Minimum Alcohol Pricing

1 Introduction

The purpose of this briefing paper is to assist the Committee for Social Development in its consideration of the issue of minimum alcohol pricing. The paper begins by providing a brief overview of both the extent and impact of alcohol misuse in Northern Ireland; it explores the development of minimum alcohol pricing in Scotland; examines some of the arguments put forward for and against minimum alcohol pricing; and provides a brief outline of some alternatives to minimum pricing such as an increase in alcohol taxation and a ban on below cost sales of alcohol.

By way of introduction it should be highlighted at the outset that the Scottish Government has been unsuccessful in its bid to progress its flagship policy of minimum alcohol pricing through the Scottish Parliament. The Scottish Health Minister, Nicola Sturgeon MSP, made a final attempt on the 10 November to reinsert an amendment which would reinstate provisions in the Bill to prohibit the sale of alcohol below a minimum price; set the minimum price at 45p per unit; and introduce a ‘sunset clause’ which would allow Parliament to review and revoke the policy after six years if it had not proved effective. However, the amendment failed to gain support from opposition MSPs.

The failure to move the proposed minimum alcohol pricing policy into legislation was met by overwhelming disappointment by health and alcohol support bodies in Scotland. The Chairman of the British Medical Association in Scotland is reported to have stated that it was, "a missed opportunity for our parliamentarians, who had a real opportunity to drive forward public health policy, not just in Scotland, but in the rest of the world". The Scottish Minister for Health has previously argued that introducing a minimum price of 45 pence per unit would in the first year result in 50 fewer deaths from alcohol related harm; 1,200 fewer hospital admissions; and a £5.5 million reduction in health care costs. After ten years it is believed that this would result in 225 fewer deaths from alcohol related harm; 4,200 fewer hospital admissions annually; and an £83 million reduction in health care costs over the ten year period.

However, MSPs who opposed minimum pricing argued against the policy on a number of grounds, for example, that minimum pricing was a policy based on a modelling exercise and was therefore untried and untested; it would penalise moderate drinkers and the less well off; the policy may be illegal under EU law; it would damage the Scotch whisky industry; it would transfer large sums of money from consumers to retailers; and the policy could easily be circumvented by buying alcohol on the internet or in other jurisdictions where a minimum alcohol pricing policy was not in place.

2 The extent and impact of alcohol misuse in Northern Ireland

Reducing the harm caused by alcohol misuse is a significant element of the public health agenda in Northern Ireland. Research commissioned by the Department of Health, Social Services and Public Safety estimates that the cost to society of alcohol misuse in Northern Ireland, based on 2008/09 prices, is around £679.8m per annum. The cost of alcohol misuse has far-reaching consequences for health and social services, the emergency services, the criminal justice system and for the economy in Northern Ireland, i.e.

- **Healthcare**, in terms of additional visits to GPs, hospital inpatient stays and visits to hospitals as outpatients - estimated cost is £122.2 million within a range of £89.8 million and £158.0 million.

- **Social work and additional services** carried out by Health and Social Care Trusts on community care and children's services - estimated cost is £48.5 million within a range of £33.6 million and £82.0 million.

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- **Public safety**, in relation to additional activity by the Police Service of Northern Ireland and the Northern Ireland Fire and Rescue Service - estimated cost is £223.6million within a range of £167.7million and £279.3million.

- **Criminal justice**, in terms of additional work generated for the Northern Ireland Court Service, Public Prosecution Service, Northern Ireland Legal Services Commission and Northern Ireland Prison Service - estimated cost is £83.8million within a range of £64.4million and £103.6million.

- **Wider economic costs**, including the impact of alcohol misuse on factors such as unemployment and absenteeism - estimated cost is £201.7million within a range of £145.3million and £258.2million.

A survey of adult drinking patterns in Northern Ireland in 2008, found that nearly one third (32%) who drank in the week before the survey had engaged in at least one binge drinking session, more than four in five (81%) of respondents had exceeded the recommended daily limits during the week prior to the survey; and nearly one quarter (24%) of respondents drank about the weekly sensible levels. Younger drinkers (18-29 years) were more likely than older drinkers (aged 60-75) to consume alcohol above the weekly sensible levels, and males (35%) were found to be more likely than females (29%) to binge drink.

**Figure 1: Where alcohol was consumed in the week prior to the survey by gender**

Base: those who consumed alcohol in the week prior to the survey, N = 912

(Table extracted from DHSSPS (2008) Adult Drinking Patterns in Northern Ireland 2008)

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Overall, the survey found that respondents with a managerial and professional occupation were most likely to drink alcohol (81%), followed by respondents with an intermediate occupation (74%), and those with routine or manual occupations (70%)\(^8\). As evident from Figure 1, the survey found the most common setting for drinking alcohol was in the home. Just under two thirds (64%) of those who consumed alcohol in the week prior to the survey drank in their own homes. In previous surveys the figures were 61% (in 2005) and 55% (in 1999).

A recent study published in the British Medical Journal examined cultural differences in alcohol consumption by comparing the effect of alcohol intake on ischaemic heart disease on men in Belfast and in three locations in France. A total of 2405 men from Belfast and 7373 men from the French centres were included in the analyses, 1456 (60.5%) and 6679 (90.6%) of whom reported drinking alcohol at least once a week, respectively. Among drinkers, 12% (173/1456) of men in Belfast drank alcohol every day compared with 75% of men in France. Mean alcohol consumption was 22.1 g/day in Belfast and 32.8 g/day in France. Binge drinkers comprised 9.4% (227/2405) and 0.5% (33/7373) of the Belfast and France samples, respectively. The study concluded that regular and moderate alcohol intake throughout the week, the typical pattern in middle aged men in France, is associated with a low risk of ischaemic heart disease, whereas the binge drinking pattern more prevalent in Belfast confers a higher risk\(^9\).

