

# Using Alcohol Taxation to Drive Down Harms

An Alcohol Concern Submission

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Alcohol Concern  
Making Sense of Alcohol

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## 1. Introduction

There is a wealth of international evidence to suggest that even moderate rises in alcohol taxes will reduce alcohol-related deaths and morbidity and improve the wellbeing of as many as eight million people. We contend that concerns about smuggling are overstated and that current government targets contained in PSA 25 aimed at reducing the demand for alcohol largely through information are unlikely to be met *without* accompanying robust supply side policies.

Specifically, this submission puts the case for raising duty rates that lift alcohol prices by 10% across the board. Recognising that supermarkets can use their purchasing power to force drinks manufacturers to absorb any rises in duty in order to avoid passing it onto the consumer, it suggests a dual approach -combining tax rises with legislation prohibiting traders to sell alcohol below a certain price.

## 2. The scale and cost of misuse

*Sensible drinking*, the government report reviewing the scientific and medical evidence on the health effects of drinking alcohol concludes that it is inadvisable for men to consistently drink four or more units a day (three or more for women).<sup>i</sup> We're encouraged to note that the prevalence of drinking above the daily recommendations has declined slightly through 2005 and 2006.<sup>ii</sup> It should be pointed out that the ONS admits that it is too early to tell whether this reflects a real change in drinking habits. However, assuming that the figures *are* accurate, this leaves 37% of adult males and 34% of females who regularly drink above the daily recommended limits.<sup>iii</sup> Put another way, this means that over eight million people are still regularly putting themselves at risk.<sup>iv</sup>

Three groups are identified by government as experiencing the most harm because of alcohol misuse. They are under aged drinkers, 18-24 year old 'binge' drinkers, and adults who risk their long term health by unknowingly drinking at harmful levels.<sup>v</sup> All three display signs of either rising consumption or alcohol-related harm levels. Children aged 11-15 who report drinking in the last week now consume more than twice as much alcohol as their predecessors did in 1990. During much of the same period (1996 and 2006), alcohol-related hospital admissions among the under sixteen grew by just over a third.<sup>vi</sup>

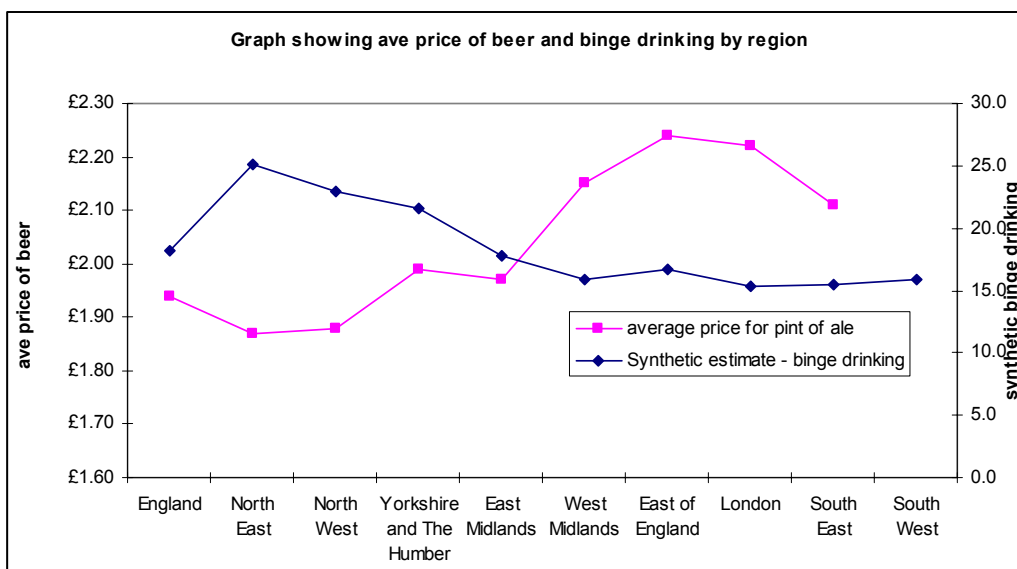
People aged 16-24 are more likely to binge drink than any other age group.<sup>vii</sup> They are also more likely to be admitted to hospital for reasons linked to acute intoxication compared to older people. Between 1995/6 and 2005/6, hospital admissions for such conditions rose by nearly 40%, from 25,565 to 35,574.<sup>viii</sup> Yet at the same time, chronic alcohol-related conditions like liver disease have also grown, with 39,177 admissions recorded in 2005/6. This represents a 187% increase over 10 years.<sup>ix</sup> The social and economic cost of all this is considerable. The Cabinet Office estimates the annual recordable costs of alcohol misuse to be in the region of £20 billion. This is borne largely by the Health Service (£1.4 to £1.7bn), the Social Care and Criminal Justice systems (up to £7.3bn) and a further £6.4bn in the wider economy through absenteeism and lost productivity.<sup>x</sup>

