HEALTH AND SPORT COMMITTEE

AGENDA

24th Meeting, 2010 (Session 3)

Tuesday 14 September 2010

The Committee will meet at 2.30 pm in Committee Room 6.

1. **Subordinate legislation:** The Committee will consider the following negative instrument: the Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Revocation Regulations 2010 (SSI/2010/248).

2. **Alcohol etc. (Scotland) Bill:** The Committee will take evidence on the Bill at Stage 2 from—

   Professor Anne Ludbrook, Professor of Health Economics, Institute of Applied Health Sciences, University of Aberdeen.

Douglas Wands  
Clerk to the Health and Sport Committee  
Room T3.60  
The Scottish Parliament  
Edinburgh  
Tel: 0131 348 5210  
Email: douglas.wands@scottish.parliament.uk
The papers for this meeting are as follows—

**Agenda Item 1**

Paper from the clerk  
HS/S3/10/24/1

SSI/2010/248  
HS/S3/10/24/2

**Agenda Item 2**

Submission from Professor Anne Ludbrook  
HS/S3/10/24/3

Submission from Scottish Health Action on Alcohol Problems (SHAAP)  
HS/S3/10/24/4
Health and Sport Committee
24th Meeting, 2010 (Session 3), Wednesday, 14 September 2010
Abridged Subordinate Legislation Briefing

Negative Instrument

<table>
<thead>
<tr>
<th>Name</th>
<th>Deadline</th>
<th>Motion to Annul</th>
<th>Purpose</th>
<th>Drawn to attention by Subordinate Legislation Committee (SLC)?</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Revocation Regulations 2010 (SSI 2010/248)</td>
<td>20 Sept</td>
<td>No</td>
<td>These Regulations revoke the Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Regulations 2008 (S.S.I. 2008/87).</td>
<td>The SLC noted that the instrument breached the 21 day rule for the laying of such instruments however it was content with the explanation provided in a letter to the Presiding Officer setting out the reason for this breach.</td>
</tr>
</tbody>
</table>

Where instruments have been drawn to the Committee’s attention, the relevant extract from the SLC report is given as an annex to this paper. If members have any queries or points of clarification on the instrument which they wish to have raised with the Scottish Government in advance of the meeting, please could these be passed to the Clerk to the Committee as soon as possible.
2010 No. 248

AGRICULTURE

FOOD

The Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Revocation Regulations 2010

Made - - - - 16th June 2010
Laid before the Scottish Parliament 17th June 2010
Coming into force - - 18th June 2010

The Scottish Ministers make the following Regulations in exercise of the powers conferred by section 2(2) of the European Communities Act 1972(a) and all other powers enabling them to do so.

Citation and commencement

1. These Regulations may be cited as the Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Revocation Regulations 2010 and come into force on 18th June 2010.

Revocation

2. The Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Regulations 2008(b) are revoked.

SHONA ROBISON
Authorised to sign by the Scottish Ministers

St Andrew’s House,
Edinburgh
16th June 2010

(a) 1972 c. 68. Section 2(2) was amended by paragraph 15(3) of Schedule 8 to the Scotland Act 1998 (c.46) (“the 1998 Act”), section 27(1) of the Legislative and Regulatory Reform Act 2006 (c.51) and Part 1 of the Schedule to the European Union (Amendment) Act 2008 (c.7). The functions conferred on a Minister of the Crown under section 2(2) of the 1972 Act, so far as exercisable within devolved competence, were transferred to the Scottish Ministers by section 53 of the 1998 Act. In so far as not so transferred, and in so far as relating to animal feeding stuffs, which are not veterinary medicinal products or specified feed additives as defined in the Veterinary Medicines Regulations 2005 (S.I. 2005/2745), relevant functions were transferred to the Scottish Ministers by the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 2006 (S.I. 2006/304) and in so far as relating to food (including drink) including the primary production of food, relevant functions were transferred to the Scottish Ministers by the Scotland Act 1998 (Transfer of Functions to the Scottish Ministers etc.) Order 2005 (S.I. 2005/849).

(b) S.S.I. 2008/87.
EXPLANATORY NOTE
(This note is not part of the Regulations)

These Regulations revoke the Rice Products from the United States of America (Restriction on First Placing on the Market) (Scotland) Regulations 2008 (S.S.I. 2008/87).


