Alcohol etc. (Scotland) Bill
The Royal Society of Edinburgh

Summary

- The scientific evidence suggests a strong relationship between comparatively low cost and easy accessibility on the one hand and alcohol consumption on the other. There is a strong argument for the action that is proposed to control price as a way of reducing consumption. If the Parliament decides to act, and we believe that it should, it must accept that there is some uncertainty about the extent of demand elasticity, and whether minimum prices can be set at an acceptable level that will significantly influence demand.

- If such bold legislation is to be introduced, it must be associated with a price level that is likely to have an impact. The Committee should encourage Scottish Ministers to further consider the modelling work with a view to initially setting the minimum price to at least 50p per unit. Once set, the minimum price and its effect on alcohol consumption should be subject to comprehensive evaluation.

- The legislation being considered is to dissuade and its success or otherwise will depend on its capacity to change behaviour. Although minimum pricing could reduce consumption, pricing alone is not enough and price changes in isolation may fail to maximise the opportunities offered by legislation of the significance of that proposed. Minimum pricing should be one component of a broader strategy for reducing alcohol consumption and related harm, including targeted approaches as well as population-based interventions.

- Legislation which bans off-sales price promotions in conjunction with a minimum price is likely to reduce consumption to a greater extent than minimum pricing alone. It also represents an opportunity to bring the off-sales trade into line with the on-sales trade.

- Concerns have been raised as to whether the current proposals for a minimum alcohol sales price would be compatible with EU law. Whilst the RSE is not in a position to offer a legal opinion on this issue we take this opportunity to draw the Committee’s attention to the SHAAP paper\(^1\) on the current legal framework which seems to be a fair summary of the relevant considerations.

- We are concerned by the vagueness of the proposals for a social responsibility levy. Much more thought will have to be given to its scope, applicability and details before it can be implemented. The Scottish Government should consider whether some of the monies generated by a

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1[Scottish Health Action on Alcohol Problems](http://www.shaap.org.uk/pages/117,Legal_framework.html)
levy could help fund social and medical research on alcohol misuse and its effects and its remediation.

- Rather than empowering licensing boards to raise the legal alcohol age in their area to 21, the Scottish Government would be better placed to ensure that the existing legislation dealing with the sale of alcohol to minors is rigorously enforced.

Background

1. The Royal Society of Edinburgh (RSE), Scotland’s National Academy, is pleased to respond to the Scottish Parliament Health and Sport Committee’s invitation to provide written comments on the general principles of the Alcohol etc. (Scotland) Bill. The RSE is well placed to respond because of the multi-disciplinary breadth of its Fellowship which permits it readily to draw upon advice from experts in health and public policy, health inequalities, health psychology, clinical medicine, economics and law, in preparing this paper. We address, in turn, the points raised by the Committee in its call for evidence and would be pleased to discuss further any of the issues raised in this paper with the Committee. It is a longer paper than had been hoped, but the issues are so important that we felt it appropriate to analyse them in some detail.

The rationale behind the use of minimum pricing as an effective tool to address all types of problem drinking and the advantages and disadvantages of establishing a minimum alcohol sales price on a unit of alcohol

2. Excessive alcohol consumption is a major problem in contemporary Scotland both because of its health impacts on those who drink to excess and its secondary social effects. A recent study by the York Health Economics Consortium has quantified the major direct impacts on the economy and indirect impacts on individuals and families of excessive consumption. The scientific evidence (some of which is referred to in the documents accompanying the Bill) suggests a strong relationship between comparatively low cost and easy accessibility on the one hand and alcohol consumption on the other. There is also abundant epidemiological evidence of an inverse relationship between cost and rates of alcoholic cirrhosis. This includes interesting historical observations during both World Wars and periods of prohibition elsewhere.

3. Efforts at dissuasion have had little success. There is widespread lack of awareness of the adverse effects of alcohol. Public health measures and preventative medicine have not been effective. The message that there should be ‘safe limits’ to consumption has been difficult to get across to the public; and excessive alcohol consumption has not been targeted with the hard-hitting techniques that have been used to encourage people to give up

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2 The Societal Cost of Alcohol Misuse in Scotland for 2007; York Health Economics Consortium, University of York; January 2010
smoking. On the contrary there has been increasingly aggressive marketing by the drinks industry coupled with irresponsible, cut-price and easy-access promoting by retailers. At the same time, patterns of social behaviour, particularly in cities have lent themselves to greater alcohol consumption and to binge drinking, whilst intolerance of drunkenness appears to have decreased in some communities.

