



Evidence to the Health and Sport Committee on the Alcohol (Minimum Pricing) (Scotland) Bill

December 2011

About Consumer Focus Scotland

Consumer Focus Scotland started work on 1 October 2008. Consumer Focus Scotland was formed through the merger of three organisations – the Scottish Consumer Council, energywatch Scotland, and Postwatch Scotland.

Consumer Focus Scotland works to secure a fair deal for consumers in both private markets and public services, by promoting fairer markets, greater value for money, and improved customer service. While producers of goods and services are usually well-organised and articulate when protecting their own interests, individual consumers very often are not. The people whose interests we represent are consumers of all kinds: they may be patients, tenants, parents, solicitors' clients, public transport users, or shoppers in a supermarket.

We have a commitment to work on behalf of vulnerable consumers, particularly in the energy and post sectors, and a duty to work on issues of sustainable development.

Summary of Consumer Focus Scotland's position

Consumer Focus Scotland welcomes the opportunity to submit written evidence to the Health and Sport committee on the Alcohol (Minimum Pricing) (Scotland) Bill. We have a particular interest in the likely impact of the Bill proposals on consumers in Scotland. The main focus of this evidence relates to the advantages and disadvantages of establishing a minimum alcohol sales price. We do not have a set view on the level at which the minimum price should be set.

We take the view that it is only justifiable to interfere in otherwise functional markets when there is clear evidence of the benefit of doing so in terms of the public good. At the same time, there must be no significant consumer disbenefits.

There is clear evidence of the social costs of excessive drinking in Scotland, and strong evidence that consumption is affected by price. There is some evidence that introducing a minimum unit price would have an impact on under-age drinkers and on younger binge drinkers, who are more likely to drink cheap alcohol.

While we have some concerns that a minimum unit price for alcohol may impact disproportionately on lower income consumers, we nonetheless think it is worth introducing a minimum unit price in an attempt to tackle the drinking behaviour of very young drinkers, and harmful drinkers.

It is however essential that this is recognised as being only one part of a wider coordinated programme of education, social marketing, and other mechanisms to discourage irresponsible and reckless drinking. Consumer Focus Scotland takes the view that behaviour change in this area will take a long time, and a variety of approaches will be needed if Scotland is to tackle the social costs of alcohol and change behaviour.

If a minimum unit price is introduced, the Scottish Government should make a commitment to reviewing how the policy impacts on moderate drinkers living on a low income, and monitoring the impact of the policy on overall levels of alcohol consumption and associated harm. It should also make a commitment to anticipating and reviewing supply side responses and any market restructuring that might result from the introduction of a minimum price, as these could lead to the policy having a significant impact on all consumers.

The following sections outline our position in more detail.

When is intervention in a functioning market justifiable?

Our position is that there should be a presumption against such interventions unless there is clear evidence that they would result in a positive impact on a public good – whether that is defined in terms of public health, law and order or cost savings in public services - and no significant consumer disbenefits.

Those in favour of minimum prices argue that there is considerable evidence of 'externalities' in this market. The cost of alcohol-related harm in Scotland has

been estimated at £2.25 billion a year¹, impacting on employment, criminal justice and health, as well as inflicting personal harm both directly and indirectly on members of society. Evidence published in 2009 shows that, on a global basis, one in 25 deaths are alcohol related². This includes deaths from mouth and throat cancer, breast cancer, violence, road accidents, alcoholic poisoning, stroke and suicide. In addition, it is argued that consumers may not be fully rational in their alcohol consumption decisions, for example not taking into account the risk of addiction. Consumer Focus Scotland believes that this evidence of the social impact of alcohol justifies an intervention in relation to price.

Will a minimum unit price for alcohol have the desired effect?

There is evidence in relation to both tobacco and alcohol that there is a clear relationship between price and demand. Despite the addictive nature of alcohol, there is evidence from the USA that price and level of taxation of alcohol are directly linked to the level of consumption³. The effects of price rises are significant compared with other policies and prevention programmes. In Europe there is similar research showing that the most effective measures in reducing alcohol consumption are price, availability, drink driving measures and other short term interventions. Education and mass media campaigns have proved less effective.⁴

The bill does not provide for across the board price increases, and the introduction of a minimum unit price for alcohol must be recognised as only a partial measure, which is likely to impact on some people considerably more than on others, and may have only a limited impact on the overall trend towards the increasing consumption of alcohol.