A full business and regulatory impact assessment has not been prepared for this instrument as no impact on the private or voluntary sectors is foreseen.
Evidence addressing the following points in the call

The rationale behind the use of minimum pricing as an effective tool to address all types of problem drinking.

Both economic theory and substantial research evidence\(^1,2\) demonstrate that increasing price is an effective method of reducing consumption of alcohol at the population level. Price alone does not determine the level of alcohol consumption: thus differences in the level of alcohol consumption may be observed at the same price level across countries and settings based on differences in culture and other factors. But within each country and setting, the application of price increases will reduce consumption. Reducing population levels of alcohol consumption will reduce alcohol related harms. Price is not only an effective measure but is also a cost-effective measure when population levels of hazardous alcohol consumption are high.

Minimum pricing has some impact on the average price of alcohol but targets the cheaper products in the market which are more likely to be purchased by the heaviest drinkers. It is recognised that in the face of general price increases, consumers may ‘trade down’ to cheaper products to maintain levels of consumption. This response is avoided with minimum pricing, making it a more effective measure. Gruenewald et al\(^3\) have developed a model, using data from the Swedish Systembolaget, which shows that price increases targeted at the lowest cost brands would produce a greater reduction in sales than across the board price increases. In their analysis, an across the board price increase of 10% reduced sales by 1.7%; targeting lower cost brands reduced total sales by 4.2%, almost 2½ times the effect for the same average price increase. The Systembolaget data used for this study covered all alcohol sales in Sweden at the time. Although Sweden does not have a declared minimum pricing policy, the state monopoly on sales of strong alcohol means that price levels can be determined at a socially responsible level.
The advantages and disadvantages of establishing a minimum alcohol sales price based on a unit of alcohol.

The advantages of using minimum pricing as a vehicle for increasing alcohol prices compared with taxation is that it cannot be avoided (producers or retailers may absorb tax increases) and it targets low cost products. It could be argued that a similar effect could be achieved through taxation (although this is outwith the devolved powers of the Scottish Parliament) either by legislating to prevent below cost selling or by increasing taxation to such an extent that it could not be absorbed.

To have a similar effect to that of minimum pricing on the cheapest forms of alcohol, taxation would indeed have to increase very significantly. For example, under minimum pricing at 40p per unit, 70cl vodka sold at £7.98 (30p per unit) would increase to £10.50. If retailers were forced to sell at prices which at least covered taxation, alcohol duty would have to be at least £8.94 per bottle (with VAT at 17.5% to be added) to achieve a minimum retail price of £10.50. This implies an increase in duty of £3.00 or 51%. Current UK government policy is to increase duty by 2% above inflation. This tax increase would be applied to all products, not just those selling at a low price.

One potential advantage of taxation over minimum pricing is that revenue would return to the UK Treasury and could offset some of the costs associated with alcohol misuse. With minimum pricing it is uncertain how the revenue changes within the industry would be distributed. However, it should be recognised that, whatever the responses in different parts of the industry, any increased revenue will be returned to the wider economy in some form. This may be, for example, lower prices on other supermarket products which replace alcohol as a loss leader, or increased dividends paid to shareholders, which include pension funds. The effects may be very widely disseminated. If it is accepted that aggregate alcohol consumption should fall then minimum pricing offsets the loss of revenue to the industry from reduced sales and may allow a period of adjustment (e.g. development of lower alcohol products).

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

In terms of economic principles, the alcohol market is imperfect because the price of alcohol does not reflect all of the costs that society bears from the consumption of alcohol. Adjusting market prices to reflect external costs is complicated in the case of alcohol because the external cost is variable; for some health harms, risk increases with the amount consumed from the first drink but for other conditions there may be a health gain from moderate alcohol consumption and most external costs (employment, crime, family breakdown) are associated with excessive drinking. Therefore an optimal, in economic terms,
price adjustment would increase with the amount consumed, and at an increasing rate. This is clearly impractical.