### 3. Raising prices through taxation and legislation in the UK

While UK excise duties are relatively high in a European context, they are declining in real terms. Duties on spirits have not increased since 1997, and while those on beer and wine have been adjusted for inflation, they have not kept up with the growth in disposable income. This means that alcohol is now 65% more affordable than it was in 1980.<sup>xi</sup> Alcohol Concern urges the government to restore the link between alcohol taxation and public health by using tax as a conspicuous and deliberate means of controlling levels of harmful consumption, and its related harms.

Our view that the price of alcohol is one of the principal influences on levels of alcohol consumption is shared by virtually the whole independent scientific and public health community (including the World Health Organisation).<sup>xii</sup> A range of studies have found that increasing the price of alcohol can reduce road accidents and fatalities, workplace injuries; deaths from cirrhosis of the liver and various kinds of violent crime.<sup>xiii</sup> One recent illustration of the link between tax, price and health is provided by Finland, where in 2004 the government there reduced alcohol excise duty by 33%. The result was a 17% increase in alcohol-related mortality.<sup>xiv</sup> Other studies from the United States point to a reduction in drink drive fatalities and cirrhosis of the liver.<sup>xv</sup>

Cheap alcohol is particularly relevant for consumption among the under aged, and heavy drinkers. A 2007 Alcohol Concern investigation found that with the average teenager's weekly pocket money a person could purchase as much as three times the daily recommended limit in premium alcohol brands alone.<sup>xvi</sup> The doubling of adolescent consumption is very likely to be related to alcohol's growing affordability. Higher alcohol taxes would help protect young people by curtailing their ability to source alcohol independently. Though binge drinking cuts across social groups, alcohol-related harms are borne disproportionately by those from routine/manual backgrounds. Driving down heavy consumption among younger people from poorer backgrounds may therefore help reduce health inequalities. This is particularly relevant for the UK, where there appears to be a strong correlation between cheap alcohol and binge levels (see below):



<http://www.whatprice.co.uk/beer-prices.html> and North West Public Health Observatory (August 2006)

And while some older heavy drinkers may be thought to be unresponsive to changes in the price of alcohol because of their dependence, there is ample evidence to suggest that for those for whom alcohol takes up a large proportion of their income, price increases through taxation would have an effect on consumption levels.<sup>xvii</sup> It has also been suggested that tax rises would exacerbate the problems stemming from smuggling and cheap legal imports from across the channel. However, a study specifically focused on this topic shows that the effects of smuggling and personal purchases are extremely limited and tend not to change demand sensitivity to price.<sup>xviii</sup> Raising alcohol taxes also has the added advantage, unlike tobacco taxes, of potentially being a progressive tax. Successive survey data shows that while alcohol-related harm is borne largely by those from routine or manual backgrounds those from professional or 'middle class' homes are far more likely to buy alcohol regularly, and to drink above the recommended levels.<sup>xix</sup>

