



ALCOHOL

Price, Policy and Public Health

REPORT ON THE FINDINGS OF THE
EXPERT WORKSHOP ON PRICE
CONVENED BY SHAAP

BACKGROUND

This report presents the findings of an expert workshop convened by SHAAP on 27th September, 2007 to consider action that government could take on pricing policy to reduce alcohol-related harm in the population. Prior to the workshop, SHAAP undertook an extensive literature review of the evidence on alcohol consumption, harm and price. Expert participants from Scotland, England and the Republic of Ireland participated in the production of evidence summaries to inform the workshop. Discussion at the workshop was also informed by two legal opinions commissioned by SHAAP to explore particular aspects of alcohol pricing policy. Written submissions were received from alcohol industry interests, and Paul Waterson, Chief Executive of the Scottish Licensed Trade Association, presented the association's views on pricing to the expert workshop. Jack Law, Chief Executive of Alcohol Focus Scotland, presented AFS's views to the expert workshop and Anna Poole, the author of one of the legal opinions commissioned, answered questions on her opinion.

SHAAP is grateful to the expert participants for their significant contribution in helping to formulate the recommendations in this report and to the stakeholders who took time to submit their views in writing or in person to the expert participants.

This report has been written by Evelyn Gillan and Petrina Macnaughton with input from the expert participants and the SHAAP representatives who attended the workshop.

EXPERT WORKSHOP

Dr Bruce Ritson (chair)	<i>Chair of SHAAP</i>
Professor Christine Godfrey	<i>University of York</i>
Professor Anne Ludbrook	<i>University of Aberdeen</i>
Dr Ann Hope	<i>Trinity College, Dublin</i>
Dr Nick Sheron	<i>Royal College of Physicians (London)</i>
Professor Gerard Hastings	<i>University of Stirling</i>
Ben Baumberg	<i>Institute of Alcohol Studies</i>
Russell Bennetts	<i>Institute of Alcohol Studies</i>
Professor Peter Brunt	Dr Lesley Graham
Dr Peter Rice	Dr Iain Smith
Evelyn Gillan	
Iain MacAllister (observer)	<i>Scottish Government</i>

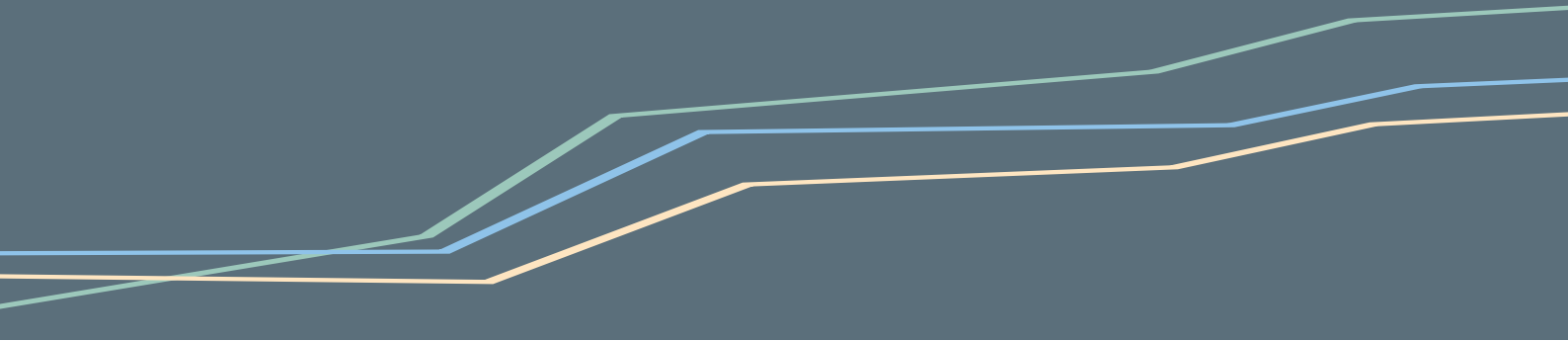
Open Session

Jack Law	<i>Alcohol Focus Scotland</i>
Paul Waterson	<i>Scottish Licensed Trade Association</i>
Mark Baird (observer)	<i>Scottish Government Industry Partnership</i>
Anna Poole	<i>Advocate, Axiom Advocates</i>

Written Submissions

1. British Retail Consortium
2. Joint submission from: Scottish Whisky Association, The Scottish Beer and Pub Association, Gin and Vodka Association, The National Association of Cider Makers and The Wine and Spirits Trade Association

ALCOHOL related
DEATH rates in Scottish men
are DOUBLE those in
the rest of the UK.¹



EXECUTIVE SUMMARY

Reducing alcohol-related harm will require a range of actions in the short and longer term to foster a change in our drinking culture. No single policy initiative will solve all the alcohol problems in our society. An effective alcohol policy will be one that includes regulatory action, treatment interventions and culture change delivered through a comprehensive strategy aimed at the whole population as well as being targeted at high-risk groups.

