ADCA
Alcohol and other Drugs Council of Australia

ANPHA Issues paper:

Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol

14 August 2012

ABN: 39 008 455 525

ADCA Submission

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ADCA welcomes this opportunity to comment on ANPHA's issues paper *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol*.

ADCA is the national peak body representing the interests of the Australian non-government alcohol and other drugs sector (AOD). It works with government, non-government organisations, business and the community to promote evidence-based, socially just approaches aimed at preventing or reducing the health, economic and social harm of alcohol and other drugs to individuals, families, communities and the nation.

ADCA is a member of the National Alliance for Action on Alcohol (NAAA) and, as such, has provided input into the Alliance's comprehensive submission to this issues paper. ADCA supports entirely the points that NAAA raised in its submission but makes the following comments on the basis of its broader interest in the impact of alcohol and other drugs on public health in Australia.

Alcohol use in Australia

Alcohol is the most widely used drug in Australia and one of the most destructive. Current alcohol consumption levels in Australia are high by world standards (WHO 2008), with patterns of high risk drinking among young people and in some Aboriginal and Torres Strait Islander communities of particular concern. According to the 2010 Australian Institute of Health and Welfare National Drug Strategy Household Survey[i], one in five people over 14 consumed enough alcohol to put them at risk of harm from alcohol-related disease or injury during their lifetime, with 3.7 million people drinking alcohol in risky quantities[ii].

Next to tobacco, excessive alcohol consumption places people at the highest risk, with a direct link to diseases, motor vehicle, sports and recreational injuries, overdose, assault, violence, and intentional self-harm (NHMRC 2009[iii]; Chikritzhs et al 2003[iv]).

Nearly 3,500 Australians died due to complications from alcohol consumption in 2004/05 and over one million hospital bed days were directly attributable to alcohol consumption.[v] Between 1992 and 2001, an estimated 31,133 Australians died from risky alcohol use, 75 per cent of them male. Slightly less than a quarter of all deaths were from alcoholic liver cirrhosis. More people died from the acute than long term or chronic effects of alcohol, reflecting a more common pattern of drinking to intoxication[vi].

Occasional or weekend excessive drinking is known to pose the greatest risk in relation to alcohol-related violence, accidents, and injury, thus contributing exponentially to the overall social costs of alcohol misuse in Australia – a base figure of approximately $15 billion annually. The Alcohol Education and Rehabilitation Foundation [AERF – now the Foundation for Alcohol Research and Education (FARE)] estimates that an additional $14 billion per annum could be attributed to the tangible costs of harm to others and more than $6 billion to intangible costs. This places the true

annual cost of alcohol to society at around $36 billion.[vii] Harm from alcohol was responsible for 3.2 per cent of the total burden of disease and injury in Australia in 2003[viii].

Alcohol is invariably part of the rite of passage for young people attaining their majority. The National Drug Strategy 2010–2015 highlights that drinking alcohol in adolescence can be harmful to young people's physical and psychosocial development. Alcohol-related damage to the brain can impair memory and verbal skills, hamper the ability to learn, and lead to problems of alcohol dependence and depression.

Research suggests that an increase in the availability of alcohol leads to higher alcohol consumption and a corresponding increase in alcohol related harm. In contrast, decreases in alcohol availability result in lower consumption and reductions in harm. [ix]

Broad strategies to address alcohol related harm

Addressing alcohol related harm requires action on many fronts. One strategy alone is not enough. ADCA's priorities for addressing alcohol consumption to reduce the level of harm are:

1. *Pricing and taxation*

   Alcohol taxation is seen as one of the most cost-effective policy interventions to reduce the level of alcohol-related harms, including mortality, road crashes, violence and other crimes. The current system is complex and inequitable, resulting in a range of inconsistencies and disparities, and is not well suited to reduce social harm. It also encourages the production of low priced wine which contributes to a wide range of health and social problems. The introduction of a floor price, in conjunction with a volumetric taxation regime, would prevent alcohol retailers from undermining the effect of such a tax through heavy discounting and product bundling.

