



Limiting the damage of cheap alcohol

– What are the options?


A comparison of the benefits of minimum pricing for alcohol with a ban on the sale of alcohol below the cost of duty + VAT

The easy availability of low-cost alcohol is recognised as a driver of harmful alcohol consumption across the UK. Although the average price of a unit of alcohol sold in Scotland in 2007 was 72p in the on-trade and 40p in the off-trade,¹ we know a lot of alcohol is available for sale below this price.²

Minimum pricing for alcohol aims to reduce the substantial burden of health and social harm linked to alcohol use in Scotland by raising the price of the cheapest drink. An extensive amount of evidence indicates that if the price of alcohol is raised, consumption will fall and so will harm.³ Evidence also shows that harmful drinkers tend to buy more of cheaper beers, wines and spirits than moderate drinkers.⁴ A minimum price fixes the lowest amount of money that an alcoholic drink can be sold for. It is proposed that a minimum price be set per unit of alcohol.⁵

Alternatives to minimum pricing have been suggested for tackling the problem of cheap alcohol. One proposal is banning the sale of alcohol below the cost of duty and VAT payable. The examples below consider what the two options offer.

1. Impact of the two options on the price of alcohol

Bottle of vodka	
 <p>Super-market own-brand vodka</p>	<p>Current price £6.98 or 26p per unit of alcohol.</p> <p>The duty plus minimum amount of VAT payable on this product comes to £6.84, meaning that this product retails 14p above the cost of duty/VAT payable.</p>
	<p>700mls, 37.5% abv</p>
<p>Impact of minimum pricing</p> <p>If a minimum price is set at 40p per unit of alcohol, then the price of this product increases to at least £10.50.</p>	
<p>Impact of a ban on sale below duty/VAT</p> <p>Under a ban on the sale of alcohol below duty/VAT, the price of this product would not increase.</p>	

Bottle of cider



Current price £3.07 or **20p** per unit of alcohol.

The duty plus minimum VAT payable on this product comes to 74p.

2 litres, 7.5% abv

Impact of minimum pricing

If a minimum price is set at **40p** per unit of alcohol, then the price of this product increases to at least **£6**.

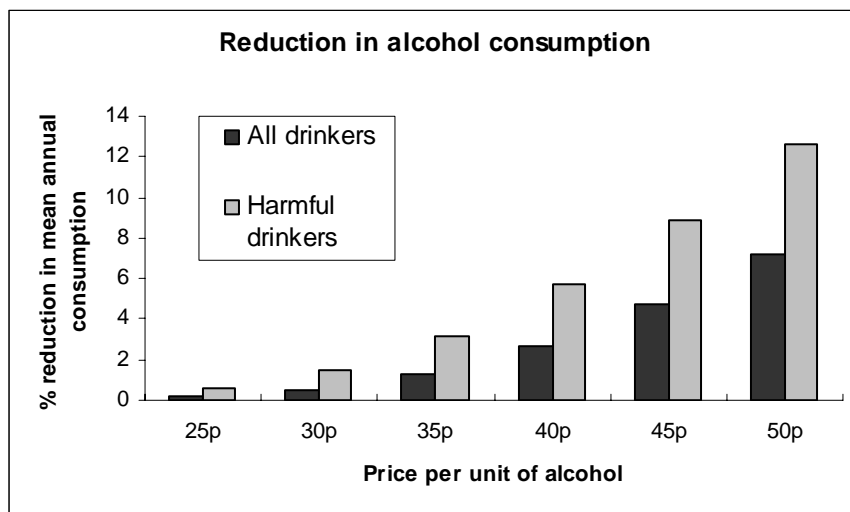
Impact of ban on sale below duty/VAT

Under a ban on the sale of alcohol below duty + VAT, the price of this product **would not increase**.

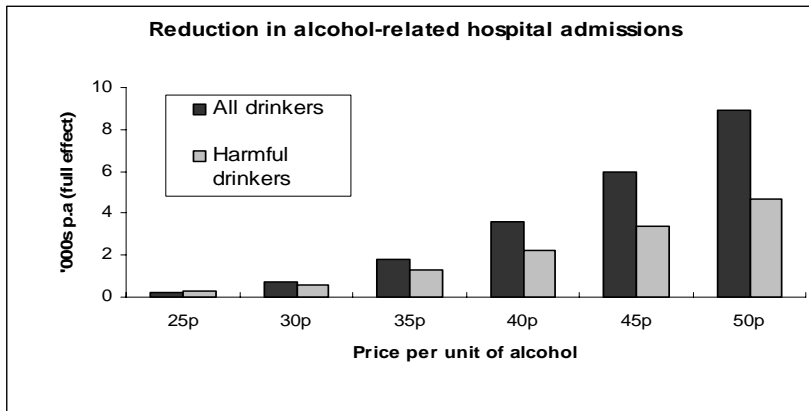
2. Impact of the two options on levels of alcohol-related harm

Numerous econometric studies reveal that as the price of alcohol goes up, consumption of alcohol goes down.⁶ Using Scottish alcohol consumption and expenditure data, a study by Sheffield University has estimated the effect of a range of minimum prices on levels of health and social harm in Scotland.⁷ The graphs below demonstrate the predicted impact of minimum pricing on alcohol consumption, alcohol-related hospital admissions and alcohol-related mortality.

