

Briefing Paper

Alcohol Minimum Pricing

What is minimum pricing for alcohol?

Minimum pricing is a policy which sets a minimum price at which alcohol can be sold. The purpose of a minimum price is to ensure that retailers cannot sell alcohol below a certain baseline cost.

Does the government plan to introduce minimum pricing for alcohol?

On 18 January 2011, the Home Office announced plans to introduce a new proposal which would prevent retailers from selling alcohol below the rate of duty plus VAT. This would mean retailers could not sell a 1 litre bottle of vodka (37.5 per cent abv) for less than £10.71 and a 440ml can of lager (4.2 per cent abv) for less than £0.38. This equates to 21p per unit of beer.

Are these the right plans?

There is a clear relationship between price and the consumption of alcohol, and the Alcohol Health Alliance is pleased to see that the government accepts cheap drink is the main driver of the health harm.

However, the proposed price floor of rate of duty plus VAT will impact on only a small fraction of special offers and will have no meaningful impact on the health consequences of alcohol misuse.

Research conducted by the School of Health and Health Related Research found that if the minimum price was set higher, at 50p per unit, it would reduce hospital admissions by approximately 100,000 each year with total cost savings for England of £7.4billion over ten years.

The School of Health and Health Related Research found that a minimum unit price of 50p would:

- Reduce consumption per drinker 6.9% on average saving around 100,000 hospital admissions each year and 10300 fewer violent crimes.
- Total healthcare costs saved in England would be £66million in year one and £1.37 billion over ten years.
- Total crime costs saved in England would be £49.6 million in year one and £413 million over ten years.
- Total absence from the workplace costs saved would be £28.6 million in year one and £238million over ten years.
- The total direct costs saved in England would be £793 million in year one and £7.4 billion over ten years.¹

Why do we need a minimum price for alcohol?

¹ Sheffield study

The real price of alcohol has declined steadily over the past fifty years. Overall between 1980 and 2007 alcohol became 69% more affordable². Liberalisation of licensing laws has led to alcohol being sold in more places and for longer periods of time. The number of premises licensed to sell alcohol has increased from 128, 054³ in 1980 to 162,300 in 2008.⁴ The relaxation in access and availability of alcohol has been seized upon more by the off-licence trade, particularly supermarkets who have responded by offering deep discounts and promotions. The net effect of this is that alcohol is now available for as little as 11 pence per unit in some outlets which is lower than bottled water.

Are people drinking more as a result of low prices?

In Britain, alcohol consumption rose by 121% between 1950 and 2000⁵ and from 9.5 to 11.5 litres of pure alcohol per adult between 1987 and 2007⁶ so that the average consumption for every person over age 15 is now 22 units (of 8 gram) per week. Latest statistics show that there are around 2.6 million higher risk drinkers in England and that, 31% of men reported drinking more than 21 units in an average week and for women, 20% reported drinking more than 14 units in an average week⁷.

What are the costs and consequences of people drinking more?

The health and social harm caused by alcohol misuse affects individuals, families, friends, employers and society more broadly as tax payers and citizens:

- In 2007, in England, there were 6,541 deaths directly related to alcohol this has increased by 19% since 2001. Of these alcohol related deaths, the majority (4,249) died from alcoholic liver disease. On 28 January the Office for National Statistics published data showing that overall, the number of alcohol-related deaths in the UK has increased since the early 1990s although fell slightly in 2009.⁸
- It is estimated that the cost of alcohol related harm to the NHS in England is £2.7 billion in 2006/07 prices.⁹
- The government estimates that 17 million working days are lost annually in England due to alcohol-related sickness and that work related misuse costs the economy over £6.4 billion each year.¹⁰
- The government estimates that the human costs of alcohol related crime are over £4.7 billion.¹¹

What impact will a minimum price have on reducing alcohol-related harm?