At an aggregate level, a case can be made for a significant increase in price to reflect external costs. I have previously calculated\(^5\) that the social cost per unit of alcohol is around 45p on average using a social cost of alcohol for Scotland of £2.25 billion and an estimated annual consumption of 1180 units of alcohol per adult, based on sales data. A more recent estimate has put the social cost of alcohol in Scotland for 2007 at £3.56 billion\(^6\), with a range of £2.48 billion – £4.64 billion. With levels of consumption showing very little change\(^7\), even the lowest estimate would put the average social cost per unit at 50p. A minimum price in the range of 40p to 50p would be a move towards a market position where alcohol is not sold below the average social cost.

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.

Other interventions, by themselves, are unlikely to be as effective in preventing the health problems associated with alcohol consumption, although they may be useful as part of a wider strategy including price increases. Price is such an effective driver of demand that any intervention is unlikely to be effective at the population level against a background of alcohol becoming more affordable. The need for intervention at the population level is supported by data showing aggregate levels of consumption exceeding guideline levels\(^7\).

In economic terms, measures which restrict the availability of alcohol can be seen as increasing the cost, in terms of time and effort, of acquiring alcohol and would act in a similar way to a price increase. However, such measures would have to make a significant impact on the effort required to acquire alcohol.

WHO Europe\(^8\) has published a recent review of evidence relating to interventions to reduce alcohol-related harm. A summary table of their conclusions on effectiveness is reproduced below. It should be noted that some of the alternative harm reduction interventions address problems caused by alcohol consumption rather than prevent them occurring in the first place.
Summary of the evidence of the effectiveness of alcohol policies

[taken from WHO Europe (2009) Evidence for the effectiveness and cost-effectiveness of interventions to reduce alcohol related harm. page 94]

<table>
<thead>
<tr>
<th>Degree of evidence</th>
<th>Evidence of action that reduces alcohol-related harm</th>
<th>Evidence of action that does not reduce alcohol-related harm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convincing</td>
<td>Alcohol taxes</td>
<td>School-based education and information</td>
</tr>
<tr>
<td></td>
<td>Government monopolies for retail sale</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Restrictions on outlet density</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Restrictions on days and hours of sale</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Minimum purchase age</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lower legal BAC levels for driving</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Random breath-testing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brief advice programmes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Treatment for alcohol use disorders</td>
<td></td>
</tr>
<tr>
<td>Probable</td>
<td>A minimum price per gram of alcohol</td>
<td>Lower taxes to manage cross-border trade</td>
</tr>
<tr>
<td></td>
<td>Restrictions on the volume of commercial communications</td>
<td>Training of alcohol servers</td>
</tr>
<tr>
<td></td>
<td>Enforcement of restrictions of sales to intoxicated and under-age people</td>
<td>Designated driver campaigns</td>
</tr>
<tr>
<td></td>
<td>Suspension of driving licences</td>
<td>Consumer labelling and warning messages</td>
</tr>
<tr>
<td>Limited-suggestive</td>
<td>Alcohol locks</td>
<td>Public education campaigns</td>
</tr>
<tr>
<td></td>
<td>Workplace programmes</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Community-based programmes</td>
<td>Campaigns funded by the alcohol industry</td>
</tr>
</tbody>
</table>

Contact: a.ludbrook@abdn.ac.uk

Professor Anne Ludbrook
Health Economics Research Unit
Institute of Applied Health Sciences
University of Aberdeen
19 January 2010
Key references


PURCHASING PATTERNS FOR LOW PRICE OFF SALES ALCOHOL: EVIDENCE FROM THE EXPENDITURE AND FOOD SURVEY.

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PAPER FOR SCOTTISH HEALTH ACTION ON ALCOHOL PROBLEMS

MAY 2010

Disclaimer:
The Health Economics Research Unit receives core funding from the Chief Scientist Office, Scottish Government Health Directorates, and from the University of Aberdeen. All opinions expressed are those of the author and should not be attributed to any funding body.
**PURCHASING PATTERNS FOR LOW PRICE OFF SALES ALCOHOL: EVIDENCE FROM THE EXPENDITURE AND FOOD SURVEY.**

**Key points summary**

- All income groups purchase low price off sales alcohol (figures 1 and 6).

- The relationship between income group and the amount of alcohol purchased at the cheapest price (below 30p a unit) is not straightforward. Although the lowest income group buys more than the highest at this price, there is little difference between the middle income groups and the lowest (figure 2).

