences of establishing a minimum retail price for alcohol

3.1 Public policies are concerned with advancing collective benefit, but are likely to have a range of impacts on individuals, groups or vested interests within society. It is rare for any policy to achieve its aims precisely without there being any unintended consequences. Part of the policy-making process involves weighing up the benefits of a particular policy against the costs and making an overall assessment of the value of the policy to society. In relation to minimum pricing a number of unintended
consequences or perceived disadvantages of the policy have been highlighted. These include the impact on moderate drinkers, poorer communities, the Scotch whisky trade, cross border/illegal/and internet sales. Each of these points is considered below. It should be noted that many of the benefits of public policy are not easily captured in tangible terms: the value of a human life for instance; or the hope of growing up in a home free from the strain of harmful parental drinking; or living in a community that is not blighted by alcohol-related social disorder. Nevertheless, even using a narrow cost/benefit analysis approach to assessing the impact of minimum pricing, the weight of evidence strongly suggests that the benefits of minimum pricing will far outweigh any disadvantages.

3.2 Impact on moderate drinkers

An argument made against minimum pricing is that it will ‘punish’ responsible drinkers. However, it may be worthwhile asking the question of who speaks for moderate drinkers? Surveys of public opinion repeatedly show that non-drinkers and moderate drinkers are more in favour of regulatory controls on the price and availability of alcohol than heavier drinkers.\textsuperscript{11} 12 13

3.3 The effect of minimum pricing on moderate drinkers in Scotland will be marginal. Moderate drinkers (18+) in Scotland consume an average of six units of alcohol a week. It is estimated that the extra cost to a moderate drinker of a minimum price of 40/50p combined with an off-trade discount ban is £10/15 per year, or 19/29p a week. Alcohol misuse costs every adult in Scotland £900 a year.\textsuperscript{14}

3.4 Impact on poorer communities

Poorer populations and communities in Scotland experience a disproportionately greater burden of alcohol-related harm. In 2009, people living in the most deprived areas were 7.5 times more likely to be hospitalised and 6 times more likely to die from an alcohol-related condition than those in the least deprived areas. Harmful alcohol use not only damages people’s health, it can have a devastating impact on families and communities, compromising both individual and societal development.

3.5 There are clear health and social benefits in reducing harmful consumption in deprived communities both for individual drinkers and the community as a whole. Analysis of drinking patterns shows that people living in the lowest income groups are the most likely to drink at very heavy levels and this may in part explain the significantly higher alcohol-related morbidity and mortality rates. However, analysis also demonstrates that around 80 per cent of the lowest income quintile either does not drink or drinks moderately, and of those who drink moderately few drink near the maximum recommended weekly limit (average consumption 4.9 units a week).\textsuperscript{15} This analysis demonstrates that harmful drinkers in deprived communities will be most affected by minimum pricing. As a greater percentage of people in the lowest income quintile abstain or drink moderately, they will be less affected.

3.6 Impact on Scotch whisky trade

Around 90 per cent of Scotch whisky is exported from Scotland. As minimum pricing will only apply to alcohol beverages sold in Scotland, more than 90 per cent of Scotch whisky production will be unaffected by the measure. Of the alcohol sold in Scotland in 2010, malt whisky accounted for a negligible proportion of the amount
that retailed below 45p a unit, and blended whisky accounted for less than wine, beer or vodka (Fig 2).16

3.7 The SWA asserts that the introduction of minimum pricing in Scotland will impact on its ability to sell alcohol abroad. However, this claim is not borne out by the facts. Since 2008 there have been five increases in the UK alcohol duty on spirits as well as a VAT rise and during that entire period the Scotch whisky industry has reported year on year record profits on whisky exports.

3.8 Although the Scotch whisky trade generates jobs and income for Scotland, excessive alcohol consumption acts as a break on Scotland’s overall productivity. The cost of alcohol misuse to the productive capacity of the Scottish economy is estimated at £865 million per year.

Figure 2

3.9 Cross-border and illegal sales

The introduction of minimum pricing may result in people travelling to England to take advantage of cheaper alcohol being sold there, but the numbers involved are likely to be small. The cost in petrol of travelling from most localities in Scotland will be far greater than the amount of money that could possibly be saved on the purchase of cheaper alcohol. Sales by unlicensed vendors of alcohol purchased of in England— the so-called ‘white van man’ trade - may increase and should be monitored. However, the prospect of the white van trade being able to replace in volume terms the amount of cheap alcohol currently sold through big multiple retailers and therefore undermining the effectiveness of minimum pricing is not a credible one.

3.10 Internet sales

Internet sales are rising across the UK from a low base, but remain less than 10 per cent of the total retail market. Online alcohol sales represent a fraction of total alcohol sales – less than 5 per cent in 2008.17 Again, the prospect of internet alcohol sales replacing in full the amount of alcohol sold from traditional outlets subsequent to the introduction of a minimum is unlikely, particularly in the case of vulnerable drinkers. Internet purchasing requires a degree of planning and organisation that is
not that evident in a range of drinking behaviours and purchasing patterns associated with alcohol.

4. **Level at which minimum pricing should be set**

4.1 A minimum price should be set at a level the evidence indicates will reduce the burden of harm from alcohol use. Setting an appropriate level requires an analysis of the alcohol market, consumption and expenditure patterns and health and crime data. Modelling work undertaken by Sheffield University has estimated the effects of different minimum prices on alcohol consumption and harm in Scotland and this work is currently being updated. Previous estimates indicated that a minimum price of 40p per unit of alcohol and upwards would deliver significant health and social benefits. Once established, a minimum price would need to be reviewed on a regular basis to ensure its value and therefore its effectiveness in moderating consumption and minimising harm was maintained. It is unlikely to be appropriate to specify what the minimum price should be in primary legislation.

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