



## Alcohol Etc. (Scotland) Bill: Stage 1 Debate June 2010

### Key Messages:

- The rise in alcohol related harm is linked to the increased availability, affordability and promotion of alcohol.
- More than a million Scots are drinking dangerously or harmfully.
- One in 20 deaths in Scotland is attributable to alcohol.
- Excessive drinking damages family life and impacts on the health of children
- There is growing international support for minimum pricing of alcohol per unit.
- Minimum pricing will primarily target high strength drinks, sold at the cheapest prices and is likely to have a greater effect on the heaviest drinkers.

### Introduction

This briefing has been produced jointly by Alcohol Focus Scotland, BMA Scotland and Scottish Health Action on Alcohol Problems (SHAAP). All three organisations have provided written and oral evidence to the Health Committee during Stage 1 of the legislative process for this Bill and all are unanimous in their support for a wide ranging strategy to address the growing health epidemic of alcohol misuse in Scotland. In particular, all three organisations agree that a policy to increase the price of alcohol is a necessary and central measure in bringing about lasting change in behaviour and culture.

There is international recognition that the rise in alcohol related harm is linked to the increased availability, affordability and promotion of alcohol. As a result of this there is a growing consensus which includes influential groups and organisations such as the UK House of Commons Health Select Committee (January 2010), the WHO in the Global Alcohol Strategy (May 2010) and the National Institute for Clinical Excellence (June 2010), that introducing minimum pricing is one of the most effective measures that a government can introduce.

*"We cannot afford to sit back and see what others will do for us. We have a problem and we must find a solution. We have to be brave and find what will work best."*  
*Dr Emilia Crighton, Faculty of Public Health UK*

### Background

Alcohol is related to more than 60 types of disease, disability and injury<sup>1</sup>. In 2008/09 there were 41,922 alcohol related discharges from general hospitals in Scotland<sup>2</sup>. Scotland now has one of the highest cirrhosis mortality rates in Western Europe, much higher than the rate in England. Over the last 30 years, UK liver cirrhosis mortality has risen over 450% across the population<sup>3</sup>, with a 52% increase in alcoholic liver disease between 1998 and 2002<sup>4</sup>. In Scotland chronic liver disease

<sup>1</sup> Public health problems caused by harmful use of alcohol, WHO, 2004

<sup>2</sup> Alcohol Related Hospital Statistics, ISD Scotland, 2010

<sup>3</sup> Calling Time: the nation's drinking as a major health issue, Academy of Medical Sciences, 2004

<sup>4</sup> Leon D & McCambridge J. Liver cirrhosis mortality rates in Britain from 1950 – 2002: first release of findings ONS 2001.

mortality rose from 8/100,000 in 1982 to 19/100,000 in 2008. In 2007, 85% of deaths from chronic liver disease were due to alcoholic liver disease, a rise from 37% in 1979<sup>5</sup>.

A recent study more fully described the burden of harm due to alcohol. It estimated that 1 in 20 deaths in Scotland were attributable to alcohol. Deaths were proportionately higher in younger age groups with 1 in 4 men and 1 in 5 women between the ages of 35 and 44 dying an alcohol-attributable death. Alcohol related mortality is a major factor in Scotland's poor record in premature mortality and health inequalities.

“Clearly even a small reduction in drinking... will mean that thousands are saved from a poor quality of life, premature death and the inability to work – there will be economic gains.” *Professor Dominiczak, Royal Society of Edinburgh*

### **The affordability of alcohol**

There is a strong and proven link between price and consumption. As price falls, consumption rises. The more affordable alcohol has become, the more consumption has gone up. The more consumption has gone up, the more alcohol related mortality has risen. The increased affordability of alcohol is linked to changes in the alcohol market<sup>6</sup>:

- The price gap between alcohol in the on and off trade has widened considerably in recent years.
- The greatest increase in alcohol sales has been in the supermarket sector, where the practice of selling cheap alcohol as a “footfall driver” to encourage customer visits to enhance sales of other products has become widespread.
- Other retailers in the on- and off-trade have altered their practices in order to compete with the major supermarkets.