4. There should be no doubt that this is an immensely serious and important issue. Unfortunately, there is no proven route to success in dealing with the problem, and many possible approaches are likely to have side effects that are difficult to anticipate. There is no silver-bullet solution. If the Parliament decides to act, and we believe that it should, it must accept that there is some uncertainty about the extent of demand elasticity, and whether minimum prices can be set at an acceptable level that will significantly influence demand. It is also very likely many legislators elsewhere will be intensely interested in the outcome. The Parliament has shown its readiness to take bold decisions in such areas, as exemplified by the success of the smoking ban in public buildings, that demonstrates how well-considered, decisive action coupled with political leadership on a major issue of public concern can be highly effective. The legislation being considered is to dissuade, not ban, and its success or otherwise will depend on its capacity to change behaviour.

5. Given the clear correlation between the relative low cost and consumption of alcohol there is a strong argument for the action that is proposed to control price as a way of reducing consumption. Unfortunately there is no empirical evidence of which we are aware that demonstrates how and at what level minimum pricing would have a significant effect. The rationale for minimum pricing is based on the theory of the demand for a good: the higher a good’s price relative to those of other goods, the lower will be the consumption. Figure 1 illustrates this. The introduction of a controlled price above the current market price causes consumption to fall from $C_0$ to $C_1$ units.
6. However, the figure also indicates: A) the less responsive is demand to changes in price (the steeper the slope of the curve, technically its “elasticity”), the smaller will be the impact of any price change. B) the sales revenue will also change and whether the controlled price raises or lowers the total sales revenue depends on the elasticity of demand. However, the key point is that in theory a price control is a way to ration or restrict consumption. It is a traditional argument for the excise duties on alcohol and tobacco. The crucial issues are: what is the level of elasticity; at what level of minimum price would there be a significant impact; and what unintended side effects might there be.

7. The key to understanding the impact of a price floor on consumption is the set of “elasticises of demand”. These are parameters of the underlying demand system econometrically estimated from an appropriate data set. They show the proportional response of the quantity purchased of a good to changes in the price of the good itself, the price of goods that might be substitutes or complements to the good, and to changes in income. In all of this estimation, a range of other factors that theory or empiricism suggests may have a role to play in determining the quantity purchased (e.g. age, gender etc.) are controlled for.

8. In the absence of experimental data, the ScHARR work\(^3\), which has been extensively referred to in the Scottish Government’s analysis, attempts to assess by modelling how increasing the price at which alcohol is sold can reduce consumption, with minimum pricing targeting those alcohol products which are currently available at relatively low cost. In this study, the own price elasticises for every category but one are inelastic. This means that if the price were to rise by 10%, consumption would fall by less than 10% - and so total spending on that product would increase. It could be concluded that, on average, a 10% rise in the average price of alcohol sold in off-licenses will result in a 4% reduction in consumption.

9. The Committee should also be aware that the ScHARR study showed that, for any category of beverage and outlet, there was a distribution of prices from low to high. A crucial assumption in that study is that when a price floor is introduced, the only prices that will be raised are those that are currently below the price floor and that they will be raised to the statutory minimum price. Hence existing prices that are above the price floor are assumed to be unaffected by the policy change. This is not very plausible because one reason for the distribution of prices is that, within a category, product “quality” varies and “higher quality” products sell for higher prices than “lower quality” ones. However, the introduction of a minimum price could result in higher prices across the board as producers and retailers look to maintain a price distribution between “low quality” and “high quality” beverages. This could increase the expenditure by consumers on alcoholic products and have the effect of increasing the profits on those products.

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\(^3\) Independent Review of the Effects of Alcohol Pricing and Promotion; and Model-Based Appraisal of Alcohol minimum Pricing and Off-Licensed Trade Discount Bans in Scotland
10. In theory however, increasing the price of alcohol will increase motivation to drink less, particularly in those to whom the price is critical i.e. young drinkers and the more social disadvantaged who are overrepresented among excessive drinkers. However, in order for this policy intervention to meaningful, it is crucial that the minimum price is set at such a level as to have the desired effect on consumption. We look at this critical aspect in the next section.

11. It is also important to anticipate potential unexpected consequences of such a policy. For example, if heavy alcohol consumption is socially important, or addictive, by analogy with other addictions, other areas of personal or family expenditure may suffer to ensure continuing access to the addiction. Psychological models of the determinants of behaviour change also suggest that although minimum pricing could reduce consumption, pricing alone is not enough and that price changes in isolation may fail to maximise the opportunities offered by legislation of the significance of that proposed.

