Alcohol (Minimum Pricing) (Scotland) Bill

Pricing mechanism

Professor Anne Ludbrook

Thank you for the opportunity to comment on this issue. The principle of maintaining the real value of the minimum price is an important one and the erosion that has taken place over time in duty rates points to the need to have a mechanism in place.

I am not sure that defining an automatic uprating mechanism is quite the way to go, however. There are some practical issues, such as the data available for a Scottish affordability index as indicated in recent Health Scotland work, and it may be that these can be improved upon over time. There is also the experience with the 'automatic' fuel duty escalator which has failed to remove the political aspect from the uprating process.

Perhaps the model which could be followed, albeit in a less resource intensive way, would be the uprating of the minimum wage. The recommendations are made by the Low Pay Commission - a mix of academic economists, union representatives and business representatives - based on evidence on a range of relevant factors. This means that concerns about jobs, for example, can be balanced with maintaining the real value of the minimum wage. These recommendations require to be approved - I think by the relevant Secretary of State - but I don't think they have to go to vote in Parliament. The researchers supporting the LPC can also undertake analysis of particular market issues as required.

Uprating MUP is not going to have such widespread impact on the economy as the minimum wage and a lighter touch may be appropriate. I would anticipate that much of the underpinning data can be provided through existing organisations, such as Health Scotland and ISD, with perhaps some more in depth analysis carried out as and when needed. The data would be assessed by an independent panel to make the recommendation on uprating. If such an independent panel were established then perhaps their first remit might be to determine the optimum interval for uprating. I don't think this is quite the same as uprating duty - which applies to all alcohol - and personally would not want to make a decision on this until after the implementation of MUP when data will be available on how other prices have changed in response. It is still unclear whether producers and retailers will maintain differentials or cross subsidise prices above MUP and these reactions could lead to quite different conclusions about uprating.

Hope this is helpful

Regards

Professor Anne Ludbrook