



## ***MINIMUM PRICING – WHAT YOU NEED TO KNOW!***

### **MINIMUM PRICING - WHO WINS?**

- **The health of Scottish people** – lives will be saved each year through better health.
- **Low income and social disadvantage** – these groups are the most affected by alcohol problems – higher risk of ill health and death - therefore have the most to gain.
- **Heavy drinkers and their families** – price sensitivity is most apparent here – drinker will drink less which will benefit them and their family.
- **Moderate drinkers** – will face minimal effect. However the savings will occur because of a reduction in policing, health and social care costs.
- **Pubs and Restaurants** - Many in the trade support minimum pricing (SLTA, BII etc.). Cheap off trade alcohol is now recognised by many in the trade as their biggest threat.
- **Industry** - Increase in profit will be retained by producers and retailers.
- **Small retailers** - Will be on a level playing field with supermarkets.

### ***What is it?***

Minimum pricing is the lowest price at which any alcohol product can be sold. The price is set based on the alcohol content (number of units) of the product. So, the higher the number of units in a bottle, the higher the minimum price will be.

Cheaper alcohol tends to be bought more by harmful drinkers than moderate drinkers, and is shown to be attractive to young people and those under the legal age. So a minimum price policy is beneficial in that it targets the drinkers causing the most harm to both themselves and society whilst having little effect on the spending of adult moderate drinkers. (extract from University of Sheffield research). **RefA1**

The University of Sheffield research (for England & Wales) shows that there would be a **£12.93bn** value of harm reduction (employment, criminal justice, health etc.) if minimum pricing was set at 50p per unit. (Scottish Government is currently in talks with University of Sheffield to replicate this research in Scotland).

The following four questions are extracts from the SHAAP briefing paper “Minimum Pricing for Alcohol: *Frequently Asked Questions*”. For full paper and references go to: [www.shaap.org.uk](http://www.shaap.org.uk)

### ***Why do we need it?***

Over the past 50 years the real price of alcohol has fallen. With the introduction of more liberal licensing legislation this has led to alcohol being sold in more places and for longer periods of time. This has increased competition between retailers who have responded by cutting prices and offering deep discounts and promotions. The result is that alcohol is available at pocket money prices. **RefA2**

### ***So how will minimum pricing reduce harm?***

If we want to reduce the level of alcohol-related harm in Scotland we need to reduce overall consumption of alcohol. There is a growing body of evidence which shows that price increases can have a substantial impact on reducing consumption, and consequently harm **RefA3**. Based on estimates by the Academy of Medical Sciences, a 10% rise in alcohol price would save the lives of 479 men and 265 women in Scotland every year.

### **Do other countries have minimum pricing for alcohol?**

A number of countries in Europe, including Belgium, France, Greece, Portugal and Spain, have legislation banning below-cost selling. However, minimum pricing schemes for alcohol in which minimum prices are fixed by public authorities are less common. Canada is one country that has a well-established minimum pricing scheme for alcohol.

### **What do we stand to gain if minimum pricing for alcohol is introduced?**

Pricing policies are effective in reducing health, crime and employment harm. Pricing policies can be targeted so that those who drink within recommended limits are hardly affected and so that heavy drinkers pay more. Minimum pricing for alcohol could save hundreds of millions of pounds every year in NHS, crime and employment costs.

**A study by the University of Sheffield<sup>1</sup>** into pricing policies concluded that:-

- Pricing policies can be effective in reducing health, crime and employment harm.
- Pricing policies can be targeted, so that those who drink within recommended limits are hardly affected and so that very heavy drinkers, who cause by far the most alcohol-related harm, are most affected.
- Minimum unit pricing and discount bans could save hundreds of millions of pounds every year in NHS, crime and employment costs.
- If policy makers wish to see the greatest impact in terms of crime and accident prevention, through reducing the consumption of 18-24 year old binge drinkers, they need to consider policies that increase the prices of cheaper drinks available in pubs and clubs as well as supermarkets.

