



Policy Briefing - Minimum Pricing for Alcohol: *Frequently Asked Questions*

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.

Why do we need a minimum price for alcohol?

According to the Dept of Health 25% of the UK population drink at hazardous or harmful levels, but these drinkers consume three quarters of all the alcohol sold¹. The alcohol industry is reliant on hazardous and harmful drinkers for their profits, and it is the really heavy drinkers who drink the cheapest alcohol².

The real price of alcohol has declined steadily over the past fifty years. Overall between 1980 and 2007 alcohol became 69% more affordable³. 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, 054⁴ in 1980 to 162,300 in 2008⁵. 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 11pence per unit in some outlets which is lower than bottled water.

¹ Department of Health. Safe, Sensible, Social – consultation on further action. 2008.

² Meier P, et al. The independent review of the effects of alcohol pricing and promotion. Summary of evidence to accompany report on phase 1: Systematic Reviews. School of Health and Related Research, University of Sheffield, UK June 2008; 2008

³ Ibid

⁴ Institute of Alcohol Studies factsheet - Alcohol: Price, legal availability and expenditure

⁵ DCMS Statistical Bulletin Alcohol, Entertainment and Late Night Refreshment Licensing England and Wales, April 2007 – March 2008

What are the links between affordability and consumption?

Per capita alcohol consumption reflects the affordability of alcohol. Alcoholic drinks in the UK have become much more affordable in recent years. In Britain, alcohol consumption rose by 121% between 1950 and 2000⁶ and from 9.5 to 11.5 litres of pure alcohol per adult between 1987 and 2007⁷ 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 week⁸.

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.
- It is estimated that the cost of alcohol related harm to the NHS in England is £2.7 billion in 2006/07 prices⁹
- The government estimates that 17million 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 billion¹¹

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

⁶ Alcohol Harm Reduction Strategy for England. Cabinet Office Strategy Unit 2004

⁷ HM Revenue and Customs (2008) Alcohol Factsheet
<http://www.uktradeinfo.com/index.cfm?task=factalcohol>

⁸Statistics on alcohol 2009, NHS Information Centre

⁹ Ibid

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

research from 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 £793 in year one and £7.4 billion over ten years ¹³

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. In contrast the effect on the really heavy drinkers is dramatic, in patients with alcoholic cirrhosis, the median alcohol intake is around 120 units / week and the upper quartile 210 units / week¹⁴ In this group an increase from 11p to 50p per unit would increase the weekly alcohol bill from £23 to £105.

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

Moderate drinkers on the whole do not consume the cheapest types of 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.

¹³ Meier P, et al. The independent review of the effects of alcohol pricing and promotion. Summary of evidence to accompany report on phase I: Systematic Reviews. School of Health and Related Research, University of Sheffield, UK June 2008; 2008.

¹⁴ Verrill C, Markham H, Templeton A, Carr N, Sheron N. Alcohol related cirrhosis - early abstinence is a key factor in prognosis, even in the most severe cases. Addiction 2009; in press.

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 women¹⁵. However the problem with modest increases in taxation as a policy lever is that they may not be passed on to customers by the large retailers including supermarkets – suppliers are 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 met¹⁶. 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 selling¹⁷. Canada has a well established minimum pricing scheme. Social reference pricing currently operates in 8 out 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.

¹⁵ (BMJ 2008; 337:a1504).

¹⁶ 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.

¹⁷ Rand Europe, 2009, 'The affordability of alcoholic beverages in the European Union'.