EXECUTIVE SUMMARY

This report presents the findings of an expert workshop convened by SHAAP that focused specifically on pricing policy measures open to government. The workshop considered this particular aspect of alcohol policy in view of the significant international evidence base, which confirms that price and taxation strategies are one of the most effective and cost-effective policy options available to governments to reduce alcohol-related harm.

ALCOHOL-RELATED HARM

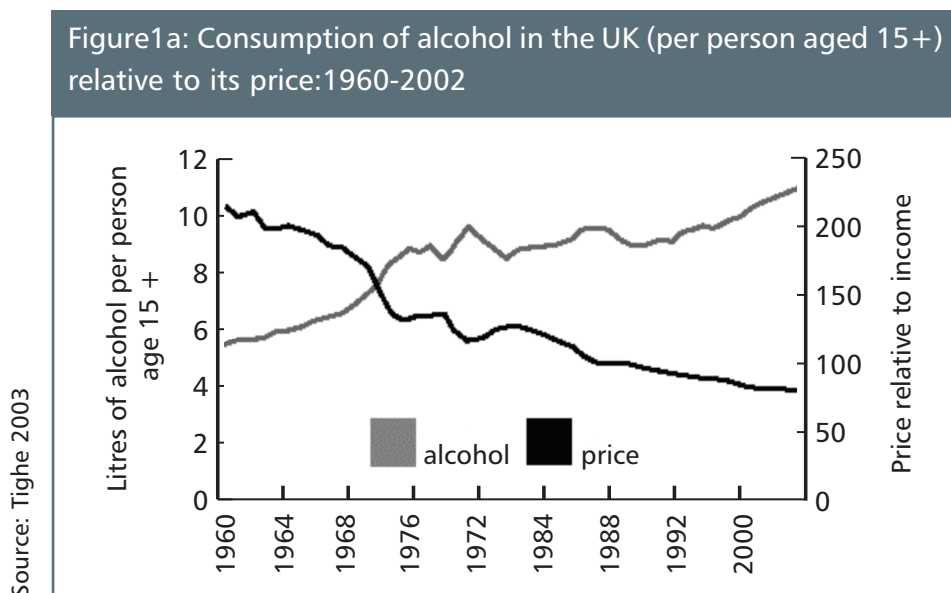
Alcohol is the third leading contributor to disease burden in developed countries.² Over the last 30 years, UK liver cirrhosis mortality has risen over 450% across the population³ with a 52% increase in alcoholic liver disease in Scotland between 1998 and 2002.⁴ Scotland now has one of the highest cirrhosis mortality rates in Western Europe. Research has shown that alcohol is related to more than 60 types of disease, disability and injury.⁵ Alcohol consumption is also associated with a substantial burden of social harm with estimates from some countries suggesting that the burden of social harm from drinking is roughly equal to the burden of health harm⁶. Alcohol-related problems are estimated to cost Scotland over £1 billion every year.⁷

TRENDS IN ALCOHOL CONSUMPTION AND HARM

Over the past 40 years, alcohol consumption in the UK has doubled⁸, with a significant increase in drinking at home. Sales from supermarkets and off-licences now account for nearly half the amount of alcohol sold in the UK.⁹ The Scottish Health Survey (2003) suggests that two in three men and one in two women are drinking at levels that increase the risk to their health.¹⁰ The available international evidence shows that as overall alcohol consumption increases, so does alcohol related-harm.¹¹ In other words, the more alcohol a nation consumes, the greater the burden of harm it will experience.