- At prices of 30p to 40p and 40p to 50p the amount purchased tends to increase with income (figures 3 and 4).

- Middle-to-higher income groups are the main purchasers of alcohol priced between 30p and 50p (figure 5).

- For individual alcohol types (beer, lager, table wine and spirits), the lowest income groups purchase less than the average number of units below 30p and below 40p (figure 7).

- Low income households are less likely to purchase off sales alcohol at all (table 2 and figure 8).

**Background**

The Alcohol etc. (Scotland) Bill, currently under consideration by the Scottish Parliament, has included minimum pricing as one of the proposals for reducing alcohol related harms. An area of concern relating to this policy has been the possible regressive effects of such an intervention, i.e. if it results in raising alcohol prices only for households with lower incomes, or if it affects those with low incomes more than it affects those with higher incomes. This paper looks at the distribution by price and income of alcohol purchased from off sales.

**Data**

The analysis reported here uses data from the Expenditure and Food Survey (EFS) (now called the Living Cost and Food Survey) for 2007. The EFS collects data from a representative sample of UK households. The sample has not been restricted to Scottish data for this analysis as the sample size within each income group would become too small for robust analysis. Individual data were accessed from the UK Data Archive which provides separate figures for expenditure by each household for different types of off-sales alcohol and on-sales alcohol and the volume of purchases for different alcohol product groups over a two week reference period.
The volumes of alcoholic drinks purchased are converted to alcohol units by reference to an average alcohol by volume (abv) value for each product type:

Table 1 Alcohol by volume (abv) values from the EFS

<table>
<thead>
<tr>
<th>Alcohol product group</th>
<th>ABV value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beers</td>
<td>3.96</td>
</tr>
<tr>
<td>Lagers and continental beers</td>
<td>3.91</td>
</tr>
<tr>
<td>Ciders and perry</td>
<td>4.81</td>
</tr>
<tr>
<td>Champagne, sparkling wines and wine with mixer</td>
<td>11.50</td>
</tr>
<tr>
<td>Table wine</td>
<td>11.49</td>
</tr>
<tr>
<td>Spirits with mixer</td>
<td>7.43</td>
</tr>
<tr>
<td>Fortified wines</td>
<td>14.53</td>
</tr>
<tr>
<td>Spirits</td>
<td>40.13</td>
</tr>
<tr>
<td>Liqueurs and cocktails</td>
<td>33.72</td>
</tr>
<tr>
<td>Alcopops</td>
<td>4.68</td>
</tr>
</tbody>
</table>

Note: the abv values are provided within the EFS but are currently under revision. There appear to be some anomalies, with the value for fortified wines being below the defined 15% value and spirits appearing high as most products are either 37.5% or 40%.

Combining the expenditure data with the purchased number of units allows the average price per unit of alcohol to be calculated for the total off sales alcohol purchased by each household, and for separate types of alcohol product purchased, in the 2 week reference period. The analysis reported here uses both total off sales purchases and off sales purchases of beer, lager, table wine and spirits. These four types of alcohol are those most frequently purchased by households, as reported in the EFS, and they account for 87% of the total units of alcohol purchased. The other alcohol types have smaller numbers of observations available for separate analysis. Whilst the analysis of total off sales alcohol provides an overview of purchasing patterns, the purchases made by a household may be composed of both high price and low price items. The data available do not provide prices for every individual item but more detail can be obtained by carrying out further analysis at the level of different types of alcohol purchased. This can provide more information where households have combined both low and high price purchasing (see Box 1).

Box 1 Example of analysis by beverage type and total purchasing data

Suppose, during a two week period, a household purchases some lager on special offer at a low unit price (30p) and also buys some wine at £5.40 a bottle (60p per unit). Both of these transactions can be included in the separate analysis by type of alcohol. However, the analysis based on total alcohol purchased will only show that 38 units were purchased at an average price of 44p per unit. In this example, the analysis of total alcohol purchased will under record both the low price and higher priced transactions.

20 units of lager (approximately 5 litres) at 30p per unit expenditure £6

18 units of wine (approximately 2 bottles) at 60p per unit expenditure £10.80

Total shows 38 units purchased at an average price of 44p (£16.80 divided by 38)
Purchases have been grouped into five price bands: less than 30p; 30p to 40p; 40p to 50p; 50p to 60p; and over 60p. These price bands provide an insight into purchasing patterns that may be affected by different levels of a minimum price.

