Evidence relating to the advantages and disadvantages of establishing a minimum alcohol sales price based on a unit of alcohol

(i) Effectiveness of price based interventions

As has been previously reported, there is extensive research evidence to support the effectiveness and efficiency of price increases as a method of tackling alcohol related harms, from systematic reviews and natural experiments\(^1\)-\(^4\). Minimum pricing may have more effect than a general price rise; a study from Sweden\(^5\) estimated that price increases targeted at the lowest cost brands would produce a greater reduction in sales than across the board price increases. In their analysis, an across the board price increase of 10% reduced sales by 1.7%; targeting lower cost brands reduced total sales by 4.2%, almost 2\(\frac{1}{2}\) times the effect for the same average price increase.

(ii) Minimum price versus taxation

Compared with taxation, minimum pricing cannot be avoided (producers or retailers may absorb tax increases) and it targets low cost products. It is possible that UK legislation to prevent below cost selling could have some effect on alcohol consumption and alcohol related harms but at current duty levels below cost selling would establish a low and variable minimum price for different products. In order to come close to the effect of minimum pricing, there would need to be standardization of duty rates, which would be very complex to achieve, and a significant increase in duty rates which would then apply to all products. This would include on-trade alcohol, where sales have been declining.

To have a similar effect to that of minimum pricing on the cheapest forms of alcohol, taxation would have to increase very significantly. For example, under minimum pricing at 45p per unit, the level previously proposed by the Scottish Government, 70cl vodka sold at £8.72 (33p per unit) would increase to £11.81. If UK legislation forced retailers to sell at prices which at least covered duty and VAT, alcohol duty would have to be at least £9.84 per bottle (with VAT (at 20%) of £1.97 to be added) to achieve a minimum retail price of £11.81. This implies an increase in duty of £3.14 or 47%. Current UK government policy is to increase duty each year by 2% above inflation. This tax increase would be applied to all products, not just those selling at a low price so for those who don’t buy cheap products minimum pricing is preferred.
(iii) Equity issues

One potential concern raised about minimum pricing has been the impact on ‘moderate drinkers of modest means’. However, the distribution of purchasing of low cost alcohol suggested that those on low incomes are not the main purchasers of low cost off sales alcohol. Further analysis, carried out with colleagues in Aberdeen and Dundee, has confirmed these conclusions. We have carried out regression analyses on data from the Expenditure and Food Survey and find it to be unlikely that there will be a disproportionate effect on moderate drinkers or that minimum pricing will be regressive at the population level.

Figure: Average predicted quantity of low cost (less than 45p per unit) off-trade alcohol units purchased within income quintiles and by purchase level

Considering all households (those who purchase off-trade alcohol and those who do not), in the figure above, reproduced from our paper, we see that for the whole population (labeled All), the predicted quantity of low cost alcohol increases with income except for the very highest income quintile (5). A similar pattern is seen for households who purchase at a hazardous or harmful level. For households where purchasing is consistent with moderate drinking, income quintiles 2, 3 and 4 are predicted to purchase more low cost alcohol than the lowest income quintile (1).

Amongst those households that purchase off-trade alcohol, the lowest income group is predicted to purchase the most units (not shown here). The population level effect is driven by the lower probability of purchasing off-trade alcohol in the lowest income group.
A further issue that has been raised with minimum pricing it the uncertainty about how the revenue changes within the industry would be distributed and who would benefit. This cannot be predicted in advance but can be evaluated if the policy is implemented. For example, it would be possible to prices on other supermarket products, which may replace alcohol as a loss leader, and to examine the impact on household food and drink expenditure.

(iv) Substitution to illicit drugs

A general concern about policies to restrict the availability and affordability of alcohol, and not specific to minimum pricing, is that there will be an increase in the use of illicit drugs. This concern is not supported by evidence in the case of the general population, although there is some evidence relating to existing users of illicit drugs. In general populations, alcohol and other drugs are found to complementary, with the exception of two studies showing that increasing the legal drinking age or decriminalising marijuana use were associated with substitution effects. Price effects are not always symmetrical, so that an increase in price of illicit drugs may produce a substitution towards alcohol whilst increasing alcohol prices does not induce substitution towards illicit drugs. This asymmetry may reflect the considerable barriers to entering the illicit drug ‘market’.

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References