ALCOHOL PRICE AND CONSUMPTION

Analysing trends in alcohol price and consumption in the UK shows that as the price of alcohol has come down, consumption has risen (Figure1a). The real price of alcohol (measured in constant price terms to take account of the effects of inflation) has been in steady decline over the past 50 years. The main reason for the price decline is that alcohol has become much more affordable. Between 1980 and 2005 the price of alcohol increased by 22% more than prices generally. However, because households' disposable income has increased by 97% in real terms (between 1980 and 2005), alcohol was 62% more affordable in 2005 than in 1980.¹²



Competition in the alcohol market has also had the effect of driving the price of alcoholic drinks down through extended promotions, 'buy-one-get-one-free' offers, deep discounting and below-cost selling. Big pub companies operating 'megapubs' have been able to offer cheaper drinks on the basis of selling more volume and being able to extract discounted deals from alcohol producers. Supermarkets have admitted to selling alcoholic drinks below cost as a means of attracting customers into their stores and increasing their total grocery sales, a practice known as 'loss-leading'.¹³

The pricing practices of alcohol producers and retailers have resulted in the profit margins on the unit price of an alcoholic drink being squeezed. This means that in order for producers and retailers to maintain their total profits they have to sell more; and in order for producers and retailers to sell more, consumers have to drink more.

Although the availability of cheap alcohol is not the sole reason for problem alcohol use in Scotland, it is a factor in rising consumption levels and associated harm. More significantly, in terms of alcohol policy, it is an area in which government regulatory action could make a difference in reducing the level of alcohol-related harm.

EFFECTIVE ALCOHOL POLICIES

There is now a significant body of evidence that has examined the policies that are most effective in reducing alcohol-related harm. A review of 32 alcohol strategies and interventions has found that in terms of the degree of effectiveness, the breadth of research support, the extent to which they have been tested cross-culturally, and the relative expense of implementation, the most effective alcohol policies include regulatory interventions (controls on price and availability of alcohol); brief interventions for hazardous and harmful drinkers; and drink-driving laws. By contrast, education in schools, public service announcements and voluntary regulation by the alcohol industry are found to be the least effective in changing drinking patterns or problems.¹⁴

The relationship between alcohol price and the level of consumption and associated harm is one of the most researched areas of alcohol policy. Many individual and aggregate level studies have examined the effects of price changes on overall consumption of alcohol, and on the consumption of different types of alcoholic beverage (beer, wine, and spirits). Essentially, what the weight of evidence from all these studies and reviews indicates is that alcohol appears to behave like most other consumer goods in the market. That is, when all other factors remain the same, an increase in the price of alcohol generally leads to a decrease in consumption, and vice versa. (See *Appendix 1 for a more detailed review of the evidence of effects of price changes on alcohol consumption*)

CONCLUSIONS AND RECOMMENDATIONS

Having reviewed the international evidence linking price, consumption and harm; and considered the mechanisms for raising alcohol price in Scotland and the UK, this report advocates using price as a policy lever to reduce alcohol consumption and related harm. Based on estimates by the Academy of Medical Sciences, a 10% rise in alcohol price would save the lives of 479 Scottish men and 265 women every year.¹⁵

SHAAP acknowledges that this position runs contrary to the position of the alcoholic beverages industry as evidenced by written submissions from sectors within the industry. The submissions argued against using population-based measures such as price as a policy lever to reduce alcohol consumption and related harm. These arguments are addressed in Section 3 and Section 4 of the report.

In convening the expert workshop, SHAAP sought to identify policy measures that Scottish Ministers could implement and were most likely to reduce alcohol harm in Scotland. Expert participants also identified the need for policy action on price at a UK level. In this context, SHAAP acknowledges that Scotland is already showing leadership in the UK by enshrining a public health principle in the new licensing legislation; acknowledging that alcohol is no ordinary commodity; and outlawing irresponsible drinks promotions in pubs and clubs.

The purpose of Scottish alcohol policy is to reduce levels of harm which are regarded by experts and politicians – as well as the public – as being much too high. Whilst it is tempting to hope that Scottish drinking culture can be changed through school education and TV campaigns, the reality is that these measures by themselves are unlikely to have a significant impact on drinking behaviour. By contrast, the evidence on price and tax policy suggests that it is one of the most effective ways of reducing alcohol-related harm. SHAAP recognises that taking action to address alcohol pricing policy is not an easy step for any government to take. Public opinion, although supportive of measures to

reduce the burden of alcohol use on society, may be resistant to price increases.¹⁶ The alcoholic beverages industry is likely to oppose any regulation of the alcohol market. A vocal industry lobby has consistently argued against efforts to lower the overall consumption of alcohol in the population as it seeks to protect its markets.¹⁷ There are also legal and administrative constraints that may impact on policy action in this area. SHAAP acknowledges these constraints, but believes nevertheless that action to increase alcohol price is both necessary and possible.

