

Briefing to NGO and Public Health Networks in the EU

United Kingdom EC Notification: Minimum Unit Pricing in Scotland

Purpose of Briefing

This briefing has been prepared by Alcohol Focus Scotland, Scotland's national alcohol charity working to reduce the harm caused by alcohol. The purpose of the briefing is to provide NGO and public health networks in the EU with information regarding the Scottish Government's proposal to introduce Minimum Unit Pricing (MUP). The briefing is in two sections. The first section provides contextual and background information on the development of MUP in Scotland and the second section addresses the issues that the global alcoholic beverage industry has raised with both Member States and EU officials in their lobbying activity which aims to generate opposition to the Scottish legislation in Europe. Alcohol Focus Scotland hopes that the information contained in this briefing will help to counter some of the misinformation contained in the industry briefings which have been widely circulated in Europe. NGOs and public health bodies who wish to support the efforts by the Scottish Government to introduce MUP are encouraged to write to the EU and to their own Ministers in support of Scotland's action before the 26th September.

1.

Implementing Controls on Alcohol Pricing in the Public Health Interest

1.1 Background

The Scottish Parliament approved the Alcohol (Minimum Pricing) (Scotland) Bill on Thursday 24th May 2012 and the United Kingdom notified the European Commission that Scotland intends to introduce minimum unit pricing in accordance with EU legislation (Directive 98/34/EC, as amended by Directive 98/48/EC). Member states are obliged to notify the Commission on draft national technical regulations relating to all products. The UK has submitted its proposal to Technical Regulations Information System. Concerned stakeholders and Member States have until 26th September to share their concerns or grievances about the proposed minimum pricing initiative. It is understood that to date, around 20 global alcohol producers have submitted their concerns in writing to EU officials and Member States.

1.2 Alcohol harm in Europe

The protection of human health is guaranteed in domestic, international and EU legal systems. The policy of minimum unit pricing falls within the category of those measures which require commercial interests to give way to public health considerations. Implementing effective alcohol policies in Europe is very important given the substantial burden of harm caused by alcohol. Alcohol is the world's number one risk factor for ill health and premature death among the 25-59 year old age group and Europe is the heaviest drinking region in the world.¹ Alcohol has been causally implicated in more than 60 diseases² and is one of the four risk factors for developing NCDs such as cancer and cardiovascular disease.³ Alcohol consumption levels in some countries in Europe are around 2.5 times higher than the global average.⁴ In Scotland, alcohol-related mortality has more than doubled since the 1980s⁵ and people living in Scotland's most deprived communities carry a disproportionate share of the burden of alcohol harm as they are 7.5 times more likely to be hospitalised for an alcohol-related condition.⁶ Scotland has gone from having one of the lowest liver disease mortality rates in Europe in the 1950's to having one of the highest today.⁷

1.3 Evidence linking alcohol price, consumption and harm

There is extensive and robust evidence confirming that there is a consistent relationship between price and consumption. When the cost of alcohol goes down, people drink more and when the cost goes up, people drink less. Consequently, controls on price and availability have been identified by the World Health Organisation as some of the most effective measures that governments can implement to reduce the harm caused by alcohol.

“Of all alcohol policy measures, the evidence is strongest for the impact of alcohol prices as an incentive to reduce heavy drinking occasions and regular harmful drinking. The gains are greatest for younger and heavier drinkers and for the well-being of people exposed to the heavy drinking of others”⁸

1.4 Minimum unit pricing as a lever to reduce consumption and harm

To date, the policy mechanism that has been used to increase the price of alcohol is taxation. More recently, minimum unit pricing (MUP) has emerged as a measure that would be complementary to duty increases and also more effective in targeting the cheapest alcohol products, which are often drunk by the most vulnerable groups in society. MUP has also come to the fore because in recent years, duty increases have not always been passed on to consumers. The ten largest supermarkets admitted to the UK Competition Commission that alcohol is used as a 'loss leader' to drive footfall.⁹ As MUP is a relatively new policy measure, the estimates of the potential health gains come primarily from econometric modelling studies. Modelling is a recognised tool that is used regularly by governments to estimate the effects of new policies. For example, modelling was used to estimate the effects of a minimum wage prior to the adoption of the policy. In a peer reviewed and highly regarded modelling study undertaken by academics at the University of Sheffield for the Scottish Government, a minimum price of 50p (the MUP that is being proposed by the Scottish Government) was estimated to save 60 lives in the first year rising to 300 lives after 10 years.¹⁰