12. Current models suggest that three main processes are involved in behaviour change: 1) increasing the motivation to act (in this case generating or increasing the desire to drink less), 2) increasing the capacity to turn such motivation into action (so that people actually drink less) and 3) prompts and cues to action that may bypass motivation and planned action. The pricing of alcohol is likely to operate through 1 and 3 but it may not help those who have planned to drink less to actually implement those plans. It appears self evident that increasing the cost will increase motivation to drink less, particularly in those in whom the price is critical, i.e., the more social disadvantaged who are overrepresented among excessive drinkers. The low pricing, special offers and the associated advertising are powerful prompts to action. Most prompts at point of sale are directed at increasing purchase and consumption of alcohol. Removal of these prompts should reduce thoughtless unplanned purchases. This is important since altering the prompts to action is one of the most difficult behavioural change mechanisms for health and other authorities to utilise. Advertising uses prompts to action very effectively and the difference in advertising budgets between the drink and health industries is profound.

13. Decades of research on the reduction of behaviours that are in some way rewarding (alcohol consumption, smoking, eating a rich fat laden diet) have shown that behaviour change cannot be accomplished by motivation alone or by the knowledge that the behaviour is unhealthy. Prompts and cues will help but in addition people need the self regulatory skills to reduce their purchase and consumption of alcohol. This is particularly the case for the heaviest “harmful” drinkers whose drinking is out of control. The services available to those who wish to reduce their alcohol consumption should be increased (and widely advertised) in associated with minimum pricing. This can be done in a variety of ways and need not be enormously expensive. Scotland has already rolled out an Alcohol Brief Intervention (ABI) which health authorities are encouraged to use. In addition it is likely that greater
use could be made of other agencies such as NHS 24 health information service and self help programmes delivered by internet.

14. The drinks industry argues that imposing a minimum price on alcohol unfairly penalises the vast majority of the population who drink responsibly and moderately. However, we agree with the UK Parliament Health Committee, which recently published its report on Alcohol, and which was not persuaded that this is a serious argument and refer to the ScHARR work which estimates that those who drink in moderation would only be marginally affected.

15. Over the last couple of decades it is apparent that there has been an increase in the strength of some alcoholic drinks. The Committee should be aware that the natural profit-making response from producers of alcoholic beverages to the introduction of a minimum price for alcohol would be to maintain the alcohol content of their products in order to maximise profitability.

The level at which such a proposed minimum price should be set and the justification for that level

16. Although the Scottish Government has not specified the level at which the proposed minimum price for a unit of alcohol will be set, the figure of 40p per unit has been used by Ministers as an illustration. In order to maximise the achievement of the aims of reducing alcohol consumption and reducing alcohol related harm it is imperative that the minimum price is set at such a level that would ensure that consumption is reduced to a material extent. From having considered the ScHARR modelling it seems apparent to us that a figure of 40p per unit could reduce the potential effectiveness of the measure as it is likely only to impact on a narrow band of off-sales products. If such bold legislation is to be introduced, it must be associated with a price level that is likely to have an impact. Anything less would undermine its whole rationale.

17. In order that a minimum price has a genuine and sustained effect on reducing the consumption of alcohol the Committee should encourage Scottish Ministers to further consider the modelling work which has been carried out with a view to initially setting the minimum price to at least 50p per unit. Once set, the minimum price and its effect on alcohol consumption should be subject to comprehensive evaluation. On the basis of this evaluation and as other relevant data becomes available, legal provision should be made to enable review and variation of the minimum price if this is felt desirable by Ministers, subject to the control of the Scottish Parliament. This appears to be consistent with the process and order making power proposed in s.1 of the Bill.

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4 The Health Committee’s First Report of Session 2009-10 on Alcohol (HC 151–I)
http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/151/151i.pdf
Possible alternatives to the introduction of a minimum alcohol sales price as an effective means of addressing the public health issues surrounding levels of alcohol consumption in Scotland

18. We note that alcohol consumption could, in theory, be reduced through increasing alcohol duty and taxation. In order to be effective this would need to be accompanied by a ban on the sale of alcohol below the cost of duty and VAT. However, as alcohol duty and taxation are currently reserved to the UK Government, the Scottish Government has no power to vary them. We also note from the policy memorandum that the UK Government does not see alcohol duty as a prime tool for addressing problems associated with alcohol consumption. We also agree with the Scottish Government’s analysis that alcohol duty is generally seen as a fiscal instrument rather than a public health one. In the short term it appears unlikely that alcohol duty and taxation will be employed as a means to reduce levels of consumption.