The result of these changes has been to drive down the cost and increase the availability of alcohol.

### **Minimum pricing**

A minimum price is the lowest price at which a unit of pure alcohol can be sold. Minimum pricing then determines the lowest price at which any alcohol product can be sold, based on the alcohol content (number of units) it contains. The higher the number of units in a bottle, the higher the minimum price will be.

“when [minimum pricing] is complemented by other strategies so that there is a triangulation of legislative regulatory and pricing effects to mitigate the harms of alcohol abuse, we find it to be helpful” *Michel Perron, Canadian Centre of Substance Abuse.*

Establishing a minimum price per unit of alcohol is an innovative measure and economic research suggests that it will have the most impact on the cheapest forms of alcohol and alcohol sold below cost. Although it has not yet been implemented in countries worldwide, there is evidence from Canada, where a form of minimum pricing (Social Reference Pricing) has been introduced that it has been effective: “...a number of studies suggest that there might be an effective way of mitigating the effects of the abuse of alcohol through the introduction of minimum pricing. We know that there is an elastic relationship between price and consumption—that the lower the price, the greater the consumption and, by extension, the harm. We are aware of egregious examples of alcohol prices being so low that they run contrary to the notion of a culture of moderation, which we have tried to cultivate in Canada.” *Michel Perron, Canadian Centre on Substance Abuse.*

A peer reviewed study published by the University of Sheffield<sup>7</sup> into the effects that minimum pricing would have in Scotland reported that a minimum price of 40p per unit, linked to a ban on promotions would:

<sup>5</sup>[http://www.scotpho.org.uk/home/Healthwell-](http://www.scotpho.org.uk/home/Healthwell-beinganddisease/Chronicliverdisease/Data/chronicliverdisease_mortality.asp)

[beinganddisease/Chronicliverdisease/Data/chronicliverdisease\\_mortality.asp](http://www.scotpho.org.uk/home/Healthwell-beinganddisease/Chronicliverdisease/Data/chronicliverdisease_mortality.asp)

<sup>6</sup> Alcohol and Deprivation, SHAAP, 2009

<sup>7</sup> Independent review of the effects of alcohol pricing and promotion. University of Sheffield, December 2008

- Reduce alcohol consumption by 5.1% with a greater reduction in the heaviest drinkers.
- Reduce alcohol-related deaths by 26 in year one and 119 by year 10.
- Reduce alcohol-related hospital admissions by 640 in year one and 2,230 by year 10.
- Save an estimated £824m over 10 years in harm reduction.
- Cost the average moderate drinker just £10 per annum.

Minimum pricing will primarily target high strength drinks, sold at the cheapest prices and is likely to have a greater effect on the heaviest drinkers. It has been claimed that harmful drinkers will maintain their level of consumption following a price increase by spending less on other goods such as food, but what we know of the drinking patterns of harmful drinkers suggests otherwise. Their drinking rises and falls in response to a range of factors, including price.

“The introduction of the minimum price for high-alcohol beer resulted in the market share of that product in a number of at-risk neighbourhoods declining from 10 to 2 percent, which indicates that minimum pricing can work if it is properly employed”. *Patrick Ford, Liquor Control Board of Ontario*

### **Alternatives to minimum pricing**

MSPs from all political parties are already agreed that action on pricing is essential as part of a wider strategy. The two main alternatives suggested are taxation and a ban on below ‘cost’ selling.