Of particular concern is the trend in alcohol consumption amongst children and young people in Northern Ireland. Statistics cited in the DHSSPS ‘Young People’s Drinking Action Plan’ taken from the 2007 Young Person’s Behaviour and Attitudes Survey (YPBAS) showed that:

- 54% of 11-16 year olds reported that they had taken an alcoholic drink;
- For those in year 12 (i.e. 15-16 year olds) this figure was 80%. Of those young people who had reported having taken an alcohol drink, most reported having their first drink at the age of 13; and
- Of the 11-16 year olds who had reported having taken an alcohol drink, over half (55%) stated that they had been drunk on at least one occasion.

The Action Plan goes on to highlight that although it is difficult to obtain an accurate picture of the scale of young people’s problem drinking, it is possible to get some indication from the numbers in treatment and counselling, and the number of admissions to hospital related to alcohol. For example, of the 3,476 individuals in treatment for alcohol misuse on 1 March 2007, 377 individuals (11%) were aged under

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18. In terms of alcohol-related admissions to acute hospitals, there were 224 admissions of people aged under 18 in 2006/07\(^{10}\).

A recent analysis of drinking patterns in the UK conducted on behalf of the Joseph Rowntree Foundation, also highlights the notable increase in both the prevalence of alcohol consumption and excessive weekly drinking in Northern Ireland in comparison to the rest of the UK. The research offers a number of possible reasons why this is the case,

“The proportion of people drinking (‘prevalence’) and excessive weekly drinking have increased in Northern Ireland compared with Great Britain as a whole since 1986. This is especially the case amongst adults aged 16-24. One possible explanation for this increase is the change in the licensing laws in 1996, and the rapid growth in the leisure industry (number of pubs/bars/clubs) since the peace process began. The peace process has led to increased investment, employment, urbanisation, improved personal financial status and independence amongst the population and amongst young people especially. This social and economic emancipation, when set against a historic low baseline of alcohol use because of religious and cultural norms, may have led to the increase in alcohol drinking over recent years toward the levels in the rest of the UK.”\(^{11}\)

The Scottish Government’s 2008 discussion paper on tackling alcohol misuse, which proposed the concept of a minimum price for alcohol, suggests that a number of major changes have occurred over the past 20 to 30 years which are likely to have contributed to higher consumption rates and alcohol related harm. These include a relative decline in the price of alcohol; an increase in the availability and accessibility of alcohol; an increase in the range and choices of alcohol available including larger measures; and lastly changing cultural and social norms whereby ‘drinking to get drunk’, particularly amongst younger people, has become more acceptable\(^{12}\).

3 Some Views on Minimum Alcohol Pricing

In recent months leading health bodies in Northern Ireland, such as the Royal College of Psychiatrists (NI), have renewed their call for the Executive to introduce a minimum price for alcohol in Northern Ireland. The Chair of the RCP (NI), Dr Philip McGarry, has argued that setting a minimum price for alcohol is one of the most effective ways of addressing harmful drinking,
“We have been advocating minimum pricing for alcohol for some time, and now Scotland has set a lead we believe the Northern Ireland Executive must follow…..

The Royal College of Psychiatrists does not oppose responsible drinking, but like others in the medical profession, we see the dreadful consequences of harmful and hazardous alcohol consumption…..

International evidence demonstrates that minimum pricing for alcohol works, and the World Health Organisation says that increasing the price of alcohol is one of the most effective ways of curbing harmful drinking. Supermarkets sell beer for less than the price of bottled water, and we see pubs and clubs promoting drinks, often to young people and in particular young women, at heavily discounted prices”.  

Both the Minister for Health and the Minister for Social Development have expressed a desire to at least scope the issue of a minimum alcohol pricing policy for Northern Ireland. The Minister for Health, for example, referred to the issue a debate on alcohol misuse in the Assembly on 11 November 2008:

“…..My Department has produced an action plan that focuses on key areas in which I want to see rapid progress, and decisive and clear action taken. Alcohol is far too cheap, drink is 62% more affordable today than it was in 1980. I want to see the price of alcohol increased so that people pay a similar price for it in supermarkets and off-licenses as they do in pubs. Some alcohol is cheaper to buy than bottled water, and that creates too much temptation. I want to explore the possibility of introducing minimum unit pricing, meaning that every unit of alcohol will cost a set price. That would mean, for example, that large bottles of strong cider could no longer be sold so cheaply…”

On commenting on the issue of minimum pricing during the Second Stage of the Licensing and Registration of Clubs (Amendment) Bill (in June 2010), the Minister for Social Development stressed the need to monitor closely developments in the Scottish Parliament:

“….a number of Members referred to minimum pricing. The Assembly may wish to go down that route in the future. However, we should not rush headlong into law on minimum pricing when, as Dr Farry indicated, we have yet to see what develops in Scotland and whether legal challenges to the proposed legislation arise…..

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While our sister devolved legislature is testing the ground on such matters, it may be better for us to see how the situation develops. If, during the process, there is further reason for us to intervene or make our own plans, I will not be hostile to that. However, for the moment, it seems to me that we should listen and learn from the Scottish experience and see how the situation there develops over the next number of months.”