19. However, it is important that there is dialogue and open communication between the Scottish and UK Governments as there would be some merit in considering a joint approach on this issue in future. It would also help to ease concerns that a minimum price imposed in Scotland could lead to people importing lower priced alcohol from England. Within this context it is also important to note that there have been calls for minimum pricing to be introduced in other parts of the UK. The report on alcohol from the UK Parliament Health Committee is a recent example.

20. Given the importance of addressing the consumption of alcohol in Scotland, we are concerned that the debate surrounding possible alternatives to the introduction of a minimum alcohol sales price could prove to be a distraction and delay the implementation of a measure that has the potential for real impact. Given the precarious state of Scotland’s current relationship with alcohol we support the introduction of a minimum price at the earliest opportunity, subject to our comments on setting the appropriate level (paragraphs 16 and 17).

21. We also reiterate our earlier comment (paragraphs 11 and 13) that in order to effectively fulfil the aims of the current Bill it is essential that minimum pricing is not introduced in isolation. Rather, it should be one component of a broader strategy for reducing alcohol consumption and related harm, including targeted approaches as well as population-based interventions.

22. As part of a comprehensive evaluation process the Scottish Ministers should ensure that this includes a cross-national examination of policies and mechanisms which have been applied by other countries. Although it should be noted that every country will have its own distinctive culture and relationship with alcohol.
The advantages and disadvantages of introducing a social responsibility levy on pubs and clubs in Scotland

23. We agree that social responsibility is important but we are concerned by the vagueness of the current proposals for the levy. It is important that the proposal is driven by public health considerations as opposed to cost. Much more thought will have to be given to the scope, applicability and details of the proposal before any social responsibility levy can be implemented. Although we note that the Scottish Government does not intend to set out nationally the uses to which the levy could be put, it would be worth considering whether some of the monies generated by a levy could help fund social and medical research on alcohol misuse, its effects and its remediation. The Committee should ensure that if the Scottish Government is minded to introduce a levy, that it continues to work and consult with key stakeholders including COSLA, ACPOS, NHS Scotland, the alcohol industry, retailers and other business interests, before any regulations are brought forward.

The justification for empowering licensing boards to raise the legal alcohol purchase age in their area to 21

24. Although we understand the Scottish Government's reasons for proposing to empower licensing boards to raise the legal purchase age in their area to 21, we believe that this would be very difficult to implement in practice. The minimum legal age for most restricted activities is either 16 or 18 and the approach suggested would be out of step with much of Europe. The current proposal advocates local approaches to raising the legal purchase age in off-sales rather than a common approach throughout Scotland. In our opinion the lack of a consistent approach is likely to result in increased confusion and difficulties. There remains a concern as to the capability of the licensing boards to adequately undertake the detrimental impact assessment.

25. In the first instance it would be most productive for the Scottish Government to ensure that the existing legislation dealing with the sale of alcohol to minors is rigorously enforced against irresponsible retailers and licensees.

The role of promotional offers and promotional material in encouraging people to purchase more alcohol than they intended

26. The proposed restrictions on drinks promotions in s.3 and 4 of the Bill are to be commended. We accept the reasoning that alcohol is not an ordinary commodity. Quantity discount promotions are well established in off-sales and not only impact upon alcohol-related harm but they can also contribute to wider problems of obesity and poor general health. As suggested by the ScHARR modelling work, legislation which bans off-sales price promotions in conjunction with a minimum price is likely to reduce consumption to a greater extent than minimum pricing alone. It also represents an opportunity to bring the off-sales trade into line with the on-sales trade.
Other aspects of the Bill

27. We understand that a number of MSPs and other commentators have raised concerns as to whether the current proposals for a minimum alcohol sales price would be compatible with EU law. Whilst the RSE is not in a position to offer a legal opinion on this issue we take this opportunity to draw the Committee’s attention to the SHAAP paper\(^5\) on the current legal framework which seems to be a fair summary of the relevant considerations.

Professor Andrew Miller
General Secretary
The Royal Society of Edinburgh
20 January 2010

Additional Information and References

This response has been prepared by an expert RSE working group and signed-off by the General Secretary on behalf of the Society.

The Society would like to draw attention to the report of its conference and public discussion forum, *Alcohol – our Favourite drug: from Chemistry to Culture* (February 2009)
http://www.rse.org.uk/events/recent.htm#alcohol2

Any enquiries about this response and others should be addressed to the RSE’s Consultations Officer, Mr William Hardie
(Email: evidenceadvice@royalsoced.org.uk).

Responses are published on the RSE website (www.royalsoced.org.uk).

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\(^5\)Scottish Health Action on Alcohol Problems
http://www.shaap.org.uk/pages/117_Legal_framework.html