The EFS also collects information on household income and presents this information in terms of both gross household income and equivalised household income. Equivalised household income takes account of household size and composition, which means that a single person household with an income of £300 per week, for example, would not be considered the same as a family of four with an income of £300 per week. Thus, equivalised income is a better indicator of the spending power available to each household and is used here to examine the purchasing of alcohol across income groups. The lowest income deciles, in particular, have a more mixed representation of household types when equivalised income is used; the gross income deciles are dominated by single pensioner households. A comparison of the income thresholds and household composition is provided in the appendix.

Table 2 shows the allocation of households in the EFS samples in 2007 to income deciles, the equivalised household incomes for each decile and the average number of adults in the household. Although this has been accounted for in the income groups, the number of adults may also have an effect on the amount of alcohol purchased. It can be seen that the lowest income deciles have fewer adults. The table also shows the number of households in each income decile that have actually made purchases of off sales alcohol during the 2 week reference period. Only one third of households in the lowest income decile made purchases compared with 70 percent in the highest income decile. As noted above, the analysis has also considered purchases of 4 specific types of alcohol, which implies that there could be data on up to 4 reported purchases per household. The final column of table 2 shows the total number of purchases for the 4 specific types of alcohol in each decile and therefore indicates how many more transactions can be included in the analysis of beer, lager, table wine and spirits.

Table 2 Descriptive data for equivalised household income deciles

<table>
<thead>
<tr>
<th>Decile</th>
<th>Number of households</th>
<th>Income boundaries £</th>
<th>Average number of adults</th>
<th>Number (%) of households purchasing alcohol</th>
<th>Number of observations for purchases of 4 main types of alcohol</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>621</td>
<td>Below 190</td>
<td>1.5</td>
<td>208 (33%)</td>
<td>260</td>
</tr>
<tr>
<td>2</td>
<td>619</td>
<td>190-256</td>
<td>1.6</td>
<td>233 (38%)</td>
<td>284</td>
</tr>
<tr>
<td>3</td>
<td>646</td>
<td>256-334</td>
<td>1.7</td>
<td>267 (41%)</td>
<td>339</td>
</tr>
<tr>
<td>4</td>
<td>635</td>
<td>334-409</td>
<td>1.9</td>
<td>316 (50%)</td>
<td>422</td>
</tr>
<tr>
<td>5</td>
<td>613</td>
<td>409-492</td>
<td>1.9</td>
<td>324 (53%)</td>
<td>429</td>
</tr>
<tr>
<td>6</td>
<td>620</td>
<td>492-587</td>
<td>2.0</td>
<td>342 (55%)</td>
<td>487</td>
</tr>
<tr>
<td>7</td>
<td>614</td>
<td>587-698</td>
<td>2.0</td>
<td>393 (64%)</td>
<td>572</td>
</tr>
<tr>
<td>8</td>
<td>607</td>
<td>698-866</td>
<td>2.0</td>
<td>375 (62%)</td>
<td>541</td>
</tr>
<tr>
<td>9</td>
<td>596</td>
<td>866-1162</td>
<td>1.9</td>
<td>399 (67%)</td>
<td>578</td>
</tr>
<tr>
<td>10</td>
<td>565</td>
<td>Over 1162</td>
<td>1.8</td>
<td>393 (70%)</td>
<td>579</td>
</tr>
</tbody>
</table>

6136 3250
Results

Total off sales purchases

Distribution of purchases by income and average price

Figure 1 shows the distribution of purchases of off sales alcohol by income and average price per unit. All income groups are seen to purchase alcohol in each price band. Overall, the amount of off sales alcohol purchased increases across the income deciles, at least in part because fewer households in the lower income deciles purchased alcohol.