<http://www.shef.ac.uk/mediacentre/2008/1128.html>

### **Opposition to minimum pricing and myths**

Opposition to minimum pricing originates mainly from the retail and drinks industry, and is broadly under the following themes:

- Risk of job losses - No evidence has been provided to support this. Dr Anne Ludbrooke (Aberdeen University) has provided evidence to suggest that minimum pricing could create a "win-win" for consumers and industry - the drop in sales would be off-set by increase in price, and the health of people would improve. There is also evidence from Europe to support this. **RefA4**
- Moderate drinkers paying a higher price for the actions of others – Harmful drinking affects all social groups. It is the problem drinker who will be most affected - problem drinkers who buy more alcohol than the average consumer are proven to be price sensitive and this measure will affect their alcohol consumption. **RefA5**
- People on low incomes will be penalised – Moderate consumers, irrespective of income levels, will notice very little difference in terms of cost. What will be noticeable though is a reduction in alcohol related deaths and a significant improvement amongst the most deprived members of society who account for 64% of alcohol-related deaths, and are six times more likely to be admitted to hospital with an alcohol-related diagnosis than those from the most affluent areas. **RefA6**
- This would be in contravention of UK competition law – the Office of Fair Trading previously ruled that minimum pricing being imposed by a Government body is within competition law, because it is not engaging in "economic activity".
- Contravention of EU trade law – it would be necessary to argue that minimum pricing is both necessary and proportionate, to reduce the harm caused by alcohol, for health priorities to be considered greater than trade concerns, by the European Court of Justice and the European Free Trade Association. **RefA7**

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<sup>1</sup> Independent review of the effects of alcohol pricing and promotion. University of Sheffield, December 2008

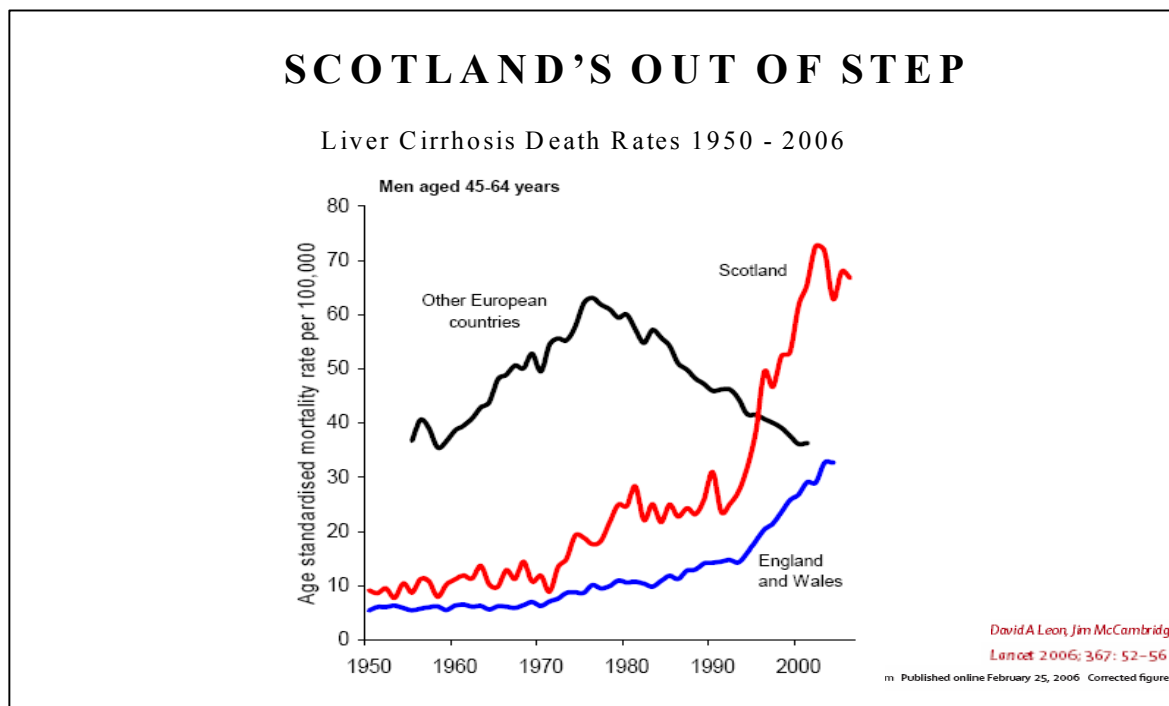
*This paper forms part of a campaign by Alcohol Focus Scotland, BMA and SHAAP to increase awareness of the benefits of a minimum pricing scheme in Scotland. Version 2 May 2009*

