

European status report on alcohol and health 2014

Pricing policies



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Background

The most common measure by which the public sector at the local, state or national level has affected the economic availability of alcoholic beverages is taxation in its different forms. These include, among others, setting excise duties or value added taxes on alcoholic beverages.¹ Raising taxes on alcohol has been listed as one of the three best buy interventions recommended by WHO to reduce harmful drinking and thus the burden of noncommunicable diseases.² Besides taxing alcoholic beverages, there are other measures affecting the economic availability of alcohol such as minimum prices for alcoholic beverages or regulation of discount prices.¹

When other factors remain unchanged, an increase in alcohol prices generally leads to a decrease in alcohol consumption, and a decrease in alcohol prices usually leads to an increase in alcohol consumption. A wide range of studies has shown that increasing the price of alcohol reduces both acute and chronic harm related to drinking among people of all ages. This kind of evidence indicates that heavy or problem drinkers are no exception to the basic rule that alcohol consumers respond to changes in alcohol prices.¹

Studies have found that increases in prices of alcoholic beverages disproportionately reduce alcohol consumption by young people, and also have a greater impact (in terms of alcohol intake) on more frequent and heavier drinkers than on less frequent and lighter drinkers. Changes in alcohol prices have also been found to influence drinking to the point of intoxication.¹

Strategies

The *European action plan to reduce the harmful use of alcohol 2012–2020*³ presents several policy options to manage the affordability of alcohol. These include:

- increasing alcohol taxes, with rates informed by elasticity and affordability data;
- introducing a legal minimum price per litre of alcohol; and
- restricting the use of direct and indirect price promotions, discount sales, sales below cost and flat rates for unlimited drinking or other types of volume sales.

¹ *Alcohol in the European Union. Consumption, harm and policy approaches*. Copenhagen, WHO Regional Office for Europe, 2012.

² *From burden to “best buys”: reducing the economic impact of noncommunicable diseases in low- and middle-income countries*. Geneva, World Economic Forum, 2011.

³ *European action plan to reduce the harmful use of alcohol 2012–2020*. Copenhagen, WHO Regional Office for Europe, 2012.

Methods

This chapter presents the results from the WHO survey on alcohol and health, carried out during the period February–December 2012. Unless otherwise noted, the responses reflect the policy situation in each Member State as at 31 December 2011. The survey was sent to the WHO national focal points for alcohol policy in each Member State, to be completed in consultation with various national experts. All 53 Member States of the WHO European Region participated in the survey.

Results

All Member States reported that excise duty is levied on spirits, and all but one Member State reported that excise duty is levied on beer.⁴ However, 12 Member States do not have an excise duty on wine.⁴ Thirteen Member States reported that the level of excise duty is regularly adjusted for inflation. Except for in two Member States, alcoholic beverages are subject to value added tax above 0%, with the rates varying from 8% to 30%⁵ (Table 1).

Table 1. Number of Member States implementing price and tax measures

PRICE AND TAX MEASURES	NO. OF MEMBER STATES (N=53) ^a
Value added tax on alcoholic beverages of 0%	2
Value added tax on alcoholic beverages of 8–12%	2
Value added tax on alcoholic beverages of 15–20%	30
Value added tax on alcoholic beverages of 21–25%	14
Value added tax on alcoholic beverages of 27–30%	3
Level of excise duty adjusted for inflation	13 ^{b,c}
Ban on below-cost selling	3
Ban on volume discounts	3
Additional levy on specific products	5
Requirement to offer non-alcoholic beverages at a lower price	4
Other price measures to discourage underage drinking or high-volume drinking	1

^a No information provided on value added tax for two Member States.

^b In the Republic of Moldova, the level of excise duty is adjusted for inflation only for beer and spirits.

^c In Tajikistan, the level of excise duty is adjusted for inflation only for wine and spirits.

A few Member States reported using price measures other than taxation. At the end of 2011, Germany, Sweden and Uzbekistan prohibited below-cost selling (selling for a price less than the production cost). Finland, Iceland and Sweden prohibited volume discounts (such as

⁴ No information provided for one Member State.

⁵ No information provided for two Member States.

two-for-one offers) (Box 1). Five Member States reported that they made an additional levy on specific products, such as alcopops and other ready-to-drink mixtures (Table 1).

Box 1. Regulation of volume discounts in Finland

Before 2008, the pricing of alcoholic beverages was not specifically regulated in Finland. Competition in the beer market, which is outside the government monopoly, had been fierce. Due to price competition, it was common that one can of beer cost €1 but a 12-pack cost only €9. Before weekends and public holidays, big supermarkets had only one advertisement to attract customers: "Only today – a 12-pack of beer €7". Restaurants also had special discounts; for example, during "happy hours" one beer or cocktail would cost half the normal price.

Volume discounts and happy hours were considered to promote excessive drinking. The constitution did not allow the government to interfere with the pricing decisions of private shops, markets and restaurants. Restrictions on sales below cost were not feasible, as costs vary and can be manipulated. Some amendments were, however, possible.