In addition to the evidence derived from Sheffield University's modeling study, new empirical evidence from Canada shows that MUP has reduced alcohol consumption by between 3% - 5%.¹¹ A combination of the significant evidence base linking alcohol price, consumption and harm; the growing interest in implementing a pricing measure that specifically targets the cheapest products; and concerns that retailers don't always pass on duty increases, has resulted in governments in a number of jurisdictions actively exploring MUP. In addition to the UK government, other governments considering MUP include the Republic of Ireland, Australia and New Zealand.

“...evidence from Canada shows that MUP has reduced alcohol consumption by between 3% - 5%.”

1.5 EU law and minimum unit pricing of alcohol

There is a strong evidence base for the public health purpose and benefits of MUP. Domestic, international and EU law do not prohibit the enactment of measures which promote public health. The EU legal order attaches high importance to the protection of public health. Public health is protected in a number of ways including application of exemption in Treaty Articles (including Article 36 TFEU), the Charter of Fundamental Rights and Freedoms (particularly Article 35), and fundamental principles such as the protective principle. Minimum Unit Pricing of Alcohol is an example of a measure where the protection of human health takes precedence under EU law over economic interests.

2.

Global Alcohol Industry Activity to Generate Opposition to MUP

The trend in recent years towards increasing globalisation and de-regulation has created significant opportunities for the alcohol industry. Today, a relatively small number of beer and distilled spirits companies dominate global trade in alcohol. This has created an unprecedented concentration of resources at global and national levels for influencing alcohol policy. Strategies used by alcohol producers to influence alcohol policy include producing scholarly publications with incomplete, distorted views of the science underlying alcohol policies and pressuring government to introduce alcohol policies which favour their business interests.¹²

The global alcoholic beverage industry consistently opposes efforts at national and international levels to introduce policies which the evidence suggests will be most effective in reducing consumption and harm, specifically controls on price and availability.¹³ To this end, global alcohol producers are currently engaged in an intensive lobbying campaign to generate opposition in the EU to the Scottish Government's plans to introduce MUP. The arguments used to prevent the implementation of MUP include the following:-

2.1 MUP will discriminate against imported alcoholic drinks

MUP will not discriminate against imported brands as it will affect both domestic and foreign products equally. The cheapest products currently available in the UK market are mostly UK manufactured. Strong white cider is the drink which will be most affected by MUP and we are unaware of any major white cider brands made outside the UK. Of those global companies who do produce ciders (i.e. Heineken), these companies are likely to be minimally affected due to the diversity of their products. The spirits which will be affected are predominantly supermarkets' own brands. From the market information that the Scottish Government has been able to gather, it appears that the impact of MUP will fall predominantly on domestically produced products.

“Harmful drinkers are estimated to reduce their consumption by 10.5%”

2.2 Minimal impact on alcohol consumption by hazardous and harmful drinkers

Evidence showing that heavy drinkers are less responsive to price is from studies of across the board price rises where heavy drinkers can and do substitute with cheaper drinks. MUP is a different mechanism and produces different results. The modeling undertaken by the University of Sheffield showed that hazardous and harmful drinkers would be impacted more than those who drink modestly. Harmful drinkers are estimated to reduce their consumption by 10.5%. This means that if someone is drinking more than 50 units a week then the absolute reduction will be such that it makes a substantial reduction to their risk of health harms.

2.3 MUP will increase the price of almost 75% of off-trade alcohol

In 2010, analysis of sales data showed that 73% of alcohol in the off trade in Scotland was sold at under 50p per unit but the 2011 data shows that this proportion has dropped to 66%.¹⁴ It is likely that this percentage will continue to fall due to the impact of duty increases and inflation. However, a number of products will be marginally affected by MUP. For example, the price of a nine unit bottle of wine currently retailing at £4.25 will increase by 25p whereas a two litre bottle of white cider currently retailing at £3.75 will double in price. Figure 1 provides a summary of the price changes of a selection of products.