There is a clear relationship between price and the consumption of alcohol. Research shows that alcohol responds to price increases like most consumer goods on the market, i.e. when other factors remain constant an increase in the price of alcohol generally leads to a decrease in consumption.¹²

² Sheffield study

³ IAS factsheet - Alcohol: Price, legal availability and expenditure

⁴ DCMS Statistical Bulletin Alcohol, Entertainment and Late Night Refreshment Licensing England and Wales, April 2007 – March 2008

⁵ Alcohol Harm Reduction Strategy for England. Cabinet Office Strategy Unit 2004

⁶ HM Revenue and Customs (2008) Alcohol Factsheet <http://www.uktradeinfo.com/index.cfm?task=factalcohol>

⁷ Statistics on alcohol 2009, NHS Information Centre

⁸ <http://www.statistics.gov.uk/cci/nugget.asp?id=1091>

⁹ Statistics on alcohol 2009, NHS Information Centre

¹⁰ Cabinet Office, 2003, Interim Analytical Report for the National Alcohol Harm Reduction Strategy

¹¹ Ibid

¹² World Health Organisations (2007) Second Report of the Expert Committee on Problems related to Alcohol Consumption' Technical Report Series 944

There is a growing body of evidence to show that price increases can have a dramatic effect on reducing consumption and therefore harm.

Will a minimum price policy affect moderate drinkers more adversely?

There has been a suggestion that minimum price would penalise moderate drinkers in fact the current policy of low alcohol prices means that responsible drinkers are subsidising the behaviour of the 25% of the population who are drinking at hazardous or harmful levels. The effect on moderate drinkers will be very minimal because they consume lower amounts of alcohol. If a 50p minimum price were introduced this would mean an increase in spending on alcohol of less than 23p per week per moderate drinker where as a harmful drinker would pay an extra £3.13 per week. The effect of a minimum price on reducing consumption would be much greater for underage and heavy drinkers, reducing their consumption by 7.3% and 10.3% respectively.

In adverse economic conditions should we really be asking people to pay more alcohol?

The increase in cost to the moderate drinker is less than 23p per week which seems almost inconsequential when compared with the overall cost of alcohol related harm to society as a whole.

Would taxation be a better option?

Taxation has been used by governments to increase alcohol prices with the aim of reducing consumption. Recent research from Finland showed that when taxes on alcohol were reduced by an average of 33% in 2004, researchers estimated a 10% increase in consumption and recorded a rise in alcohol related mortality of 16% for men and 31% for women¹³. However taxation is not the most effective policy lever as increases in alcohol duty have on the whole not been passed on to customers by the large retailers including supermarkets – suppliers have been squeezed instead.

Does minimum pricing contravene UK competition law?

Fixing minimum drinks prices is possible under both UK and EU competition law, provided that minimum prices are imposed on licensees by law, or by a public body exercising public functions imposed on it by an enactment.

Does minimum pricing contravene EU trade law?

Minimum pricing for alcohol could be regarded as constituting a trade barrier contrary to EU free movement of goods. However, both the European Court of Justice (ECJ) and the European Free Trade Association (EFTA) have been prepared to prioritize health over trade concerns when considering alcohol policies, providing certain conditions have been met¹⁴. If minimum pricing was challenged the government could invoke a public health defense a principle established in European law by demonstrating that its measures were proportionate and the only way to protect public health.

Does minimum pricing exist in other countries and is there evidence to show it has worked?

A number of countries across Europe including Belgium, France and Portugal and Spain have legislation banning low cost selling¹⁵. Canada has a well established minimum pricing scheme. Social reference

¹³ (BMJ 2008; 337:a1504).

¹⁴ Baumberg, B and Anderson, P (2008) Health, alcohol and EU law: understanding the impact of European single market law on alcohol policies, *European Journal of Public Health*, pp 392-398.

¹⁵ Rand Europe, 2009, The affordability of alcoholic beverages in the European Union

pricing currently operates in 8 out of its 10 provinces and has been shown to reduce demand when it is linked to alcoholic content.

What are the gains from a minimum price as a policy option?

Pricing policies can have a positive impact on reducing the health, crime and economic harm caused by alcohol misuse. They can also be targeted to impact on those groups who drink the most without penalising those who drink responsibly. A minimum price approach would also circumvent the off-trade sector's ability to absorb increases in alcohol taxation, and to use deep discounting and below cost sales.