- Just another tax – Minimum pricing has been misrepresented as a tax on alcohol. It is not. Using taxation as a price lever has not been successful in the past, as some retailers have found ways of simply absorbing tax increases.
- ‘Substitution’ – concerns have been expressed that, particularly some young people, may ‘switch’ to cheap drugs if alcohol becomes too expensive. Anecdotal responses from agencies working with young people are skeptical of this view. They do not envisage circumstances in which young people who are not already taking drugs or moving in circles where drugs are easily available that they would suddenly change. Nonetheless, it would be wrong to be complacent about this and it is a situation which obviously needs monitoring.

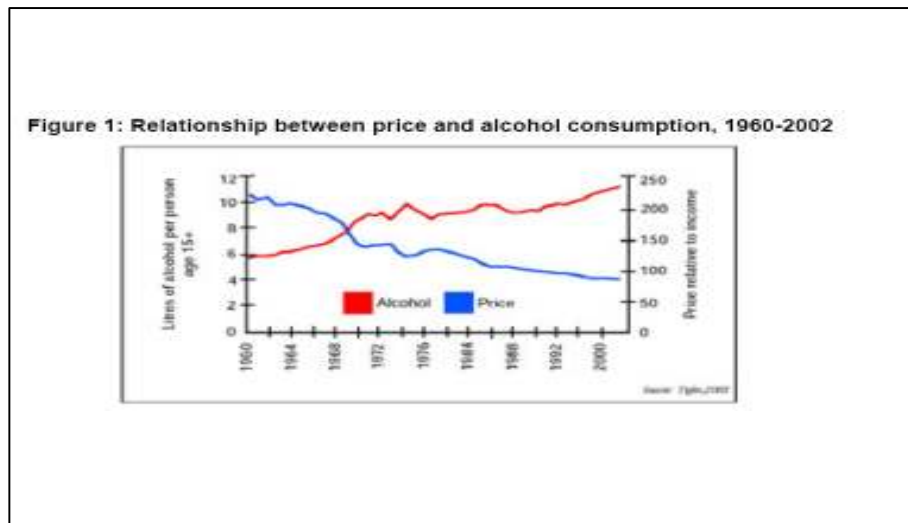
*“I suspect that the real reason for the objections to minimum pricing comes from the drinks industry rather than from conscience. And that is a lousy reason for letting the mayhem continue”. Magnus Linklater – The Times 17<sup>th</sup> March 09*

The graphs and charts on the following pages formed part of a presentation (not the complete presentation) at a Drugs and Alcohol Cross Party Group Meeting on 25<sup>th</sup> March 2009 by **Dr Peter Rice**, Consultant Psychiatrist, **NHS Tayside** (also Vice Chair – **Alcohol Focus Scotland** and Executive – **Scottish Health Action on Alcohol Problems**)

#### **Alcohol Harm and Pricing Policy: Why and what are the consequences?**



Scotland's rising death rates are not part of worldwide trend. We are out of step with the rest of Europe and North America.