In response to a recent Assembly Question, the Minister for Social Development also indicated that in addition to consulting on a ban on irresponsible alcohol promotions in pubs, supermarkets and other outlets, Departmental officials are scoping out proposals for minimum alcohol pricing. This includes monitoring developments in England and Wales with regards to proposals for a ban on below cost sales. The Minister has also indicated that he is to meet with the Republic of Ireland’s Minister for Justice, Equality and Law Reform to consider the scope for harmonisation in pricing interventions.

‘Pubs of Ulster’ (a trading name for the Federation of the Retail Licensing Trade NI) in has stated that it believes that minimum alcohol pricing should be introduced and that the Minister should not await the outcome in Scotland:

“The responsible retailing of alcohol is of paramount importance to Pubs of Ulster and our members and the licensed trade in Northern Ireland is amongst the most proactive and successful in providing self regulation….

However, whilst we are encouraged by the move against the irresponsible sale of alcohol, we are concerned that the proposals do not address the issue of the below cost selling of alcohol by the supermarket multiples. With 70% of alcohol now consumed at home, we call on the Northern Ireland Assembly to lead the way and introduce minimum pricing rather than waiting to see what Scotland does on the issue.”

On a national level, many prominent health bodies, such as the British Medical Association and the National Institute for Health and Clinical Excellence, support the establishment of minimum price levels for alcohol. In its report ‘Under the influence’ the BMA further recommended that there should be an increase in the level of excess duty paid on alcohol above the rate of inflation and that there should be a rationalisation of the current taxation system so that it is accurately linked to alcohol strength for all products.

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16 Assembly Question for Written Answer (AQW 977/11) Ms Anna Lo MLA Question to the Minister for Social Development. Tabled 10 October 2010. To ask the Minister for Social Development if he has any plans to introduce minimum alcohol pricing or a ban on below-cost sales in line with proposals from the Scottish Parliament.
Minimum pricing has also received support from the current Chief Medical Officers for Scotland\textsuperscript{19} and Wales\textsuperscript{20}, and the former Chief Medical Officer for England, Sir Liam Donaldson. In his Annual Report for 2008, Sir Liam recommended that the government should introduce a minimum price per unit of alcohol as an immediate priority and that consideration should be given to setting this minimum price at 50p per unit. The report states that,

"Establishing minimum pricing requires government action. Supermarkets are particularly liable to sell alcohol at low prices. Currently, no single supermarket chain would increase its prices and risk losing customers to competitors, and Competition Commission rules prevent supermarkets working together to set prices. A minimum price per unit would overcome this problem and help reduce the harms caused by selling alcohol sometimes for as little as 11p per unit.\textsuperscript{21}

In May 2010, Tesco become the first UK retailer to support the ban of the sale of alcohol below cost price. It also stated that "should new Ministers decide to opt for a minimum price for all beers, wines, ciders and spirits, Tesco would also stand ready to support them on this". Tesco maintains that its decision to back a ban on below cost alcohol sales and support for minimum pricing follows concern from its customers that the availability of cheap alcohol contributes significantly to problem drinking in the UK\textsuperscript{22}. In July 2010, ASDA announced that it was to end below-cost alcohols by introducing a policy not to sell alcohol below the cost of duty plus VAT\textsuperscript{23}.

A new research report published by the Institute for Fiscal Studies argues, however, that if minimum pricing were to be introduced it would mean that retailers and manufacturers rather than Government would be the beneficiaries from the price rise. The study estimates that if a 45p per unit policy were to be rolled out across Britain it could transfer £700 million from alcohol consumers to retailers and manufacturers. They believe that this contrasts to increases in alcohol taxes, which largely result in transfers to government in the form of tax revenue. The study maintains that the largest beneficiaries of minimum pricing are those stores which sell the most alcohol (e.g. Tesco, Asda and Sainsbury) whilst some gains would be shared with alcohol manufacturers\textsuperscript{24}.

The Scottish Parliament Health and Sport Committee which carried out extensive scrutiny of the Scottish Government’s proposals for a minimum pricing were divided on


\textsuperscript{23} The Independent. Asda stops selling alcohol below cost. 23 July 2010.

\textsuperscript{24} Institute for Fiscal Studies. Press Release. ‘Minimum alcohol price of 45p per unit could transfer £700 million from drinkers to firms. www.ifs.org.uk/publications/5286
the issue. Whilst the whole Committee agreed that the scale of the alcohol problem in Scotland must be addressed some members were not persuaded that minimum pricing would be effective. This was reflected in the Committee’s report on the Stage 1 Report on the Alcohol etc. (Scotland) Bill which stated:

“There is a division of opinion in the Committee. Some members of the Committee, are not persuaded that the per-unit minimum pricing proposal would achieve what it sets out to achieve and are not convinced that it would be an effective tool in the drive to lower alcohol consumption. Some members believe that it could result in a substantial increase in revenue from alcohol sales for retailers and producers and a predicted loss of revenue from VAT and duty to HM Treasury; others profoundly disagree and point to the social responsibility levy and potential saving in health and policing expenditure as possible balancing factors. Some members recognise that the policy would affect some hazardous drinkers’ consumption but, as many of these fall into higher income brackets, the effect would be limited and therefore disproportionate considering the wider financial impact, especially on lower income groups. Some members do believe that it would be effective in bringing about a significant change in the population’s drinking habits, subject to knowing what the minimum price would be.”