Figure 1  Purchasing patterns by price and income for off sales alcohol

Looking at the results in more detail, at less than 30 per unit the lowest 2 income deciles purchased more off sales alcohol than the highest 2 income deciles but overall the relationship between the number of units purchased below 30p and income decile is not particularly strong (figure 2). Moving to the next price band (figure 3), 30p to 40p, it can be seen that the number of units purchased at 30-40p increases with income up to income decile 7 and the highest income decile (10) purchases slightly more than the lowest income decile (1). At 40p to 50p (figure 4), there is a clear upward trend in purchasing at this price with income, which becomes more marked in the higher price bands (not illustrated).
Figure 2  Distribution of off sales purchases at an average price of 30p or less

Number of units of off sales alcohol purchased at less than 30p by income decile

Figure 3  Distribution of off sales purchases at an average price of 30p to 40p
Figure 4 Distribution of off sales purchases at an average price of 40p to 50p

Figure 5 Distribution of off sales purchases at an average price of 50p to 60p
(ii) Proportion of cheaper alcohol purchased by income

In order to provide a clearer picture of which income groups purchase most of the cheaper alcohol, the amount of alcohol purchased at each of the 3 lower price bands by each income group was expressed as a percentage of the total purchased in each price band. The results are shown in figure 5.

If all income groups purchased equal amounts of cheaper alcohol, then they would each purchase 10 percent of the total. Thus, in figure 5, the bars which go above the 10 percent line show greater than average purchasing of cheaper alcohol. These are seen to be mainly in the middle to higher income groups, with the lower income deciles only exceeding 10 percent for the very lowest price band.

Figure 5 Percentage of cheaper off sales alcohol purchased by income decile
Off sales purchases by product type

This section considers the data available for the purchasing of different alcohol products; beer, lager, table wine and spirits.

(i) Distribution of purchases by income and average price

The graphs on the next page (figure 6) show, for each main alcohol product, the total number of units of alcohol purchased by households in each income decile, for off sales only, in each price band. Note that the scale for each graph is different, reflecting the different volumes of each type of alcohol purchased. Table wine has the largest number of units being purchased and beer has the lowest.

Table wine is the only example where there is a very clear tendency for the total number of units purchased at all prices to increase with income. For the other alcohol products, the relationship is less clear. For example, there is a trend for the units of lager purchased to increase with income to decile 7 but this is then reversed for the highest income bands.

The graphs show that the cheapest price category of alcohol, less than 30p per unit, is purchased by all income groups. Overall, there is no particular relationship between the number of units purchased at the lowest price and income. If this relationship existed, then the graphs would show the highest volume of purchasing at the lowest price being in decile 1, declining through the income groups with the lowest volume of purchasing being in decile 10. What is seen is that some middle to high income groups purchase more units of the cheapest price alcohol than the lowest income groups.

- decile 3 purchases more units of beer at less than 30p than other income groups, with the second highest purchasing being in decile 8
- decile 7 purchases more units of lager at less than 30p than other income groups
- deciles 3, 7 and 8 are the highest purchasers of table wine at less than 30p
- decile 3 purchases more units of spirits at less than 30p than other income groups
Figure 6  Purchasing patterns by price band and income decile for off sales

6(a)  Beer

Number of units of beer purchased (off sales) by price band and income decile

6(b)  Lager

Number of units of lager (off sales) by price band and income decile
6(c) Table Wine

Number of units of table wine (off sales) by price band and income decile

6(d) Spirits

Number of units of spirits (off sales) purchased by price band and income decile
(ii) Proportion of cheaper alcohol purchased by income

In order to provide a clearer picture of which income groups purchase most of the cheaper alcohol, the amount of alcohol purchased at less than 30p and at less than 40p by each income group was expressed as a percent of the total purchased at less than 40p for each type of alcohol. The results are shown in figure 7. If all income groups purchased equal amounts of cheaper alcohol, then they would each purchase 10 percent of the total.

Thus, in figure 7, the bars which go above the 10 percent line show greater than average purchasing of cheaper alcohol. These are seen to be mainly in the middle to higher income groups, with the lowest two income deciles never exceeding 10 percent at either low price threshold. The percentages show much greater variation when the threshold is taken at 30p, reflecting the fact that there are a smaller number of observations included at this price level. Income decile 3 purchases more than average of beer and spirits.