Specifically, we are calling for taxes that would achieve a 10% rise across the board in the prices of alcoholic beverages. The 2003 Customs and Excise study by Huang found that a tax rise would be highly effective in controlling the consumption of beer, wine and spirits. On the basis of the 2003 review, a 10% across the board price rise will reduce alcohol-related mortality among males by 28.8% and 37.4% for women.<sup>xx</sup> It is likely that tax increases to achieve a 10% price rise are more likely to be passed onto consumers buying drinks in pubs, bars and nightclubs. Supermarkets and other major off-license chains are in a stronger position to negotiate for the manufacturer to absorb any duty rates increases, thus allowing them to continue selling alcohol at deep discounts.

To protect the integrity of alcohol taxes, we propose therefore that the government legislate to prevent both the on and off trade from selling below a fixed retail price. As noted by the Scottish Health Action on Alcohol Problems, 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. Any involvement by alcohol producers or sellers in the fixing of minimum drinks prices, however, whether it be by voluntary industry codes or local agreements between pubs, police and licensing authorities, breaches UK and EU competition law.

The critical factor when it comes to setting minimum drinks prices is that the alcohol industry should not be involved in the process in any way whatsoever. This position has been confirmed by the Office of Fair Trading (OFT) in written advice to local authorities in England. The OFT, which monitors compliance with UK competition law, confirmed that "...where minimum prices are imposed at the sole instigation of a public authority such as the police or a local authority ...there is unlikely to be an agreement between undertakings that can be the subject of a challenge under the Act (Competition Act 1998-as amended by the Enterprise Act 2002)).<sup>xxi</sup>

#### **4. Conclusion**

The government has committed itself to reducing the health harms associated with alcohol misuse. It would be disingenuous to claim that increased taxation represents the 'silver bullet' when it comes to alcohol-related harm. Indeed, research makes it clear that the drivers of consumption are complex, while alcohol-related harm is itself often contingent on a range of health and social inequalities.<sup>xxii</sup> However a genuinely effective public health approach requires both controls on the supply and the demand for alcohol.<sup>xxiii</sup>

## 5. About Alcohol Concern

Alcohol Concern is the national voluntary agency on alcohol misuse. We work to reduce the incidence and costs of alcohol-related harm and to increase the range and quality of services available to people with alcohol-related problems. We provide information and encourage debate on the wide range of public policy issues affected by alcohol; including public health, housing, children and families, crime and licensing. We support specialist and non-specialist service providers in tackling alcohol problems at a local level, whilst also working to influence national alcohol policy

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<sup>i</sup> Interdepartmental Working Group. *Sensible drinking*. London: Department of Health, 1995.

<sup>ii</sup> The Information Centre. *Statistics on Alcohol: England, 2007*. London: Office for National Statistics 1997

<sup>iii</sup> Goddard, E. *Drinking: adults' behaviour and knowledge in 2007*. Cardiff: Office for National Statistics, 2008

<sup>iv</sup> Government's Actuary Department. *Population Projections*. London: Office for National Statistics, 2007

<sup>v</sup> Department of Health. *Safe. Sensible. Social*. London: Department of Health, Home Office, Department for Culture, Media and Sport and the Department for Education and Skills, 2007

<sup>vi</sup> Note 2

<sup>vii</sup> See above

<sup>viii</sup> The Information Centre, *Hospital Episode Statistics*, London: Office for National Statistics, 2007.

<sup>ix</sup> Office for National Statistics. *DH2 Mortality Statistics-Cause. No. 31, 2005*. London: Office for National Statistics, 2006

<sup>x</sup> Strategy Unit. *Interim Analytical Report*. London: Cabinet Office, 2003

<sup>xi</sup> Office for National Statistics. *Focus on Consumer Price Indices*. London: Office for National Statistics, 2007

<sup>xii</sup> World Health Organisation. *European Charter on Alcohol*. Geneva: WHO, 1995

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