2. *Access and availability*

   Availability of alcohol has progressively increased over the years as liquor control laws have been deregulated. This has resulted in not only an increase in the trading hours of premises that sell alcohol but also in an increase in the number of outlets at which alcohol can be purchased. A link has been established between high densities of alcohol outlets and alcohol-related violence and extended trading hours and alcohol-related problems. Other evidence indicates that a reduction in these hours can contribute to a reduction in these problems (NAAA 2010). Governments at all levels should resource the collection and evaluation of data on alcohol outlets and sales and consumption to inform the development of policy and programs.

3. *Marketing and promotion*

   ADCA recommends that self-regulation of alcohol advertising and promotion is replaced with a system of alcohol advertising and promotion that is independent of the alcohol industry. In addition, restrictions should be imposed on the way alcoholic beverages are advertised and marketed, especially to young people, and the hours during which advertising of alcohol products is allowed. Sponsorship of sporting and other events by the alcohol industry should also be reviewed, with the aim of removing alcohol sponsorship from sporting events altogether.

ADCA supports other strategies that complement the broad thrust of the preceding suggested initiatives:

- Exemption of alcohol from National Competition Policy
- Encouragement of alcohol management plans/ liquor accords
- Collection of sales data to support decision making and policy development
- Further investment in Interventions and treatment
- Education programs and campaigns including awareness around the NHMRC alcohol guidelines
- Reduction in the secondary supply of alcohol to minors
- Campaigns against binge drinking and other harmful behaviour
- Controls on alcohol sponsorship and advertising, particularly where young people are exposed to promotional activities at sporting and social events, and
- Compulsory liquor product labelling to replace the voluntary industry regulated code.

Floor price discussion

Adjusting the price of alcohol is one of the most effective of all interventions in reducing alcohol consumption and related harm. Simply, the price goes up; demand comes down. A floor price is a simple concept that will:

- Raise the price of the cheapest alcohol
- Apply to all liquor lines
- Be easily promoted to all levels of society
- Target those who drink at harmful levels
- Work in conjunction with a reformed taxation regime to prevent liquor outlets discounting below cost on cheaper lines.

If a volumetric tax is adopted, a minimum floor price would also prevent alcohol retailers from undermining the effect of a volumetric tax through heavy discounting and product bundling.

The evidence

While alcohol is recognised as “no ordinary commodity”, we can learn from the experience of consumers to the price fluctuations of other commodities. One only has to look at the behaviour of consumers with price discounting associated with petrol, groceries, and retail items to recognise that if you reduce the price of a product, you will attract consumers to it. Retailers know this all too well which is why we see this activity continue. The better the deal, the more people are likely to buy. A floor price would work counter to that.

Beyond observation, there is good evidence to demonstrate that a floor price will work. A Canadian study[x] showed that both beverage-specific consumption and overall alcohol consumption were reduced—a 10% increase in the minimum price on a standard drink reduced aggregate alcohol consumption by 3.4%. The authors believe that this could be a conservative

estimate of the effect. For the minimum price argument to be more persuasive, the authors propose further studies on health outcomes such as hospital admissions and deaths[x] . A separate meta-analysis of 112 studies of tax and price on drinking returned even stronger results, reporting that a 10% increase in price was associated with a 5% decline in overall alcohol consumption[xi].

This has been borne out through initiatives in the Northern Territory where restrictions have at various times included bans on the sales of large wine casks and strict time constraints on when take away liquor can be sold.

Extensive research has been carried out internationally, showing that a floor price has far-reaching effects. The Canadian province of British Columbia has adjusted alcohol prices intermittently over the past two decades, with a study of the experience revealing that a 10 per cent increase in the retail price of alcohol reduced consumption by 4.4 per cent[xii].