#### *Taxation*

Alcohol Focus Scotland, BMA Scotland and SHAAP agree that action is required at a UK level to review the current taxation system. However alcohol taxation alone is not sufficient to achieve an effective impact on the public’s health. The evidence on the pricing practices of major grocery retailers in the UK reveals that alcohol is frequently sold at a loss, with many promotional offers throughout the year<sup>8</sup>. An increase in alcohol taxation is not guaranteed to lead to an increase in alcohol prices as major alcohol retailers can and do absorb tax increases and even advertise the fact. Minimum pricing by contrast is a fixed floor that cannot be undercut by loss leading and below cost selling. Evidence also suggests that increasing the price of the cheapest alcohol has a greater public health benefit because cheaper alcohol tends to be bought more by harmful than moderate drinkers. It is estimated that 64% of low-cost alcohol (below 40p a unit) is drunk by individuals consuming between 50 and 35 units weekly.<sup>9</sup> Action on low cost alcohol selectively targets the most harmful drinkers unlike the overall price increases achieved by excise duty increases. An increase in the “floor price” of alcohol has been shown to be the most effective pricing approach in reducing consumption.<sup>10</sup> This suggests that minimum pricing for alcohol and taxation are *complementary* mechanisms and that taxation alone is unlikely to achieve the same health benefits.

#### *Ban on below cost selling*

It has been suggested that banning the sale of alcohol below ‘cost’ would be an effective measure to end the sale of cheap alcohol. However, it is difficult to define and identify the ‘cost’ price of alcohol. The formula of banning the sale of alcohol below the tax payable - duty and VAT – proposed by some organisations will have little effect on current alcohol prices and is a no change option.

A true definition of below cost selling should include the costs of production, marketing, and distribution, as well as tax. This information is not currently in the public domain, making a ban of the sale of alcohol below the true cost difficult to monitor and enforce. It is also not clear that a ban of this type will raise the price of the cheapest alcohol sufficiently to reduce the level of harm caused by its use.

It is the view of Alcohol Focus Scotland, BMA Scotland and SHAAP that a ban on “tax only” below cost selling would be ineffective.

### **Impact on poorer communities**

<sup>8</sup> *Pricing Practices Working Paper*, Part of Groceries Market Inquiry, Competition Commission 2007

<sup>9</sup> Booth et al (2008), *The independent review of the effects of alcohol pricing and promotion: Summary of evidence*, University of Sheffield.

<sup>10</sup> Grunewald P J et al, *Alcohol Prices, Beverage Quality, and the demand for alcohol: quality substitutions and price elasticities*. Alcoholism: Clinical and Experimental Research, Vol 30(1) 2006 pp 96-105

The Stage 1 report produced by the Health Committee expresses concern that minimum pricing is a regressive tax that impacts most on poorer communities.

Poorer populations and communities across the world experience a disproportionately greater level of alcohol-attributable harm. In 2007 in Scotland, adults aged 45-74 years in the lowest income deciles were 13.5 times more likely to die an alcohol-related death than those in the highest income deciles. In some geographical areas, this health inequality can be even starker. The excess mortality linked to alcohol misuse undoubtedly contributes to a lowered life expectancy.

The reasons why alcohol has a more harmful effect on people living in deprived communities are complex. It is likely that risky and harmful alcohol use is both a product and driver of social deprivation and marginalisation. The detrimental effects of harmful alcohol use in terms of shortened lives, increased morbidity and reduced productivity permeate whole communities.

Despite the clear health and social benefits of reducing harmful drinking in deprived communities, some concern has been expressed that minimum pricing will impact unfairly on moderate drinkers in the lowest income groups. However, an analysis of drinking patterns in Scotland shows that around 80% of the lowest income quintile either do not drink at all or drink moderately<sup>11</sup>. This means that for 80% of the lowest income quintile, minimum pricing will result in little or no additional expenditure. It is estimated that the extra cost to a moderate drinker of minimum price of 40p/50p combined with an off-trade discount ban is £10/15 per annum, or 19/29p per week.

Harmful drinkers will be affected most by minimum pricing in terms of the increased costs of drinking. Concern has been expressed that this may impact negatively on poorer families if a price rise results in people with limited incomes paying more for alcohol rather than cutting back on their drinking. If minimum pricing is implemented, we believe the impact on low-income families should be monitored as part of the overall evaluation of alcohol strategy. However, as highlighted above, the evidence indicates that heavy drinkers are price sensitive and will reduce their drinking following a price increase, with a resultant benefit to their own health and welfare and that of their families.

