

# Briefing



# SHAAP

Scottish Health Action on Alcohol Problems

## Minimum Pricing for Alcohol: *Frequently Asked Questions*

This briefing paper has been produced by Scottish Health Action on Alcohol Problems (SHAAP), a medical advocacy group established by the Scottish Medical Royal Colleges and Faculties to advocate for alcohol policy in the public health interest. The briefing seeks to address the main questions that have arisen in relation to the implementation of minimum pricing for alcohol in Scotland.

### *What is minimum pricing for alcohol?*

Minimum pricing is a policy which sets a minimum price at which a unit of alcohol can be sold.

### *Why do we need it?*

Over the past 50 years the real price of alcohol has fallen and more liberal licensing legislation 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.

### *But don't most people drink responsibly?*

As prices have fallen, the amount we drink has risen. Alcohol consumption in the UK has more than doubled over the last 40 years<sup>1</sup> and the latest survey estimates reveal that 40% of men and 33% of women in Scotland are drinking twice the daily limits.<sup>2</sup> Problem alcohol use extends across all ages and social groups. In the past few years, enough alcohol has been sold in Scotland to allow every person over the age of 16 to exceed weekly limits every week of the year.<sup>3</sup>

### *So we are drinking more, what does it matter?*

Health and social harm caused by problem alcohol use has escalated in Scotland. It affects individuals, families, and communities and costs the country over two billion pounds every year.<sup>4</sup>

*Harm is linked to consumption – the more alcohol we consume, the greater the risk of alcohol-related harm.*<sup>5,6</sup>

- Scotland has one of the fastest growing chronic liver disease and cirrhosis death rates in the world.<sup>7</sup>
- Of the 20 local areas in the UK with the highest male alcohol-related death rate, 15 are in Scotland.<sup>8</sup>
- Men in deprived areas are 7 times more likely to die an alcohol related death.<sup>9</sup>
- Alcohol misuse is a contributory factor in 1 in 3 divorces.<sup>10</sup>
- 65,000 children are estimated to be living with parents with alcohol problems.<sup>11</sup>
- 49% of prisoners were drunk at the time of their offence.<sup>12</sup>

### *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.<sup>5,6</sup> 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.<sup>13</sup>

### *But this policy will penalise moderate drinkers?*

Moderate drinkers will be affected in a very minor way simply because they consume only a small amount of alcohol. If a 40p minimum price was introduced moderate drinkers are likely to spend on average about 11p extra per week.<sup>14</sup> Harmful drinkers buy more alcohol and also tend to choose cheap alcohol so they would be most affected. However, harmful drinkers would gain in terms of health benefits – particularly in deaths avoided.

### *Won't it affect people living in poverty more?*

Almost two thirds of all alcohol-related deaths in Scotland in 2005 were amongst the most deprived members of society.<sup>15</sup> Minimum pricing for alcohol can therefore have a potentially greater protective effect against alcohol-related harm for people in low income households. Research from Finland shows the potential of higher alcohol prices to protect the most disadvantaged members of society against alcohol-related problems.

*In March 2004, Finland lowered taxation on alcohol in an effort to reduce cross-border trade. This led to an increase in alcohol-related mortality of 16% among men and 31% among women. Among people aged 30-59, the biggest increase in numbers dying was amongst the unemployed, early-age pensioners and those with low education, social class or income.<sup>16</sup>*

### *Isn't this the wrong time to be asking people to pay more for anything?*

Scottish households report spending a weekly average of £15.90 on alcohol.<sup>17</sup> The cost to Scotland of alcohol misuse is estimated to be £2.25 billion in 2006/07.<sup>4</sup> This equates to £19.25 per household; more than what people say they spend on alcohol.<sup>17</sup> Policies which increase the price of alcohol can bring significant health and social benefits and lead to considerable savings in the NHS, criminal justice system and the workplace.<sup>14</sup>

### *Will business lose out if this is implemented?*

Business revenue is unlikely to be reduced if minimum pricing for alcohol is introduced because although people will consume less, they will pay more. A recent study commissioned by the Department of Health looked at what would happen if the government were to introduce minimum

pricing and concluded that both the off-trade and on-trade retail sectors would see increased revenue from minimum pricing. A 1% price increase is estimated to produce around a 0.5% reduction in volume purchased. Retailers would sell less volume, but at higher prices, leading to an overall increase in sales value. This would apply to supermarkets, off-licences, pubs, clubs and restaurants.<sup>14</sup>

### *Wouldn't raising taxes be a better option?*

Taxation has historically been used by governments to control alcohol consumption and alcohol-related problems. However, alcohol traders can undermine the impact of a tax increase by not passing on the increase to consumers or by selling alcohol below-cost. Despite alcohol taxation going up by 6% in 2008, supermarkets continued to sell heavily discounted alcohol. Minimum pricing can achieve health goals that taxes alone cannot.

### *Does minimum pricing contravene UK competition law?*

Fixing minimum alcohol prices is possible under 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 enactment, and not by licensees themselves.<sup>13</sup> The Office of Fair Trading (OFT) rejected a complaint by the Scottish Beer and Pub Association in 2004 that measures included in the Licensing (Scotland) Bill would be anti-competitive. The OFT ruled that in exercising its legislative functions the Scottish Parliament was not engaging in 'economic activity' and accordingly the Competition Act did not apply.<sup>18</sup>

### *What about 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 prioritise health over trade concerns when considering alcohol policies, providing certain conditions have been met.<sup>19</sup> If minimum pricing for alcohol was challenged, it would be necessary to argue that given the significant evidence linking alcohol price, consumption and harm, the policy measure of minimum pricing was both necessary and proportionate.

### *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 in place. Social reference pricing (SRP) is in effect in eight out of ten Canadian provinces and enables the government to regulate minimum prices below which alcohol cannot be sold to the public. The structure of SRP is different in different provinces. Where SRP has been linked to alcohol content, so that the minimum price rises as alcohol content goes up, the impact on reducing demand has been seen to be particularly effective. SRP has been found to be compatible with Canada's competition laws and international trade rules.

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

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 heavy drinkers pay more.<sup>14</sup> Minimum pricing for alcohol could save hundreds of millions of pounds every year in NHS, crime and employment costs. It will also save lives and act as a protective factor for people living in deprived communities who are most at risk of dying an alcohol-related death.

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