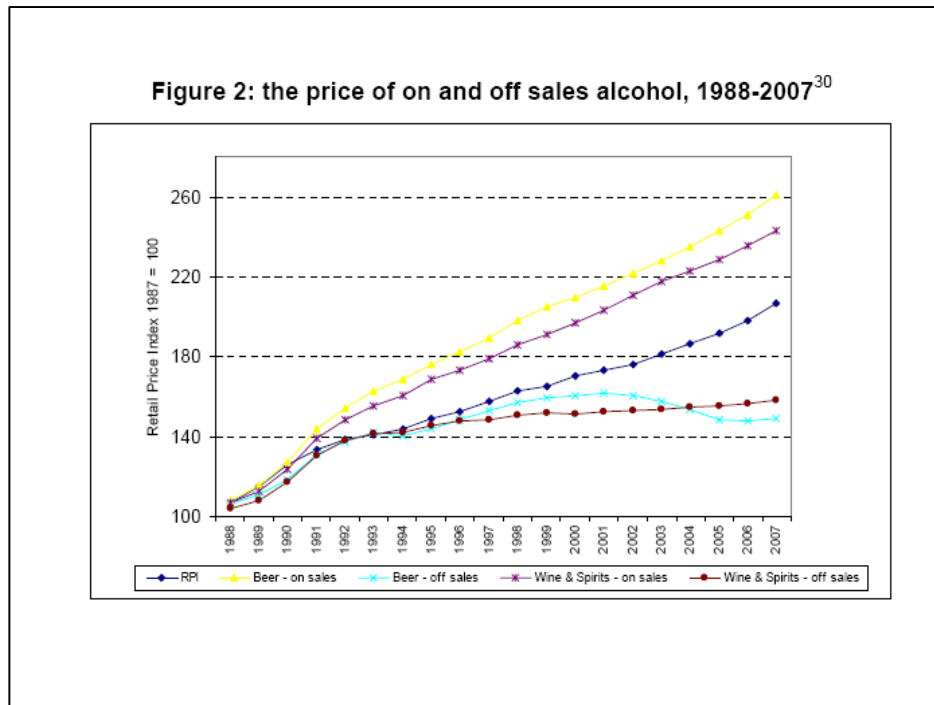
Importance of price - Price, specifically affordability, of alcohol has fallen in Scotland since the 1960s and consumption has risen. There is an extensive international literature over many years supporting the close relationship between price and consumption and this is consistent with the Scottish experience over the past 20 years.

RefA1



Another part of the Sheffield study showing consumption patterns for low cost alcohol and the alcohol drunk by heavy drinkers. Further indication that a change in the price of the cheapest alcohol will have its main effect on the heavy drinkers, not the moderate drinkers.

RefA2



Price changes have not been uniform. There have been much bigger price falls in the off trade sector. Price is widely agreed to be closely linked to consumption and consumption to harm.

RefA3

**ALCOHOL: No Ordinary Commodity**

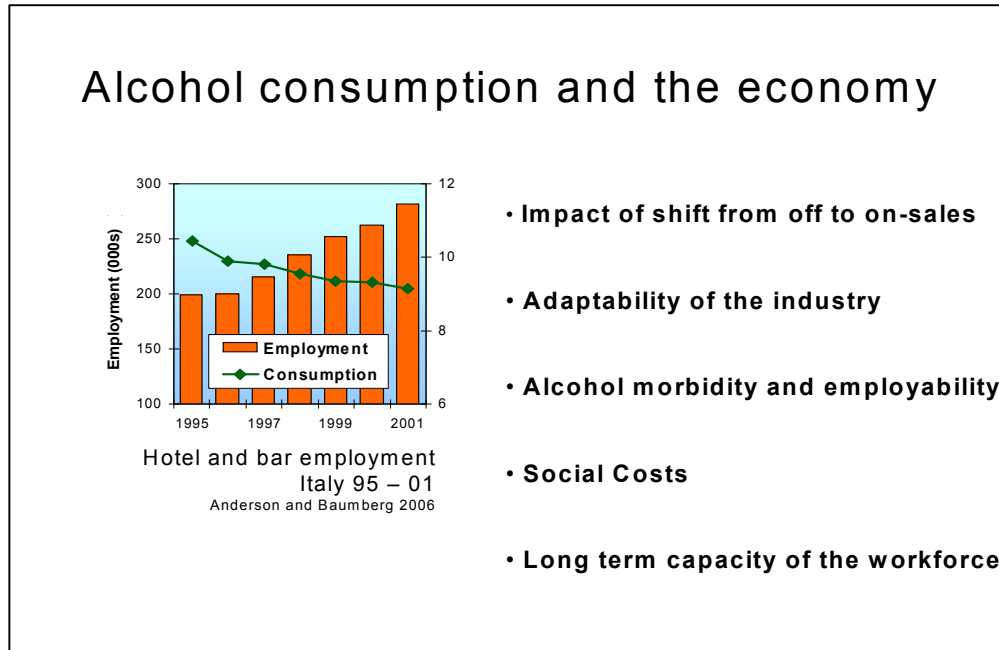
Measure	Effect
Pricing	High
Availability - Age limit - Outlet Density	High
Safer Drinking - Server training - Safer glasses	Mid
Treatment - Brief Interventions	Mid
Regulating Ads & Promotions	Low
Information - Schools - Product Labelling	Low