On the 22 September 2010, the Health and Sport Committee voted in favour of an amendment to remove the minimum unit pricing from the Alcohol Bill. In contrast, the previous House of Commons Health Committee, in its report on Alcohol in December 2009, recommended that the Government introduce minimum pricing. The Committee maintained that introducing minimum pricing would most affect those who drank cheap alcohol, particularly young binge drinkers and heavy drinkers on low incomes. It also suggested that minimum pricing would have other benefits such as impacting upon the sustainability of traditional pubs and encouraging people to switch to weaker wines and beers. However, the Committee also suggested that without an increase in duty, minimum pricing would lead to an increase in profits for the supermarkets and drinks industry.

The next section provides an overview of the Scottish Government’s proposals for minimum alcohol pricing.

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25 Scottish Parliament Committee for Health and Sport. Stage 1 Report on the Alcohol etc. (Scotland) Bill. 27 May 2010. www.scottish.parliament.uk/s3_committees/hs/reports.htm
3 Minimum Alcohol Pricing Proposals in Scotland – The Alcohol etc. (Scotland) Bill

The Scottish Government maintains that given the link between consumption and harm and the evidence that affordability is one of the drivers of increased consumption, addressing alcohol pricing is an essential component of any long term strategic approach to tackling alcohol misuse⁴⁸. It considered that the following principles should form part of any minimum pricing scheme⁴⁹:

- **The scheme should apply equally to all premises selling alcohol.** The Scottish Government did not see merit in creating a scheme that applies only to particular types of premises. The practical effect of minimum retail pricing on particular premises would depend on the prices charged before the conditions came into effect.

- **Price should be determined with reference to the alcoholic strength of the product rather than other factors, such as type of product.** Establishing a direct link between minimum price and the alcoholic strength of the product is considered to be the most effective means of encouraging a reduction in consumption. If an alternative approach were to be taken, such as establishing prices for different product categories, this could create an unhelpful incentive for producers to develop new products with a high alcohol volume.

- **Minimum prices should be set independently of those connected either directly or indirectly with the manufacture, retail, supply or distribution of alcohol products or any other connected activity.** The robustness of minimum retail pricing to reduce excessive alcohol consumption relies on it being seen as both fair to the alcohol industry and retailers but independent of those who profit from the production or sale of alcohol. The Scottish Government considered that minimum prices should be determined by Scottish Ministers.

- **It should be straightforward to vary the levels at which prices are set.** Scottish Ministers should be able to vary the minimum retail prices as appropriate while allowing the licensed trade a reasonable period of notice to implement changes.

- **Arrangements should be as straightforward as possible to minimise the burden on the licensed trade and to ensure compliance.** Arrangements are already in place under the Licensing (Scotland) Act 2005 where Licensing

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Standards Officers monitor compliance with regulations and conditions, and breaches are reported to the Licensing Board.

Detailed proposals for a minimum price per unit of alcohol was contained within the Alcohol Etc. (Scotland) Bill (as introduced) to the Scottish Parliament on 25 November 2009. Section 1(2) of the Bill (as introduced) proposed to amend the Licensing (Scotland) Act 2005 by introducing a further mandatory condition of premises and occasional licences granted under that Act. The condition would be that alcohol must not be sold on the premises at a price below the minimum price. This section would also require that, where alcohol is supplied along with other products or services, for example, where a bottle of beer is packaged with and sold with a branded glass or where a bottle of wine were sold with food as part of a “meal deal”. In these circumstances the minimum price would be the minimum price that would apply to the alcohol if sold on its own, with no account taken of the non-alcohol elements of the package.30

The Bill’s Explanatory Notes set out the formula by which the minimum price would be calculated, i.e. minimum price per unit (MPU) x strength of the alcohol (S) x volume of the alcohol in litres (V) x 100. It also set out a number of examples of minimum prices for different beverages calculated using the formula and a minimum price of 40 per unit of alcohol31 (note that in September 2010 the Scottish Government announced that the proposed minimum price for alcohol would be set at 45p per unit)32:

- the minimum price for a standard sized bottle of spirits at 37.5% ABV33 would be £10.50 (0.40 x 37.5/100 x 0.7 x 100 = £10.50) (at 45p per unit – £11.81)
- the minimum price for a 500ml super-strength can of beer at 9% ABV would be £1.80 (0.40 x 9/100 x 0.5 x 100 = £1.80) (at 45p per unit – £2.03)
- the minimum price for a standard size bottle of wine at 12.5% ABV would be £3.75 (0.40 x 12.5/100 x 0.75 x 100 = £3.75) (at 45p per unit - £4.22)
- the minimum price for a case of 24 440ml cans of beer at 4% ABV would be £16.90 (0.40 x 4/100 x 0.440 x 24 x 100 = £16.90) (at 45p per unit - £19.00)
- the minimum price for a 2 litre bottle of strong cider at 6% ABV would be £4.80 (0.40 x 6/100 x 2 x 100 = £4.80) (at 45p per unit) (at 45p per unit - £5.40)
- the minimum price for a 25ml measure of spirits at 37.5% ABV would be 38p (0.40 x 37.5/100 x 0.025 x 100 = £0.375) (at 45p per unit - 42p)
- the minimum price for a 275 ml pre-mixed spirit and mixer at 5% ABV would be 55p (0.40 x 5/100 x 0.275 x 100 = £0.55) (the addition of a mixer does not affect the minimum price) (at 45p per unit - 62p)