In May 2012, Scotland became the first part of Britain to introduce a floor price, seeking to change its unhealthy relationship with drinking by addressing the fundamental issue of the availability of high-strength, low-cost alcohol. Scottish lawmakers had already banned discount deals such as two for the price of one on bottles of wine, restricted "irresponsible" drinks promotions and advertising around premises, and set a requirement for proof of age.

The European Region of the World Health Organization (WHO) has the highest proportion of total ill health and premature death due to alcohol in the world. WHO research shows the closeness of the relationship between a country's total alcohol consumption per capita and the prevalence of alcohol-related harm and alcohol dependence[xiii]. The overall social cost of alcohol to the EU is estimated to be €125 billion per year (about $146 billion)[xiv].

The European experience shows that the price of alcohol matters. If the price of alcohol goes up, alcohol-related harm goes down. Younger drinkers are affected by price, and heavy drinkers are more affected than light drinkers; were a minimum price established per gram of alcohol, light drinkers would hardly be affected at all. The more readily available alcohol becomes, the greater the harm, and there is strong evidence that the more alcohol is marketed, the greater the risk of harm.

Anderson and Baumberg[xv] (2006, p. 264) summarise the results of the international research thus: *An increase in the price of alcohol reduces alcohol consumption, hazardous and harmful alcohol consumption, alcohol dependence, the harm done by alcohol, and the harm done by alcohol to others than the drinker. The exact size of the effect will vary from country to country and from beverage to beverage. There is strong evidence for the effectiveness of alcohol taxes in targeting young people and the harms done by alcohol.*

Addressing elasticities and other price issues

Price is a major factor in Australians' uptake of alcohol[xvi] – as has already been shown in other parts of the world. Elasticity, the responsiveness of alcohol demand to price changes, is an inexact science with variations that often stem from societal and demographic factors. Simply explained, an elasticity of -0.46 in the price of beer would mean that a 10 per cent increase in the price would lead to a 4.6 per cent drop in consumption.

The ANPHA issues paper notes that elasticities vary by beverage type, country, population group etc. But it leaves the impression that differences in elasticities between beverages are stable. Not so. The elasticity of a particular beverage may vary over time in a particular society. Babor et al. (2010, p. 113) highlights Sweden, where spirits' elasticity was lowest in 1920-1951, but wine elasticity was lowest in 1984-2004. This illustrates that the most commonly used alcoholic

beverage has the lowest elasticity in a given society. While spirits were the dominant beverage in earlier times, the emphasis then shifted to beer and more recently to wine.

A University of Sheffield study in the UK that examined the effect of alcohol minimum pricing and off-licensed trade discount bans in Scotland found that raising levels of minimum pricing was increasingly effective. While low minimum price thresholds (e.g. 25p per unit) had little impact, the higher the minimum price threshold, the lower the numbers of alcohol-related hospital admissions and deaths. The study observed that a 30p threshold plus discount ban could be estimated to reduce annual hospital admissions by 3,700 at full effect, compared to 5,100 and 8,600 for 40p and 50p minimum price thresholds.

Researchers also investigated the incidence of mortality, finding that a 30p threshold plus discount ban was estimated to reduce annual deaths by 183 at full effect, compared to 249 and 427 for 40p and 50p minimum price thresholds respectively, the majority of them being harmful drinkers, or men and women consuming more than 50/35 units a week.

While we know that harmful drinkers will respond to changes in price, what is not clear is whether they are less responsive to changes in price than their more moderate peers. ANPHA's paper accurately describes findings of less elasticity for hazardous or harmful drinkers in point 27 on p. 12, point 28 on p. 13, referred to in point 55 on p. 19 and in the last three bullet points in point 58 on p. 21.

But these findings should be put in context. Studies of the effects of tax and price changes on the incidence of alcohol-related problems are more readily available (as noted in point 31) and reflect the behaviour of very heavy drinkers. From a public health viewpoint, the effects on such measures of harm are arguably more important than how buyer behaviour is affected.