Scotland adopted an enlightened, evidence-based approach to public health when it banned smoking in public places - a public health measure that has been associated with a 17% reduction in heart attacks in Scotland.¹⁸ Alcohol policy offers another opportunity for the Scottish government to show leadership in the UK by taking seriously its duty to protect the public health against harmful alcohol use and to improve the overall health and well-being of the people of Scotland.

Having considered the pricing policy measures most likely to reduce levels of alcohol harm in the population, SHAAP recommends the following action.

RECOMMENDATION 1

The Scottish Government should end irresponsible alcohol promotions in all licensed premises.

New Scottish licensing legislation due to come into force in 2009 will outlaw irresponsible drinks promotions in pubs and clubs. Irresponsible alcoholic drinks promotions are defined as promotions which offer alcohol free of charge or at a reduced price on the purchase of one or more alcoholic drink, or any other product. The provisions of the new licensing legislation should be extended to cover shops, supermarkets and off-licences (*See Appendix 2 for more details on Scottish licensing legislation and the promotions mechanism*).

RECOMMENDATION 2

The Scottish Government should establish minimum prices for alcoholic drinks.

Fixing minimum drinks prices can achieve health goals that raising alcohol taxes alone cannot by preventing below-cost selling and the deep discounting of alcohol that some retailers engage in. Fixing minimum drinks prices is possible under both UK and EU competition law, provided that minimum prices are imposed on licensees by law or at the sole instigation of a public authority. Minimum prices can be expressed either as a particular price or a minimum profit-margin. The provisions of the new licensing legislation in Scotland appear to be sufficiently broad to allow the addition of a description of a drinks promotion which is irresponsible if it involves the supply of an alcoholic drink below a certain price. (*See Appendix 2 for more details on the mechanisms and legal framework for setting minimum drinks prices in Scotland*).

RECOMMENDATION 3

The Scottish Government should make representation to Westminster to increase alcohol duty and link alcohol taxes to inflation.

Increasing the rates of duty on all categories of alcoholic drinks is a simple, straightforward means available to the Westminster government to raise alcohol price. It is possible for alcohol producers and retailers to absorb the costs of a tax increase without increasing the retail price of alcohol, and this is particularly likely in the case of big supermarkets that can subsidise losses on alcohol with profits from other products. However, the evidence suggests that most producers and retailers generally pass on the costs of tax increases to consumers.¹⁹ In addition to raising the duty on alcohol, the Westminster government should also index-link tax increases to counter the erosion of the real value of specific alcohol duties in nominal terms due to inflation.

RECOMMENDATION 4

The Scottish Government should make representation to Westminster to link levels of taxation to alcohol strength.

Increasing levels of taxation on stronger alcoholic beverages and reducing the level of taxation on lower strength beverages would give a financial incentive to consumers to buy and consume lower-strength drinks (provided the reduction or increase in tax was reflected in the retail price) and to producers to produce lower-strength products. Although the way excise duty is levied in the UK is subject to rules laid down by the EU, EU law allows taxes other than excise duty to be placed on alcohol products by individual member states. This gives the UK government scope to place further taxes, in addition to excise duty, on alcoholic beverages with higher alcohol content with the aim of reducing alcohol consumption and improving public health.

In particular, the duty on cider should be increased in relation to its alcoholic strength and taxed at the same rate as beer, a comparable alcoholic beverage. Under the current excise arrangements, cider is taxed at a much lower rate than beer of an equivalent alcoholic strength. (See *Appendix 3 for more details on linking taxation to alcohol strength*).

RECOMMENDATION 5

The Scottish Government should reconvene the National Licensing Forum with appropriate health representation.

The National Licensing Forum should be reconvened to oversee the implementation of the new licensing legislation and to ensure that local licensing boards fully understand their responsibilities in relation to the public health principle embedded in the legislation. There should be appropriate medical and health public representation on the Forum.

RECOMMENDATION 6

The Scottish Government should consider whether there is a need to create an independent, regulatory body to protect the health of the nation in relation to alcohol.

There are a number of issues relating to the regulation of the alcohol market, including pricing practices, labelling, the effectiveness of voluntary agreements and harmful promotional practices, that could be the responsibility of an independent, regulatory body. The purpose of such a body would be to protect the health of the nation in relation to alcohol.

RECOMMENDATION 7

The Health and Justice Committees of the Scottish Parliament should consider jointly initiating a Parliamentary inquiry into the health and social harm caused by alcohol in Scotland.

A parliamentary inquiry initiated jointly the Health and Justice Committees could examine a) the current functioning of the alcohol market including promotional practices and b) effective policy action which would reduce the significant burden of health and social harm caused by alcohol.

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