**WORLD HEALTH ORGANISATION 2003**

What makes a difference to rates of alcohol harm in communities? Much discussed in Scotland over the past couple of years. WHO asked same questions and commissioned this study. Some

of the most unpopular measures are the most effective and conversely, popular methods, like stand-alone education or customer information are ineffective. Alcohol Framework has many of these effective measures.

RefA4



Does tackling alcohol related harm by reducing consumption inevitably have a detrimental effect on employment and the economy? Slide from Peter Anderson and Ben Baumberg’s study on Alcohol in Europe. As consumption fell in Italy, employment in hotels and bars increased.

Important to understand the effectiveness of the industry in adapting successfully to a range of trading environments internationally. If Scotland changes, I believe the industry will still find a way to be successful and profitable.

Sheffield study showed one of the biggest costs of alcohol is on employability due to the health and other impacts of heavy drinking. If the population drinks less, these costs will be less.

Social costs. Criminal justice. Childrens issues all significant economically.

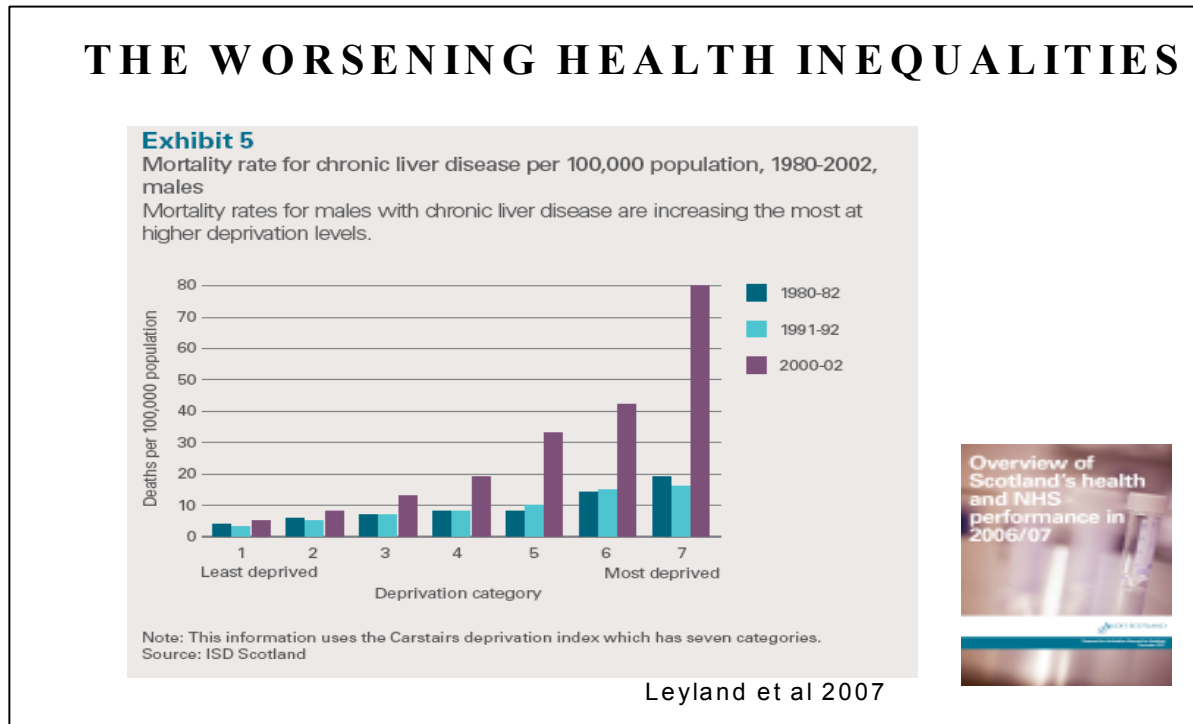
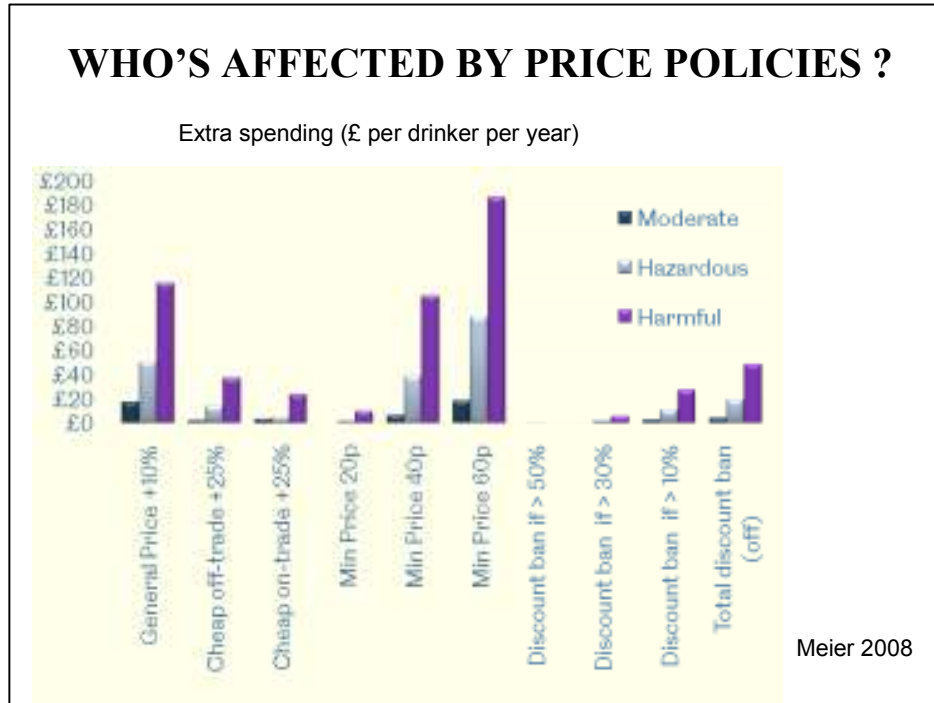
Scotland’s Health Improvement challenge and the long term view.

RefA5

- Moderate drinking is up to 21 units (males) and 14 units (females) per week
- Hazardous drinking is between 21/14 – 50/35 units per week
- Harmful drinking is in excess of 50/35+ units per week

Minimum pricing is best targeted price policy in affecting heavy drinkers and having less effect on moderate drinkers. Not a “blunt instrument”

Contd...



**Ref A6 contd.**, One of the most notable issues in Scotland’s health record is our Health Inequalities, which are among the worst in Europe. This graph shows that chronic liver disease, is mostly alcohol related in Scotland. The gap between rich and poor has increased in the past 20 yrs.

Work in Finland, showed that as alcohol get cheaper, mortality increases, particularly in deprived communities, and this Scottish data fits with those findings.