2.4 MUP is not needed as alcohol consumption and harm is falling

Alcohol harm in Scotland began to fall slightly from 2006. However, the number of people who died as a result of their alcohol use increased again in 2010 only to fall again slightly in 2011. But despite the recent reductions, alcohol-related harm in Scotland continues to be at historically high levels with alcohol-related deaths more than doubling since the 1980s and alcohol-related hospital discharges more than quadrupling since the early 1980s.¹⁵

Source:
**The Four Steps
 to Alcohol
 Misuse: AFS,
 SHAAP,
 Balance, Our
 Life (2011)**

Figure 1

Selected alcohol products from major supermarkets	Current price (as of 12/10/2011)	Min Price 50p
White cider 2L, 7.5% 15 units	£2.99 or 19p/unit	£7.50
Branded cider 2L, 5.3% 10.6 units	£3.23 or 30p/unit	£5.30
Supermarket-branded lager, 4%, 4 x 440ml 7 units	£2.71 or 39p/unit	£3.50
Branded vodka 1L, 37.5% 37.5 units	£12.00 or 32p/unit <i>(on offer, normal price £16.07)</i>	£18.75
Value vodka 70cl, 37.5% 26 units	£8.72 or 33p/unit	£13.00
Cheapest wine available, 12.5% 9.3 units	£2.99 or 32p/unit	£4.65

2.5 The costs of MUP to consumers exceed the value of benefits

The costs of alcohol harm are borne by all consumers regardless of whether they drink moderately, excessively, or not at all. The direct costs equate to around £900 per person per year in Scotland.¹⁶ Alcohol also imposes costs to people other than the drinker for example, children growing up with parents who drink harmfully. Evidence indicates that when these costs are added to the direct costs, the cost of alcohol harm doubles.¹⁷

2.6 There are other more effective ways of reducing consumption are less trade restrictive

WHO advises on the basis of three decades of scientific evidence, that reducing the affordability and restricting the availability of alcohol are among the most effective methods of reducing consumption and harm. Taxation can also be used to increase price but taxation alone will not raise the price of the cheapest products to the level required to impact on consumption and consequently harm. Taxation affects all drinks in all settings whereas MUP specifically targets the cheapest products drunk by the heaviest drinkers.

2.7 MUP will provide windfall profits for retailers

The increase will be in revenue and it cannot be assumed that this will translate into a “windfall profit” for retailers. There are also sections of the alcohol industry who are in favour of MUP. For example, the Scottish Licensed Trade Association (SLTA) who represent independent publicans and small hoteliers are in favour of the policy and regard MUP as a mechanism which will level the playing field in terms of equity

of pricing between on and off sales. If there are concerns about this aspect of the policy then the simple solution is to impose a tax on those who profit most from the sale of alcohol and use the income raised to prevent alcohol misuse and deal with the harm that alcohol causes. This is the solution that the Scottish Government has identified by introducing a public health levy which imposes a levy on large retailers selling tobacco and alcohol.

2.8 Conclusion

Society acknowledges that alcohol is not a product like other consumer products and governments already intervene in the market to control the supply of alcohol to reduce the risk of harm to individuals and to society from its use. Licensing regulates who can sell alcohol; where it can be sold; the conditions of sale; the hours and days of sale and the total number of premises permitted to sell alcohol. Minimum pricing is an extension of these regulations and like taxation, is a price based mechanism designed to affect sales, but unlike tax, it will disproportionately affect those who drink to excess; and retailers will not have the ability to choose to absorb the increase in cost.

The key issue in this debate is that the free market in alcoholic products has resulted in unacceptably high levels of alcohol related harms and that intervention is required to reduce consumption in order to reduce the burden of harm. The European Alcohol Action Plan which was endorsed by WHO European Region in September 2011, states clearly that public policies to prevent and reduce alcohol-related harm should be guided and formulated by public health interests and based on clear public health goals and the best available evidence.¹⁸ The Scottish Government's policy to introduce MUP comes into this category and commercial vested interests should not take precedence over the public health interest.

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