Figure 7 Percentage of cheaper off sales alcohol purchased by income decile and beverage type

7(a) below 30p
(iii) Proportion of households purchasing cheaper off sales alcohol

Part of the explanation for the finding that low income groups are not the main purchasers of cheap alcohol is that fewer low income households are purchasers of alcohol at all. This was shown in table 2 for total alcohol purchases and figure 8 confirms this for individual alcohol products. The percentage of households in the lowest three income deciles making purchases in the reference period was less than the average for all four products. This aspect of the income gradient is most noticeable for table wine.
Summary

These data from the EFS suggest that the purchasing of low priced alcohol occurs across the income distribution. If anything, middle income groups appear to purchase more of the lower price alcohol. One potential explanation may be that these households have sufficient discretionary income to allow them to take advantage of discounted special offers. This cannot be tested with the data available, however. The tendency for middle and higher income groups to buy more low price alcohol is more noticeable in the price bands at 30p to 40p and 40p to 50p than in the price band below 30p. This may suggest that higher values for a minimum price (40p or 50p rather than 30p) will spread the effect more evenly across income groups.
Appendix  Equivalised income and household composition

The purpose of producing equivalised incomes for household is to make comparisons more meaningful as larger households would require a higher income to achieve the same standard of living as a smaller household. The EFS uses the McClements scale, shown below, to weight the household composition. The reference point is a two adult household, which has a weight of 1 (0.61 + 0.39).


McClements Equivalence Scale (Before Housing Costs)

<table>
<thead>
<tr>
<th>Position of household member</th>
<th>Equivalence value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cohabiting head of household</td>
<td>0.61</td>
</tr>
<tr>
<td>Partner/Spouse</td>
<td>0.39</td>
</tr>
<tr>
<td>1st additional adult</td>
<td>0.42</td>
</tr>
<tr>
<td>Subsequent adults</td>
<td>0.36</td>
</tr>
<tr>
<td>Single head of household</td>
<td>0.61</td>
</tr>
<tr>
<td>1st additional adult</td>
<td>0.46</td>
</tr>
<tr>
<td>2nd additional adult</td>
<td>0.42</td>
</tr>
<tr>
<td>Subsequent adults</td>
<td>0.36</td>
</tr>
<tr>
<td>Child aged: 16–18</td>
<td>0.36</td>
</tr>
<tr>
<td>13–15</td>
<td>0.27</td>
</tr>
<tr>
<td>11–12</td>
<td>0.25</td>
</tr>
<tr>
<td>8–10</td>
<td>0.23</td>
</tr>
<tr>
<td>5–7</td>
<td>0.21</td>
</tr>
<tr>
<td>2–4</td>
<td>0.18</td>
</tr>
<tr>
<td>Under 2</td>
<td>0.09</td>
</tr>
</tbody>
</table>

The income thresholds are shown below for gross and equivalised income deciles. The main differences in the income boundaries are that the lowest gross income decile has a higher threshold and the highest gross income decile has a lower threshold.

<table>
<thead>
<tr>
<th>Income decile</th>
<th>Gross weekly equivalised income</th>
<th>Gross weekly income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Up to £190</td>
<td>Up to £149</td>
</tr>
<tr>
<td>2</td>
<td>£191 to £256</td>
<td>£150 to £223</td>
</tr>
<tr>
<td>3</td>
<td>£257 to £334</td>
<td>£224 to £305</td>
</tr>
<tr>
<td>4</td>
<td>£335 to £409</td>
<td>£306 to £404</td>
</tr>
<tr>
<td>5</td>
<td>£410 to £492</td>
<td>£405 to £522</td>
</tr>
<tr>
<td>6</td>
<td>£493 to £587</td>
<td>£523 to £647</td>
</tr>
<tr>
<td>7</td>
<td>£588 to £698</td>
<td>£648 to £784</td>
</tr>
<tr>
<td>8</td>
<td>£699 to £866</td>
<td>£785 to £985</td>
</tr>
<tr>
<td>9</td>
<td>£867 to £1,162</td>
<td>£986 to £1,300</td>
</tr>
<tr>
<td>10</td>
<td>£1,163 and over</td>
<td>£1,301 and over</td>
</tr>
</tbody>
</table>

The figures below show the household composition for each income decile comparing the gross income deciles with the equivalised income deciles. The main differences are a reduced proportion of single pensioner households in the lowest income deciles and an increased proportion of households with children.