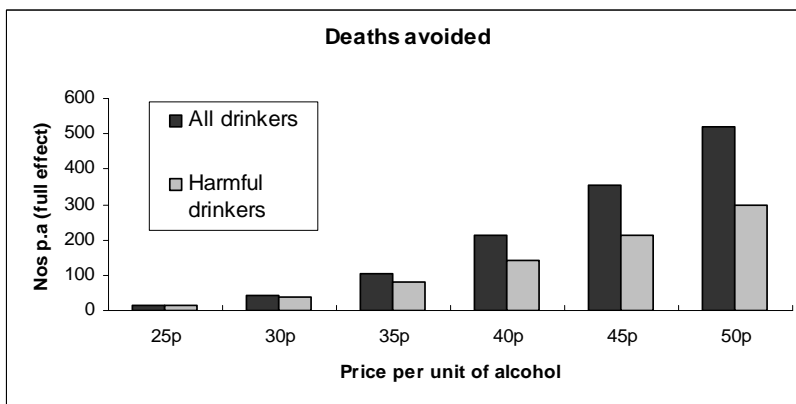
Impact on alcohol consumption



Impact on alcohol-related hospital admissions



Impact on alcohol-related mortality



Points to note from the graphs

- A price per unit of alcohol of 25p can be seen to have a fairly negligible impact on alcohol consumption and health harm. This is around the price per unit that alcohol products will be permitted to sell for under a ban on the sale of alcohol below duty+VAT.
- Minimum pricing can be seen to have the biggest predicted impact on the consumption of harmful drinkers. We know that harmful drinkers tend to choose cheaper alcohol, so if the price of the cheapest alcohol goes up then the consumption of harmful drinkers will fall as they can afford to buy less alcohol. Although anecdotally it is sometimes claimed that harmful drinkers will maintain their level of consumption following a price increase by spending less on other goods such as food, the evidence we have indicates otherwise.⁸
- Although the estimated reduction in consumption is greatest for harmful drinkers, it can be seen that all drinkers benefit in terms of reduced mortality and hospital admissions. All drinkers are at risk of experiencing health harm due to alcohol use. Heavy drinkers are more at risk of chronic illness from sustained drinking over a period of time, however moderate and hazardous drinkers also experience harm associated with the acute effects of intoxication that can and does result in fatal accidents and injury.⁹

3. Conclusions

- A ban on the sale of alcohol below the cost of duty + VAT will not prevent the sale of cheap alcohol as the above examples demonstrate. A price per unit of alcohol of around 20-26p can also be seen to have little estimated impact on alcohol consumption or levels of health harm in Scotland.
- Both minimum pricing and a ban on the sale of alcohol below duty + VAT would be easy to enforce in so far as adjudging whether a product is being sold below a minimum price or below the cost of duty + VAT is a straightforward calculation that can be done on the spot. (Unlike determining whether a product is being sold below-cost which cannot be done just by considering the selling price and requires complex investigative work). However, only one of the options above has a clear, demonstrable health benefit.
- Alcohol-related harm in Scotland has increased exponentially during the past few decades. In the ten years between 1992 and 2002, alcohol-related mortality went up by more than 100%.¹⁰ Decisive action to limit the high toll of alcohol damage requires a commitment and resolve to choosing the most effective interventions to reduce harm based on the best available evidence.

www.shaap.org.uk – For more information on minimum pricing

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Endnotes & References

¹ Data supplied to the Scottish Government by The Nielsen Company. See <http://www.scotland.gov.uk/Topics/Health/health/Alcohol/resources>

² Detailed data on price distributions and promotions in the on- and off-trade are not readily available to researchers. However, individual observation of the prices of alcoholic drinks on sale at most major supermarkets reveals products sold well below the average price per unit of alcohol of 40p. The examples used in this paper were found on www.mysupermarket.com in September 2009.

³ See Booth et al (2008), *The independent review of the effects of alcohol pricing and promotion: Summary of evidence*, University of Sheffield, for latest review of evidence.

⁴ *ibid*

⁵ *Changing Scotland's Relationship with Alcohol: A framework for action*, Scottish Government, March 2009.

⁶ See Booth et al (2008), *The independent review of the effects of alcohol pricing and promotion: Summary of evidence*, University of Sheffield, for latest review of evidence.

⁷ *Model-based appraisal of alcohol minimum pricing and off-licensed trade discount bans in Scotland*, ScHARR, University of Sheffield, September 2009.

⁸ Studies that have looked at the effects of alcohol price and tax changes on alcohol-related problems have found evidence that changes in price/tax do influence rates of harmful drinking. It has been observed that when the price of alcohol goes up, population consumption falls and when population consumption falls, so do rates of chronic alcohol-related disease such as alcoholic liver cirrhosis. See Babor et al, (2003) *Alcohol: No Ordinary Commodity*. What this evidence indicates is that changes in population consumption reflect changes in the drinking habits of harmful drinkers, not just moderate drinkers. If price changes only influenced the consumption of moderate drinkers then we wouldn't expect to see trend changes in rates of chronic alcohol-related diseases following alcohol price increases or decreases.

⁹ See *Alcohol-attributable mortality and morbidity for Scotland: alcohol population attributable fractions for Scotland*, ISD Scotland, June 2009.

¹⁰ Alcohol-related deaths in Scotland, 1979 to 2008. General Register Office for Scotland.