Alcohol (Minimum Pricing) (Scotland) Bill

Pricing mechanism

Professor Tim Stockwell

Thank you for asking for further input into this important matter. In the great scale of things the most important issue is introducing the minimum price policy in the first place. As years go by it will also be important to ensure there is no major slippage in these minimum prices. Canada used to automatically adjust alcohol excise taxes every year until the late 1980s and then it was agreed to only adjust it through periodic legislation - the result is two updates in 25 years and then only to compensate for reductions in GST i.e. no real increase in tax overall. Australia adjusts its beer and spirits excise taxes quarterly with the CPI along with tobacco and petrol and no one complains. In BC minimum prices are only occasionally adjusted for most products and slightly more regularly for spirits - when they do so it makes front-page news along the lines "another government tax grab on our alcohol". It is well-known that some US states have not adjusted their beer excise taxes for over 50 years, some even retaining the derisory rates of "a penny a gallon". The more complex the calculation and process the more uncertainty and the greater the ease with which another government of a different persuasion could simply halt indexation. Furthermore, the more elaborate the calculation the more uncertainty for those involved in the industry. CPI adjustments would not allow for every swing in alcohol consumption or household income but they are well understood and reasonably predictable. I strongly recommend that the bill stipulates quarterly CPI adjustments to the minimum price. This would be a very small piece of uncertainty for producers and retailers to factor in their financial planning.

Finally, however excellent the Sheffield Model is and however useful it has been to developing the policy I think it would be a mistake to make it the mechanism for indexing the minimum price. It would be an unnecessarily cumbersome approach and allow too many variables to potentially influence the outcome.

On affordability indexes, I think this would introduce more variability in prices over time and that the CPI anyway captures some of the boom and bust cycle of the economy. As long as there is indexation I think the main worry is to make sure the mechanism is a simple and resilient to change as possible.

With best wishes

Tim Stockwell