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33 ABV – Alcohol By Volume
the minimum price for a strong pint of lager at 5% ABV would be £1.136 (0.40 x 5/100 x 0.568 x 100 = £1.136) \textbf{(at 45p per unit - £1.28)}

Under section 2 of the Bill (as introduced) the \textbf{price of packages containing two or more alcoholic products} would have to be equal to or greater than the sum of the prices at which each product was for sale. This provision would only apply where each alcoholic product in the package was available for sale on the premises. The effect of this provision would be that a retailer could not both sell an alcoholic product individually and offer a discount to the buyer for buying a package containing a multiple of alcoholic products that included that product. For example:

- If a bottle of wine is sold at £4, then a retailer would not be able to sell a package of 2 of those bottles for less than £8. If one bottle of wine is sold for £4 and another bottle of wine is sold for £4.50, a retailer would not be able to sell a package of one of each of those bottles for less than £8.50.
- A case of 24 440ml cans of beer may not be sold at a price less than the cost of buying 24 of those cans (provided that individual 440ml cans of that beer were available for sale on the premises)\textsuperscript{34}.

Using the formula, the table below provides a snapshot of the changes in prices for a range of products in one major supermarket based upon a minimum price of 40p, 45p and 50p.

\textbf{Table 1: Example cost of products based on minimum pricing}

<table>
<thead>
<tr>
<th>CIDERS</th>
<th>Current Price</th>
<th>Price at 40p per unit</th>
<th>Price at 45p per unit</th>
<th>Price at 50p per unit</th>
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</thead>
<tbody>
<tr>
<td>Strongbow (2litre) (5.3% ABV)</td>
<td>£2.99</td>
<td>£4.24</td>
<td>£4.77</td>
<td>£5.30</td>
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<tr>
<td>Supermarkets Own Brand Strong Dry Cider (3litre) (5.3%)</td>
<td>£3.12</td>
<td>£6.36</td>
<td>£7.16</td>
<td>£7.95</td>
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<tr>
<td>Supermarkets Own Brand Cider Basics (2 litre)(4.2% ABV)</td>
<td>£1.32</td>
<td>£3.36</td>
<td>£3.78</td>
<td>£4.20</td>
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<tr>
<th>VODKA</th>
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<th>Price 45p per unit</th>
<th>Price at 50p per unit</th>
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<tbody>
<tr>
<td>Vladivar (70cl) (37.5% ABV)</td>
<td>£12.49</td>
<td>£10.50</td>
<td>£11.81</td>
<td>£13.13</td>
</tr>
<tr>
<td>Finlandia (70cl) (40% ABV)</td>
<td>£11.68</td>
<td>£11.20</td>
<td>£12.60</td>
<td>£14.00</td>
</tr>
<tr>
<td>Smirnoff (70cl) (37.5% ABV)</td>
<td>£12.00 (was £14.68)</td>
<td>£10.50</td>
<td>£11.81</td>
<td>£13.13</td>
</tr>
<tr>
<td>Supermarket's Own Brand Vodka Basics (70cl) (37.5%)</td>
<td>£7.97</td>
<td>£10.50</td>
<td>£11.81</td>
<td>£13.13</td>
</tr>
</tbody>
</table>

\textsuperscript{34} Explanatory Notes. Alcohol Etc. (Scotland) Bill, para 12-15. \url{www.scottish.parliament.uk/s3/bills/34-AlcoholEtc/b34s3-introd-en.pdf}
<table>
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<th>ABV)</th>
<th>GIN</th>
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<th>Price at 45p per unit</th>
<th>Price at 50p per unit</th>
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<tr>
<td>Bombay Sapphire (70cl) (40% ABV)</td>
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<tr>
<td>Beefeater (70cl) (40% ABV)</td>
<td>£14.49</td>
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<tr>
<td>Supermarket’s Own Brand Gin Basics (70cl) (37.5% ABV)</td>
<td>£7.78</td>
<td>£10.50</td>
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<th>WHISKY</th>
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<td>Grants Whisky (70cl) (40% ABV)</td>
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<tr>
<td>Bell’s Scotch (70cl) (40% ABV)</td>
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<td>Supermarket’s Own Brand Blended (70cl) (40% ABV)</td>
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<td>Echo Falls (White) (75cl) (12.5% ABV)</td>
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<td>£3.75</td>
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<td>£4.69</td>
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<tr>
<td>Frontera Red (75cl) (12.5% ABV)</td>
<td>£5.49 each (or 3 for £12)</td>
<td>£3.75 (or 3 for £11.25)</td>
<td>£4.22 (or 3 for £12.66)</td>
<td>£4.69 (or 3 for £14.06)</td>
</tr>
<tr>
<td>Piat Pere Et Fil (White) (75cl) (12% ABV)</td>
<td>£8.99 (or 2 for £10)</td>
<td>£3.60</td>
<td>£4.05</td>
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<table>
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<th>BEER/LAGER</th>
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<th>Price at 45p per unit</th>
<th>Price at 50p per unit</th>
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<tbody>
<tr>
<td>Fosters (15x440ml cans) (4% ABV)</td>
<td>£12.00 (equal to 80p per can)</td>
<td>£10.56</td>
<td>£11.88</td>
<td>£13.20</td>
</tr>
<tr>
<td>Supermarket’s Own Brand Basic Lager (4x440ml cans) (2% ABV)</td>
<td>£0.92 (equal to 23p per can)</td>
<td>£1.40</td>
<td>£1.58</td>
<td>£1.76</td>
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<th>‘ALCOPOPS’</th>
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<th>Price at 40p per unit</th>
<th>Price at 45p per unit</th>
<th>Price at 50p per unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smirnoff Ice (12x275ml) (4.5% ABV)</td>
<td>£10.00 (was 12.98) (83p per bottle)</td>
<td>£5.94</td>
<td>£6.68</td>
<td>£7.43</td>
</tr>
<tr>
<td>Wkd Blue (70cl) (4% ABV)</td>
<td>£2.99 (or 2 for £5)</td>
<td>£1.12</td>
<td>£1.26</td>
<td>£1.40</td>
</tr>
</tbody>
</table>