There is a strong tradition of such studies (Cook, 2007[xvii]; Babor et al., 2010, pp. 122-124). Often the change in harm indicators is greater than variations in overall consumption levels, evidence that tax and price changes have more effect on the most at-risk heavy drinkers than on the wider imbibing population. This would explain a 17 per cent increase in alcohol-related sudden deaths in Finland (noted in point 31 of the issues paper) and a 46 per cent jump in alcoholic cirrhosis mortality to a one tenth increase in consumption that followed a 33 per cent drop in alcohol taxes (Mäkelä & Österberg, 2009)[xviii].

In considering the public health impact of policy decisions on matters like alcohol taxes, the focus should be on reducing health risks across population segments. Population-wide measures, such as taxation, are expected to represent the most cost-effective response in populations with moderate or high levels of drinking.

The "no" case

The ANPHA Issues paper raises the following proposed arguments against a floor price. Each is entirely refutable. ADCA supports the comments made by NAAA against these arguments and makes the following additional points.

A minimum price would adversely affect sensible, moderate drinkers

- Wholesalers and retailers won't need to increase prices other than for the cheapest alcohol lines
- Minimum pricing should only affect those who buy the cheapest products

A minimum price would adversely affect individuals/households with low incomes

- A minimum price will affect those households that purchase alcohol at harmful levels
- Work in the UK suggests that of those low income households who purchase alcohol for private consumption eg in the home, those most likely to be affected are those low income households that are purchasing at harmful levels[xix]

A minimum price would have little effect on heavy drinkers and young drinkers

- Research discussed elsewhere in this submission shows alcohol price increases lead to:
    - reduction in consumption by harmful drinkers,
    - reduction in consumption by young people, and
    - reduction in alcohol related crime.

The effects of minimum pricing would adversely affect retailers and trade

- Minimum pricing is more likely to improve profit margins than affect trade
- The impact of minimum pricing will likely depend on where in the supply chain it applies – at producer, distributor, wholesaler or retailer level, and
- The priorities in arguing for a minimum price for alcohol relate to public health and safety issues and reducing alcohol related harm, rather than industry profit margins.

Recommendations

ADCA believes that there is a strong case for a minimum price for alcohol. As mentioned earlier, adjusting the price of alcohol is one of the most effective of all interventions in reducing alcohol abuse and related harm. The introduction of a floor price, in conjunction with a volumetric taxation regime, would prevent alcohol retailers from undermining the effect of such a tax through heavy discounting and product bundling and reduce alcohol related harm.

The dual issues of an alcohol floor price and the alcohol taxation regime are complementary. Their application bears directly on public health and the huge annual cost to society of alcohol related harm.

ADCA supports the recommendations made in the NAAA paper and reiterates the need to consider the broad range of priorities identified earlier to effectively address alcohol related harm. NAAA recommends that:

1. An alcohol and pricing summit is convened, independent of alcohol industry participants, to develop the best approach for a minimum floor price
2. Independent modelling and policy consideration is conducted on the potential effects of minimum pricing on Australian retailers and trade for a balanced and evidence-based debate, albeit with the premise that preventing harms to the community must take precedence over the interests of the alcohol industry.

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3. ANPHA consider the following questions in the next round of consultation:
    a. At what level should a minimum (floor) price be set, taking into account considerations of effectiveness (i.e. not setting the price too low) and potential impact on trade (i.e. not setting the price too high)?
    b. Should a minimum price be introduced at a state or Commonwealth level, noting the challenges with achieving uniformity between States?
    c. Who should be responsible for enforcing a minimum floor price and how?
    d. How does introducing a minimum floor price interact with principles in National Competition Policy?

ADCA also recommends that in considering the case for a minimum price for alcohol, ANPHA gives overall priority to the public health issue of reducing alcohol related harm.

I would be pleased to discuss ADCA's response in more detail. Please contact Meredythe Crane (**meredythe.crane@adca.org.au** or 02 6215 9808) or Rob Gill (**rob.gill@adca.org.au** or 02 6215 9817) in the first instance.

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14 August 2012

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