### **Social Responsibility Levy**

It has been argued that the introduction of minimum pricing would serve to increase the profits of alcohol producers and retailers. AFS, BMA Scotland and SHAAP support the introduction of a social responsibility levy that would impose a local charge on producers and retailers. This revenue should be ring-fenced by local authorities and used specifically to deal with the harms associated with alcohol misuse. However we would agree that more detail on how such a measure would be introduced should be made available to the Health Committee in order to inform its stage 2 discussions.

### **Conclusion**

Decades of health promotion campaigns have tried to influence people into safe drinking practices with little effect. Successful changes in culture and behaviour in areas such as smoking, seat belt use and drink driving have come about through a combination of public information and regulation. There is clear evidence that rising consumption and harm is linked to the falling price of alcohol products. There is also evidence that by increasing price, people will change their drinking behaviour and reduce their consumption. It is essential that this problem is tackled at a population level, measures focusing only on those at highest risk are important in addition but will never be sufficient alone.

The evidence in support of minimum pricing, and the impact that such a measure could have on reducing alcohol-related harm is clear. BMA Scotland, Alcohol Focus Scotland and SHAAP urge MSPs to put politics to one side, consider the evidence, put the public's health first and vote in support of minimum pricing and the Alcohol Etc (Scotland) Bill.

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<sup>11</sup> Health Committee Alcohol Etc Scotland Bill submitted paper from Cab Sec for Health, Scottish Parliament 2010



## Appendix 1

The example below illustrates what would happen to the price of an alcohol product under different price control mechanisms. This product is one of many that could be used with the same result.

Alcohol product	Impact of price mechanism
 <p data-bbox="188 1099 400 1128">2 litres, 4.2% abv</p> <p data-bbox="188 1160 528 1218">Available from major supermarket.<sup>i</sup></p> <p data-bbox="188 1249 528 1370">Current price <b>£1.32</b> Contains 8.4 units of alcohol at a cost of <b>16p</b> per unit of alcohol.</p> <p data-bbox="188 1402 528 1496">The duty plus VAT payable on this product comes to 85p.</p>	<p data-bbox="549 412 767 441"><b>Minimum pricing</b></p> <p data-bbox="549 472 1406 560">If a minimum price is set at 40p per unit of alcohol, then the price of this product increases to at least <b>£3.36</b>. At 50p, the price would go up to <b>£4.20</b>.</p>
	<p data-bbox="549 642 1198 672"><b>Ban on sale below duty/VAT - The “Tax Only” Cost</b></p> <p data-bbox="549 703 1406 761">Under a ban on the sale of alcohol below duty + VAT, if producers and retailer wished, this product could legally be sold at <b>85p</b>.</p>
	<p data-bbox="549 873 884 902"><b>Ban on below-cost selling</b></p> <p data-bbox="549 934 1406 1090">It is not clear whether a ban on below-cost selling will make any difference to the price of this product. A true cost price would have to include manufacturing, marketing and distribution costs. These costs are currently not in the public domain. A below cost selling approach is likely to favour large volume producers with lower unit costs.</p>
	<p data-bbox="549 1292 788 1321"><b>Increased taxation</b></p> <p data-bbox="549 1352 1406 1440">Tax increases do not guarantee an increase in the retail price of alcohol because the cost of the tax rise can be absorbed in full or in part by alcohol producers and retailers.</p> <p data-bbox="549 1471 1406 1650">Even when tax increases are passed on to consumers they are not sufficient to raise the price of cheapest alcohol by a significant amount. For example, a recent 10% increase in cider duty resulted in the illustrated example going up in price by 12p. To use taxation to achieve the same effect as a minimum price of 40p would require a <b>350%</b> increase in cider duty.</p>

<sup>i</sup> Product listed on [www.mysupermarket.com](http://www.mysupermarket.com) 1 June 2010.