A study carried out for the Department of Health in England (known as the Sheffield study)⁵ reviewed the evidence on the relationship between different policy interventions, including price, and alcohol consumption, with particular reference to their impact on the groups considered most at risk: underage drinkers; young adult binge drinkers (18-25); harmful drinkers (those drinking more than 35 (women) or 50 (men) units a week); and those on low incomes. This study was followed by a similar study in Scotland.⁶

The studies reached several conclusions, including the following:

¹ Scottish Government, Cost of alcohol use and misuse in Scotland, 2008

<http://www.scotland.gov.uk/Publications/2008/05/06091510/0>

² J Rehm et al, "Global burden of disease and injury and economic cost attributable to alcohol use and alcohol-use disorders", *Lancet*, vol 373; 9682 p 2223-2233

³ Wagenaar et al, Effects of beverage alcohol price and tax levels on drinking: a meta-analysis, *Addiction* vol 104, 2009

⁴ Babor et al, *Alcohol: no ordinary commodity*, 2003 OUP; Anderson and Baumberg, *Alcohol in Europe: a public health perspective*, 2006

⁵ http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/documents/digitalasset/dh_091383.pdf

⁶ Model-Based Appraisal of Alcohol Minimum Pricing and Off-Licensed Trade Discount Bans in Scotland using the Sheffield Alcohol Policy Model (v2): An Update Based on Newly Available Data <http://www.scotland.gov.uk/Publications/2010/04/20091852/0>

- There is strong and consistent evidence to suggest that price increases and taxation have a significant effect in reducing demand for alcohol.
- There is strong evidence to suggest that young drinkers, binge drinkers and harmful drinkers tend to choose cheaper drinks.
- There is low quality evidence that minimum pricing might be effective in reducing consumption of cheap drinks. There is also evidence that such a policy may be acceptable to many members of the community.

The researchers estimated that the value of harm reduction in Scotland would be £950k if a minimum unit price of 40p was set.

Behaviour and culture cannot be changed overnight

While there is evidence of a direct relationship between price and consumption, there are other factors which need to be borne in mind. It is generally accepted that alcohol is an integral part of Scottish culture. Lessons from other fields show that effecting behaviour change requires a wide range of approaches, including awareness raising, education, legislation and continuing support for behaviour change. Researchers from the Institute of Social Marketing at the University of Stirling have argued that achieving changes in social and personal attitudes to alcohol will involve looking beyond traditional public health responses to approaches in other fields which have been successfully used to influence attitudes, behaviour and policies.⁷

Research by the Joseph Rowntree Foundation⁸ has shown that patterns of drinking behaviour are complex. Binge drinking levels changed little between 1998 and 2006 in Great Britain, but this masked an increase of 7 per cent in women – especially those over 25 – and a fall amongst men aged 16-24. The proportion of women who binge drink almost doubled between 1998 and 2006 and is now at 15%. Researchers also found that whilst fewer children are drinking, those that do drink are drinking much more than they did in the past. Other recent evidence⁹ shows that among 11-15 year olds who drink, consumption has gone up from 5.3 units a week in 1990 to 12.7 in 2007 and 14.6 last year.

What is the impact of minimum prices on consumers, and disadvantaged or low income consumers in particular?

We are unaware of any peer reviewed studies carried out to date on the effect of minimum prices on disadvantaged or low income consumers. However, recent independent analysis of alcohol consumption in Britain by the Institute for Fiscal Studies¹⁰ concluded that the introduction of a minimum price of 45p per unit would have a disproportionately large impact on low-income alcohol consumers (as well

⁷ M Stead et al, *Changing attitudes, knowledge and behaviour: a review of successful initiatives*, Joseph Rowntree Foundation, 2009

⁸ L Smith and D Foxcroft, *Drinking in the UK: and exploration of trends*, Joseph Rowntree Foundation, 2009

⁹ Guardian, 25 July, 2009, page 28

¹⁰ Institute for Fiscal Studies *Alcohol pricing and taxation policies*. 2011. www.ifs.org.uk/bns/bn124.pdf

as those purchasing large amounts of alcohol), as they tend to buy lower-priced alcohol.

