



RCPI Policy Group on Alcohol

Factsheet: Minimum Pricing

June 2013

Why is minimum pricing a good idea?

Alcohol consumption in Ireland remains at very high levels in comparison to other European countries and is a factor in a range of health, family and social harms. Recent data shows that alcohol consumption rates have reduced since reaching a peak in 2001, but at an estimated 11.68 litres of alcohol consumed per adult in 2012, we are still consuming well in excess of recommended low risk limits and the Healthy Ireland maximum of 9.2 litres.

Alcohol has become dramatically more affordable in recent years. Between 2002 and 2007 there was a 44% increase in the amount of lager that could be purchased with one week's disposable income. A woman can reach her low risk weekly drinking limit for just €6.30, while a man can reach this weekly limit for less than €10.

There is evidence to show that harmful drinkers and younger drinkers are more likely to drink cheap alcohol, and that risky alcohol consumption among young people is strongly related to disposable income. International scientific opinion strongly supports price alterations as a powerful instrument to reduce alcohol health harm.

Minimum unit pricing targets problems caused by cheap alcohol and mainly affects problem drinkers and adolescents/young adults. It has little or no impact on the vast majority of drinkers. It would affect the price paid by the consumer in retail outlets where very cheap alcohol is sold, for example in supermarkets. It would not affect the cost price paid by the retailer, and would not change the price of a drink in bars and restaurants.

In Saskatchewan province in Canada, where minimum pricing has been introduced, there was a corresponding reduction in alcohol consumption: a 10% increase in price was associated with an 8.4% decrease in total alcohol consumption. In British Columbia a 32% reduction in alcohol related deaths was seen only one year after minimum price increases came into effect.

Minimum pricing is supported by a wide range of bodies in Ireland and by members of the public. In a 2012 HRB survey, almost 58% of respondents were in favour of establishment of a floor price below which alcohol could not be sold.

How does minimum pricing work?

Minimum pricing means establishing a floor price below which alcohol cannot be sold and in practice applies almost exclusively to off-sales. The minimum unit price is based on the alcohol content of the drink, measured either in grams or units of alcohol.

Below are some practical examples of how minimum unit pricing can be calculated, and the impact it has the final price of an alcoholic product. Calculations are based on a minimum unit price of 60c which is roughly equivalent to the proposed minimum unit price in Scotland of 50p. Further analysis will be necessary to determine the appropriate minimum unit price in Ireland.

Example A: Cider- 2 litre bottle



Current price: €3.79
New price= €5.02

A 2 litre bottle of cider with alcohol content of 5.3% contains 0.106l of alcohol or 83.6g of alcohol¹. In Ireland, a unit of

alcohol is 10 grams. Thus, the bottle of cider contains 8.36 units of alcohol.

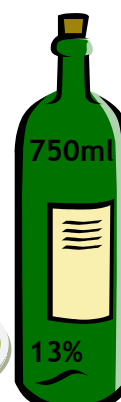
At the price of €3.79, the alcohol unit price of this cider is 45c (price/no. of units of alcohol). If the unit price were increased to 60c, the cider would now cost **€5.02**.

Example B: Bottle of wine- 750ml

In this case, a 750ml bottle of wine with an alcohol content of 13% contains 0.0975l of alcohol. This equates to 76.9g of alcohol or 7.69 units of alcohol.

At a price of €6.99, the alcohol unit price of this wine is 91c. Therefore there would be no price change with the introduction of a minimum unit price of 60c.

Current price: €6.99
No change in price



¹ Using formula Density= mass/vol ; in this case density is the density of ethanol 789g/L

Example C: Vodka-700ml bottle



Current price: €12.49

No change in price

A 700ml bottle of vodka with an alcohol content of 37.5% contains 0.263l of alcohol. This equates to 207g of alcohol or 20.7 units of alcohol.

At a price of €12.49 the alcohol unit price is 60c. Again there would be no price change since this corresponds to the minimum unit price.

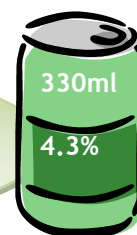
Example D: Beer-330ml can (part of multipack offer)

A 330ml can of beer with an alcohol content of 4.3% contains 0.014l of alcohol. This equates to approximately 11.2g of alcohol or 1.12 units of alcohol.

At a can price of 63c the alcohol unit price is 56c. If the unit price were increased to 60c, the can of beer would now cost **67c** and a multipack of 24 would cost €16.08 instead of €15.

Current price: €0.63

New price: €0.67



Summary table of minimum pricing

Below shows the minimum price at which various products would be sold, for a minimum unit price of 60c and 70c.

Type of alcohol	Minimum unit price of 60c	Minimum unit price of 70c
Cider- 2 litre bottle of 5.2% strength	€5.02	€5.85
Wine- 750 ml bottle of 13% strength	€4.62	€5.38
Vodka (or other Spirit)- 700ml bottle of 40%	€13.26	€15.46

strength		
Pint of Guinness (578ml), 4.2% strength	€1.13	€1.32
Can of Lager -500 ml of 5% strength	€1.18	€1.38
Multipack of lager- 24 330ml cans of 4.3% strength	€16.08	€18.72

It should be clear from the above examples that introduction of a minimum unit price would mean a change in price for only the cheapest alcoholic drinks. The price of a drink in a pub or restaurant, where alcohol is already sold at a price above the suggested minimum pricing level, would also remain unchanged.

Why minimum pricing instead of excise increases?

Even with taxation increases, retailers in the off-trade can still sell products as loss leaders at extremely cheap prices. Although excise duties in Ireland are relatively high, Alcohol Action Ireland estimates that a woman can reach her low risk weekly drinking limit for just €6.30, while a man can reach his weekly limit for less than €10.

Unlike excise duties, minimum unit pricing will affect outlets where the cheapest alcohol is sold, for example in supermarkets, but would have no impact on pubs. It also targets vulnerable drinkers, rather than moderate drinkers.

How will minimum pricing affect taxation revenues?

A thorough economic analysis is necessary to precisely predict the impact that minimum pricing would have on taxation collected in the State. Minimum pricing in itself does not generate any additional government income. However any discussion on revenue needs to also take into account the high cost of alcohol harm. The total cost of alcohol harm in 2007 was estimated at €3.7bn. This includes health system costs, crime costs related to alcohol, costs of road traffic accidents and loss of economic output due to absenteeism. Minimum pricing and

other alcohol harm reduction measures would bring savings to reduce this figure considerably.

In the case where an individual purchases less alcohol as a result of minimum pricing and other measures, it should be noted that they are likely to purchase other goods and services with their remaining disposable income. Therefore Government revenue in other areas may increase and balance out any income lost from alcohol sales.

How would minimum pricing be implemented?

In principle, retailers would be compelled by law to sell alcohol at or above the established minimum unit price. Compliance would have to be monitored, with fines for non-compliance.

Other resources

RCPI Statement on Reducing Alcohol Health harm:

http://www.rcpi.ie/content/docs/000001/782_5_media.pdf

Alcohol Action Ireland campaign on minimum pricing:

<http://alcoholireland.ie/campaigns/minimum-pricing/>

Sheffield University Research Group on Alcohol and Minimum Pricing:

<http://www.shef.ac.uk/scharr/sections/ph/research/alpol/research/sapm>

Preliminary assessment of economic impacts of alcohol pricing policy options in the UK (Rand Corporation):

http://www.rand.org/pubs/technical_reports/TR858-1.html

UK Impact assessment of minimum unit pricing

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/157764/ia-minimum-unit-pricing.pdf