*Based on prices of one supermarket – accessed via internet on 19/11/2010

The products most likely to be effected by minimum pricing are low-cost ‘value’ brand spirits and strong white ciders sold via supermarkets and other off-licensed premises. The House of Commons Health Committee report on Alcohol maintains that minimum pricing would not have the same impact on ‘traditional’ pubs as most sell alcohol above
minimum price although it could impact upon pubs and clubs who offer ‘Happy Hours’ and special promotions\(^{35}\). Analysis conducted by the Institute of Fiscal Studies suggests that the vast majority of alcohol products sell for less than the proposed minimum price of 45p with the exception of ‘alcopops’ which are considerably more expensive per unit of alcohol but make up a small proportion of off-license sales\(^{36}\).

### 4 Minimum Pricing and the Sheffield Alcohol Policy Model

Much of the Scottish Government proposals on minimum alcohol pricing are based upon an econometric model on minimum pricing developed by the School of Health and Related Research (‘ScHARR’) at the University of Sheffield. ScHARR had previously appraised pricing and promotion policy options as part of a programme of work funded by the UK Department of Health (DH). The results of this research were published by December 2008 and related specifically to the English population (see the ‘Independent Review of the Effects of Alcohol Pricing and Promotion’)\(^ {37}\).

The modelling infrastructure developed for DH - known as the Sheffield Alcohol Policy Model – was believed to provide a strong platform for such an investigation and so ScHARR was asked by the Scottish Government to adapt the English version of the model to a Scottish population. The report on the Scottish adaption of the model – the ‘Model Based Appraisal of Alcohol Minimum Pricing and Off-Licensed Trade Discount Ban’s in Scotland’ - was published in September 2009\(^ {38}\). An update of the paper based on newly available data was subsequently published in April 2010\(^ {39}\).

Put simply, an econometric model such as that developed by ScHARR measures relationships between a set of variables and forecasts how changes in some variables will affect the future course of others. Priority was given to analysing the following set of policies:

- What are the likely effects of introducing a minimum unit price on alcohol consumption, sales, health, crime and workplace harm in Scotland?
- What are the likely effects of introducing a ban on price-based promotions in the off-licensed trade in Scotland?

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What are the likely effects of introducing a minimum unit price simultaneously with a ban on price-based promotions in the off-licensed trade in Scotland⁴⁰.

Summary of Model Findings

The Sheffield report examined the potential effects of different minimum pricing levels on patterns of alcohol consumption, it estimated that changes in consumption for a range of minimum prices to be⁴¹:

<table>
<thead>
<tr>
<th>Minimum Price</th>
<th>Change in consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>25p</td>
<td>-0.1%</td>
</tr>
<tr>
<td>30p</td>
<td>-0.3%</td>
</tr>
<tr>
<td>35p</td>
<td>-1.0%</td>
</tr>
<tr>
<td>40p</td>
<td>-2.3%</td>
</tr>
<tr>
<td>45p</td>
<td>-4.3%</td>
</tr>
<tr>
<td>50p</td>
<td>-6.7%</td>
</tr>
<tr>
<td>55p</td>
<td>-9.5%</td>
</tr>
<tr>
<td>60p</td>
<td>-12.3%</td>
</tr>
<tr>
<td>65p</td>
<td>-15.3%</td>
</tr>
<tr>
<td>70p</td>
<td>-18.4%</td>
</tr>
</tbody>
</table>

Some of the findings of the first report by ScHARR included⁴²:

- That lower minimum price thresholds are associated with reductions in beer, cider and spirit consumption but increases in wine consumption due to consumers switching products. For a 30p minimum price, it estimates that beer and cider consumption reduces by 4.1 units per drinker per year, spirit consumption reduces by 3.2 units whilst ‘Ready to Drink’ (e.g. ‘alcopop’) consumption is virtually unchanged. However, at 30p minimum price it estimates that wine consumption with increase by 3.3 units per drinker per year. The study suggests that wine consumption will start to decrease at minimum price thresholds over 45p.

- An off-licence discount ban affects wine consumption the most – changes in means consumption per drinker per year is estimated to be 14.9 units (-5.3%) for wine, -4.9 units (-1.6%) for beer and cider, -4.6 units (-2.4%) for spirits; and -0.1 units (-0.4%) for ‘Ready to Drink’ products (e.g. ‘alcopops’).

The updated report (based on newly available data) maintained that⁴³:

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www.scotland.gov.uk/Publications/2009/09/24131201/0


As the minimum price threshold increases, alcohol-related hospital admissions and deaths are estimated to reduce. For example, a 30p minimum price plus a discount ban for off-licensed premises is estimated to reduce annual admissions by 3,200, compared to 4,800 and 8,400 for 40p and 50p thresholds respectively.

As the minimum price threshold increases, alcohol-related crimes are estimated to reduce, e.g. a reduction of 3,100 offences per year for a 40p threshold (with discount ban) and a reduction of 5,300 offences per year for a 50p threshold (with discount ban). Crime reductions take place across the spectrum of crime including violence crime and criminal damage.