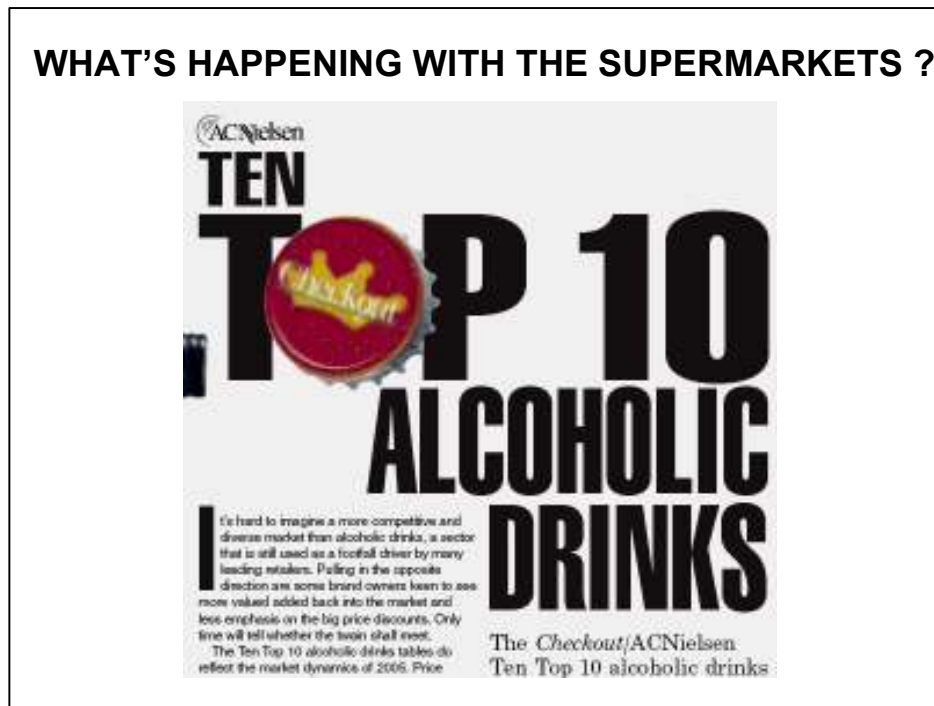
<b>WHISKY PRICES (40%)</b>		<b>OTHER SPIRITS (37.5%)</b>	
Famous Grouse	£ 14.49	Absolut	£ 14.93
Bells	£ 13.46	Bacardi	£ 13.48
Tesco Finest	£ 13.07	Smirnoff	£ 12.50
Whyte Mackay	£ 12.49	Gordon’s	£ 12.49
Wm Grant	£ 11.23	Vladivar	£ 10.73
At 40p per unit	£ 11.20	At 40p per unit	£ 10.50
Tesco Special	£ 9.98	Red Square	£ 8.78
High	£ 9.10	Glens Vodka	£ 8.49
Commissioner		Tesco Vodka	£ 7.78
Tesco Value	£8.49	Tesco Gin	£ 7.39
		Asda Vodka	£ 6.41

No below minimum price items in Spar, Alldays or Oddbins

Whisky brands affected are own brands and “off brands,” not premium brands. Supermarkets own quality brands are above minimum pricing at 40p per unit.

Vodka, which the Gin and Vodka association tell us “The Sale of Vodka far exceeds that of whisky in Scotland”. Same picture. Not the premium brands.

I couldn’t find any spirits below the minimum price in convenience stores or specialist off –licence.



Why is cheap alcohol so important to the supermarkets?

In February 2008, the BBC reported that **Supermarket giant Tesco says it is willing to work with the government on possible legislation that would limit its ability to sell cut-price alcohol.** Lucy Neville-Rolfe, Tesco's executive director for corporate and legal affairs, said action would have to come from the government on cheap alcohol.

She said: "We can't put up our prices because people will simply shop elsewhere - it could be commercial suicide - and we can't act together to put up prices because that would be against competition law.

This report from AC Nielsen, the market research company, gives us some insight, identify alcohol as a key "footfall driver" for retailers. In other words, a low profit margin is accepted on alcohol because cheap alcohol gets people into the stores, who then make profit on other items.

Problem is for health, social care and criminal justice agencies, alcohol is not an ordinary commodity and increased sales lead to increased harm.

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*SHAAP*, contact Evelyn Gillan - [shaap.projectdirector@rcpe.ac.uk](mailto:shaap.projectdirector@rcpe.ac.uk)