However, the evidence from this report suggests that the impact of a potential minimum price would vary among different groups of people. For example, although the research found that on average, cheaper products accounted for a much larger share of total units for poor households, the very poorest drinker households were in fact slightly less likely to buy below 45p per unit drinks. It also found that in cash terms, those who would experience the greatest average loss would be those with incomes between £20,000 and £30,000, who would lose £1.26 per week or 2.4% of their total food expenditure.¹¹

In general, however, any minimum price policy is likely to have a more direct impact on low income consumers, as many lower value products could significantly rise in price. The price rises caused by a minimum unit price will vary between types of alcohol. If the unit price was set at 50p, a bottle of wine would cost at least £4.50 and a bottle of vodka or whisky would cost around £13. It is currently possible to buy a bottle of wine for under £3, and a bottle of vodka for £6. A 3 litre bottle of cider at approximately 5.5% alcohol, currently available at less than £4, would more than double in price to at least £8.50. It is currently possible to buy four cans of own brand lager for less than £1. These would cost around £4 with a minimum unit price of 50p. The University of Sheffield research suggests that if the unit price was 50p, moderate drinkers would only pay, on average, an extra £12 a year whereas harmful drinkers, because they buy so many more units, would pay an extra £163 a year on average.

However, these average costs mask considerable variation. With a minimum unit price of 50p, someone buying two bottles of wine at £3.50 every week would see their annual bill rise by around one-third from £354 to £468, whereas someone buying five bottles of wine a week at £6 would see no increase in their bill. A moderate drinker on a low income buying 4 cans of own brand lager a week would see their costs go from approximately £52 to £208 a year, a fourfold increase. Anyone drinking primarily in a pub or restaurant would see no difference in their outgoings.

The impact of a minimum unit price on people living on a low income needs to be monitored. While the cost of alcohol is likely to rise for those on a low income, it is possible that there will also be benefits associated with this policy. For example, levels of alcohol related violence might be reduced, or supermarkets might use other goods as loss leaders if they can no longer use alcohol in this way.

Depending on the level at which any minimum alcohol price is set, minimum pricing may have only a small direct impact on moderate drinkers. However, it is possible that the response from retailers/suppliers, and the market restructuring which may result, could have a broader impact. If the introduction of a minimum unit price causes the whole alcohol market to shift upwards in price, enabling retailers to preserve current pricing structures, then all consumers of alcohol will suffer a disbenefit. Subsequent efforts may need to be made to ensure that all

¹¹ Institute for Fiscal Studies *Alcohol pricing and taxation policies*. 2011. www.ifs.org.uk/bns/bn124.pdf

consumers understand the broader benefits of minimum pricing. As we are not aware that any research has been carried out into potential supply side responses, we believe it is important that such research is carried out before and after the introduction of a minimum unit price. The Scottish Government should keep this under review as part of its monitoring of the impact of its minimum pricing policy.

The need for UK wide action

It is likely that a minimum unit price will be more effective if there is a consistent policy throughout the UK. The announcement in the March 2011 UK budget of a ban on below cost (duty + VAT) sales of alcohol in England and Wales constitutes a *de facto* minimum price, albeit one which varies with the levels of duty applicable to different types of alcohol. Although in practice this 'minimum price' is significantly lower than any option likely to be applied in Scotland,¹² it does indicate a small step in a similar direction at a UK level.

Price: at what level should a minimum price be set?

It must be borne in mind that a minimum unit price for alcohol is unlikely to have any effect on the level of drinking in on-sales premises like pubs and clubs, where prices are already higher than any likely minimum price. It is also unlikely to have any effect on certain products which already cost more than 70p per unit, such as Buckfast tonic wine, which is associated with harmful drinking and violence in the west of Scotland. We do not have a set view on the level at which a minimum price should be set, but consider it important that it is set at a level which is related to the cost of products which are associated with harmful drinking and which are purchased by under-age drinkers.

¹² It is estimated that the minimum price will be around 21p per unit of beer and 28p per unit of spirits. <http://www.bbc.co.uk/news/uk-politics-15634956>

Consumer Focus Scotland
Royal Exchange House
100 Queen Street
Glasgow G1 3DN

Telephone 0141 226 5261
Facsimile 0141 221 9695

www.consumerfocus-scotland.org.uk

We can often make our publications available in Braille or large print, on audio tape or computer disk. Please contact us for details.