It is estimates that absenteism from work will reduce: a minimum price of 40p (with discount ban) is estimated to reduce days absent from work by approximately 30,500, for 50p minimum pricing the reduction is estimated to be around 51,200.

In terms of the impact on different population sub-groups, the report maintains that changes in spending affect mostly harmful drinkers, hazardous drinkers are somewhat affected and spending for moderate drinkers affected very little. For a 40p minimum price (combined with an off-trade discount ban) extra spending for moderate drinkers is estimated to be £10 per year, £55 for hazardous drinkers and £126 for harmful drinkers.

As the minimum price thresholds increases, the financial value of harm reductions increase (final value includes, e.g. direct health and social care costs savings and direct savings to the criminal justice system and to victims, absence and unemployment savings based on average earnings). The estimated overall cumulative discounted financial value of harm reduction over ten years is estimated at £824m for a 40p minimum price (plus discount ban); this value is estimated to nearly double for a 50p threshold (£1.4bn).

Retailer revenue from the sale of alcohol is estimated to increase under all policies. The model predicts increases in both off-licence and on-licensed sectors (excluding duty and VAT). The report maintains that higher minimum prices lead to greater additional retail revenues. For example, for a 40p minimum price (with discount ban), total retailer revenue is estimated to increase by £113m per annum.

The Scottish Government, in its Policy Memorandum on the Alcohol Etc. (Scotland) Bill, stated that it was particularly interested in noting the following points in relation to SchHARR report:\(^\text{44}\):


\(^{44}\) Alcohol Etc. (Scotland) Bill, Policy Memorandum, pp. 6-7. www.scottish.parliament.uk/s3/bills/34-AlcoholEtc/b34s3-introd-pm.pdf
• “the model showed a strong and consistent link between the price of alcohol and the demand for alcohol. Increasing the price of alcohol is estimated to reduce consumption and alcohol-related harm.

• the model demonstrated a link between price increases, reduced consumption and subsequent reductions in chronic and acute health harms, including cancers, stroke, accidents, injuries and violence.

• minimum pricing targets price that is sold cheaply. Cheaper alcohol tends to be bought more by harmful drinkers than moderate drinkers. So a minimum pricing policy might be seen as beneficial in that it targets the drinkers causing most harm to themselves and society. Studies also show that cheaper alcohol is also attractive to young people45.

• “moderate drinkers’ (i.e. those who drink within sensible drinking guidelines) are estimated to be only marginally affected, simply because they consume only a moderate amount of alcohol and also because they do not tend to buy as much of the cheap alcohol that would be most affected by minimum pricing.

• although the driver for minimum pricing is the protection and improvement of public health, the Scottish Government notes that while there is an estimated decrease in sales volume, that may be more than offset by the unit price increase, leading to overall increases in revenue from alcohol sales.

• the economy is likely to benefit through a reduction in sick days per year for all categories of drinker (moderate, hazardous and harmful) and less unemployment among harmful drinkers.”

The effectiveness of econometric modelling as a decision-making tool for Government was explored in some detail by the Scottish Parliament’s Health and Sport Committee during Stage 1 of the Alcohol Etc. (Scotland) Bill. An account of the Committee’s deliberations on this issue is included in the Committee’s Stage 1 report. The principle investigator for the Sheffield study, along with other imminent witnesses, was questioned about the soundness of using econometric modelling as an alternative to evidence when making public policy decisions (see Committee Report for further details). The use of econometric modelling was somewhat of a divisive issue amongst MSPs with some suggesting that such modelling is not the same as real evidence. For example, Dr Richard Simpson MSP, during the Stage 1 debate of the Alcohol Bill stated:

“…..We believe that minimum pricing falls down on many counts. For all the vocal support from health professionals in particular, the issue comes down to one question: does the Parliament believe that a single, untried
and untested econometric model provides a sound basis for the main instrument to solve Scotland’s drinking problem?.....

However, in defence of the model, the Minister for Health, Nicola Sturgeon MSP, stated,

“The critics say that the modelling that the University of Sheffield carried out, which suggests that minimum pricing would have significant health, crime and economic benefits, is not the same as real evidence. That is true, but in policy development around the world, such robust and detailed modelling is used for new policies that have not been tried. The national minimum wage is a good example of such a policy. The key message to the people who call for real evidence is this: let us introduce the policy and monitor and evaluate it, then we will have the evidence that people say is lacking. That is the responsible way forward. To ignore the weight of expert opinion that we now have is not responsible, and to do so on what appear to me to be party-political grounds is to play politics with public health, which is simply wrong.”

5 Alternatives to Minimum Pricing – Taxation and a Ban on Below Cost Sales

In September 2010, the Institute for Fiscal Studies published a research paper which suggested that if a minimum price of 45p per unit were to be rolled out across Britain it could transfer £700 million from alcohol consumers to retailers and manufacturers. It suggested that the biggest relative gains would be made by low-price and discount supermarkets which sell the largest proportion of their alcohol below the 45p threshold. The paper argues that minimum prices transfer money from consumers to retailers and producers, but that higher alcohol taxes will allow the gains to be used by the Government.

The paper suggests that European Directives govern the structure of alcohol taxes, meaning that per unit tax rates are lower for high-strength wines and ciders and argues that it may be more desirable to try and change this to allow taxes to be imposed on the alcohol content of drinks directly:

“Alcohol taxes could be based in principle directly on the number of alcohol units. To the extent that taxes are passed on, this could ensure that all units are sold for at least some minimum price threshold but would mean any gains are collected as tax revenue rather than higher firm profits. European Directives at present mean it is not possible to restructure alcohol taxes in this way for some types of alcohol. Whilst the tax on an..."
alcohol unit of beer or spirits is constant (currently at 17.3p per unit and 23.8p per unit respectively), the tax on wine and ciders depends only on the volume of product and not also on the strength. This means, for example, that a 75cl bottle of 9% wine is effectively taxed at 25.0p per unit whilst a bottle of 14% wine is taxed at 16.1p per unit. In the long term, it may be desirable to try to change the way in which alcohol taxes are structured so that the tax can be levied directly on the alcohol content for all alcohol types.\textsuperscript{48}

The Budget announced that the Government would review alcohol taxation and pricing and report in the autumn. It also announced that secondary legislation will be introduced to increase the tax on cheap, strong ciders. This legislation will change the definition of cider by introducing a minimum juice content to qualify to pay duty at the cider rates. Products with low juice content will be taxed at the more appropriate made-wine rate from September 2010. In addition to this, a \textit{review of alcohol taxation and pricing} is being jointly led by the Home Office and HM Treasury. The review will consider:

- The rates and structure of duty on different products;
- The differential between duty rates and low and high strength products; and
- The interaction between tax and price.

However, it has been stated that the potential tax measures will have to reflect the legal and practical constraints on the alcohol duty regime. Measures will also need to reflect the pressures on the fiscal position and the Government’s commitment to reducing the deficit as its highest priority.\textsuperscript{49}

In addition to the review of alcohol taxation and policy, the Home Office consultation paper \textit{‘Rebalancing the Licensing Act’} (published 2010) outlined the intention of the UK Government to ban the sale of alcohol below cost price. The Government outlined that\textsuperscript{50},

“there has been a growing concern over the last few years about how cheaply some alcoholic drinks are being sold. We are also aware of the public’s unease and their perception of heavily discounted alcohol being a key contributory factor to unacceptable levels of alcohol-related crime and disorder – in many cases as a result of ‘pre-loading’ in preparation for a night out.”

It went on to state that,


\textsuperscript{49} Information extracted from \url{www.hm-treasury.gov.uk/alcohol_taxation.htm}

\textsuperscript{50} Home Office (2010) Rebalancing the Licensing Act – an consultation on empowering individuals, families and local communities to shape and determine local licensing’. \url{www.homeoffice.gov.uk/publications/consultations/cons-2010-licensing-act/}
“The definition of ‘cost’ has implications for the policy, powers required, enforcement and difference incentives. The ‘cost’ of an alcoholic product differs between retail businesses as they negotiate their own prices with suppliers, have different internal cost structures and may base their overall profitability on a basket of goods. This can make it difficult for a retailer to prove, or an enforcement authority to check, whether a product has been sold ‘below cost’.

There are a number of ways in which such a ban might work, and Government must find an approach which is compatible with EU trade and competition laws and realistic to enforce. Most EU countries which have tried similar policies have banned selling below ‘net invoice price’ where the reference price is broadly the unit price on the invoice.

One option might be to specifically define an ‘average cost’. …Another alternative might be to introduce a mandatory licence condition….Under these circumstances, it would be a breach of the licence condition to sell alcohol below what it cost the premises…."

The consultation period for ‘Rebalancing the Licensing Act’ is now closed and the Government’s final decisions on issues such as banning below cost sales has yet to be announced.

6 Arguments For and Against Minimum Pricing

Minimum alcohol pricing has been widely debated over the past number of years and has proven to be a highly contentious issue. The arguments both for and against minimum pricing were succinctly outlined in the House of Commons Health Committee report as follows51:

Supporters for raising prices argue that:

- Higher prices will reduce consumption (maintaining that the increasing affordability of alcohol has been the major cause of increased consumption);
- Higher prices will have the biggest impact on heavier drinkers because they drink the most (maintaining that hazardous and harmful drinkers consume three-quarters of all the alcohol sold, of which harmful drinkers consume around one-third);
- In any case, it is desirable to reduce overall consumption since this will reduce the number of heavy drinkers; and
- Higher prices will be particularly effective in reducing alcohol consumption amongst low income heavy drinkers who suffer most from alcohol-related harm.

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Those who are against price rises do so on the basis that:

- Price increases will have little effect on heavy drinkers;
- Price increases would be unfair as it would affect moderate drinkers;
- Rises in the price of cheap alcohol would particularly affect low income groups;
- Price increases would have little effect on alcohol harm (maintaining that alcohol consumption has fallen in recent years but alcohol-related harm has continued to rise); therefore there is no good reason to reduce average consumption.

Many of the issues outlined above have been examined in some detail by research colleagues in the Scottish Parliament as part of its scrutiny of the Alcohol Etc. (Scotland) Bill. Rather than simply reiterate these issues here, it may be of value to the Committee to read the Scottish Parliament Research and Information Centre (SPICe) Alcohol Bill Paper (pp9-25 in particular)\(^52\).

This paper explores key issues such as the link between price and alcohol consumption; the responsiveness to heavy drinkers to price; the link between population and consumption; the effect of minimum pricing on low income groups; and the perceived unfair impact of minimum pricing on moderate drinkers. Additionally, the paper also explores other important issues such as the use of pricing control measures in other countries, the impact on cross-border purchasing and illicit trade, and the compatibility of minimum pricing with EU law.

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