In 2008, a ban on volume discounts was introduced. It is now forbidden to offer several packages or servings of alcoholic beverages at a reduced joint price. Mass media advertising for short-term discount prices or happy hours was also banned: the price may only be advertised if it stays the same for at least two months. Both bans apply to shops, markets and restaurants.

After the ban on volume discounts, shops did not raise the price of 12-packs. Instead, they were forced by law to reduce the price of one can to equal the price of one can in the 12-pack. After the restriction on discount advertising, shops extended special prices to last two or three months. The introduction of these bans illustrates the pros and cons of market regulation. The reaction of producers and retailers to regulation of the pricing of multipacks led to the price of one beer being reduced by over 40%, allowing, for example, young people to buy more cans for the little money they have. The wildest discounts and loss leaders have practically disappeared but, in general, discount prices have now been extended to last two months.

The lesson is that the most rational way of regulating alcohol prices is taxation. The government has now raised alcohol excise duties four times in four years: all prices (both normal and discounted) have gone up, tax income has increased by €400 million and the total consumption of alcohol has decreased by 8%.

Source: Mr Ismo Tuominen, Department for Promotion of Welfare and Health, Ministry of Social Affairs and Health, Finland.

Estimates of the average retail prices of beer, wine and spirits by Member State are in Annex 1.

At the time of the survey, Belarus, Kyrgyzstan, the Republic of Moldova, the Russian Federation and Ukraine reported imposing a minimum retail price on alcoholic beverages. In the United Kingdom (Scotland), legislation has been passed for the introduction of a minimum pricing policy (Box 2).

Box 2. Minimum unit pricing for alcohol in the United Kingdom (Scotland) and generally

In 2012, the Scottish Parliament passed legislation to set a minimum unit price for alcohol of 50p (€0.60). This sets a floor price below which a given quantity of pure alcohol cannot be sold (1 unit=10 ml or 8 g). The government of the United Kingdom has since announced it also intends to introduce a minimum unit price for England & Wales. As the price of alcohol falls, so consumption rises and, as a result, so does alcohol-related harm. In the United Kingdom as a whole, both the affordability and availability of alcohol have increased in recent years, particularly driven by off-sales. In the United Kingdom (Scotland), alcohol consumption has risen by 10% since 1994; in 2011, 11.2 litres of pure alcohol were sold for every adult. This rise in consumption has been mirrored by an increase in alcohol-related harm.

Since the 1980s, alcohol-related hospital admissions have quadrupled and alcohol-related deaths have more than doubled, with chronic liver cirrhosis mortality rates some of the highest in western Europe. A minimum unit price is part of a Scottish strategy introduced in 2009, with over 40 measures at both population and individual level in line with those recommended by WHO as effective alcohol policy. Econometric modelling of a minimum unit price shows that consumption would fall more in heavy drinkers, as they tend to drink more cheap alcohol. It would have little impact on moderate drinkers. Emerging research findings on the minimum pricing systems in Canada show the first empirical evidence of the effectiveness of a minimum unit price. One study found that a 10% increase in minimum prices reduced overall consumption by an estimated 8.4%.

The effects of minimum pricing are also seen at the level of overall consumption because heavy drinkers account for a large part of all alcohol consumed. Another study showed that a 10% increase in the average minimum price for all alcoholic beverages was associated with an estimated 32% reduction in deaths wholly attributable to alcohol. The minimum unit price effectively targets those individuals who will benefit most from a reduction in consumption.

Source: Dr Lesley Graham, Information Services Division, NHS National Services, Scotland.

Conclusion

The *European action plan to reduce the harmful use of alcohol 2012–2020*³ proposes a portfolio of policy options and strategies to reduce the affordability of alcohol. Possible options include increasing alcohol taxes, introducing proportionately higher taxes on products with a higher alcohol concentration or incentives on lower-alcohol versions of products, and establishing a minimum price per litre of pure alcohol. In the 2012 WHO survey on alcohol and health, all responding Member States reported that they had imposed excise duties on spirits, and all but one Member State reported imposing excise duties on beer. Value added tax is charged in all Member States except for two, with rates varying from 8% to 30%. Five countries reported imposing a minimum retail price on alcoholic beverages, and in the United Kingdom (Scotland), legislation for the introduction of a minimum pricing policy has been adopted but not yet implemented. In 13 countries, the level of excise duty is regularly adjusted for inflation.

Another option is to add special taxes to products that are especially attractive to young consumers. Five countries have introduced additional taxes on alcopops and similar beverages.

Other strategies to reduce the harmful use of alcohol include banning below-cost selling and volume discounts, offering non-alcoholic beverages at a lower price and introducing other

price measures to discourage underage drinking or high-volume drinking. Between one and four countries reported using each of these strategies (Table 1).

ANNEX 1

Respondents were asked to give an estimate of the average retail price for various alcoholic beverages. The figures below represent the focal points' best estimates of the average price (in €) for 50 cl beer, 75 cl table wine, 70 cl local spirits and 70 cl imported spirits. Since, in most cases, the figures provided by the focal points are based on estimates and not official statistics, they are presented here only to illustrate the wide variation in retail prices among Member States (Figs. 1.1–1.4).

Fig.1.1. Retail price in € for 50 cl beer (n=46)

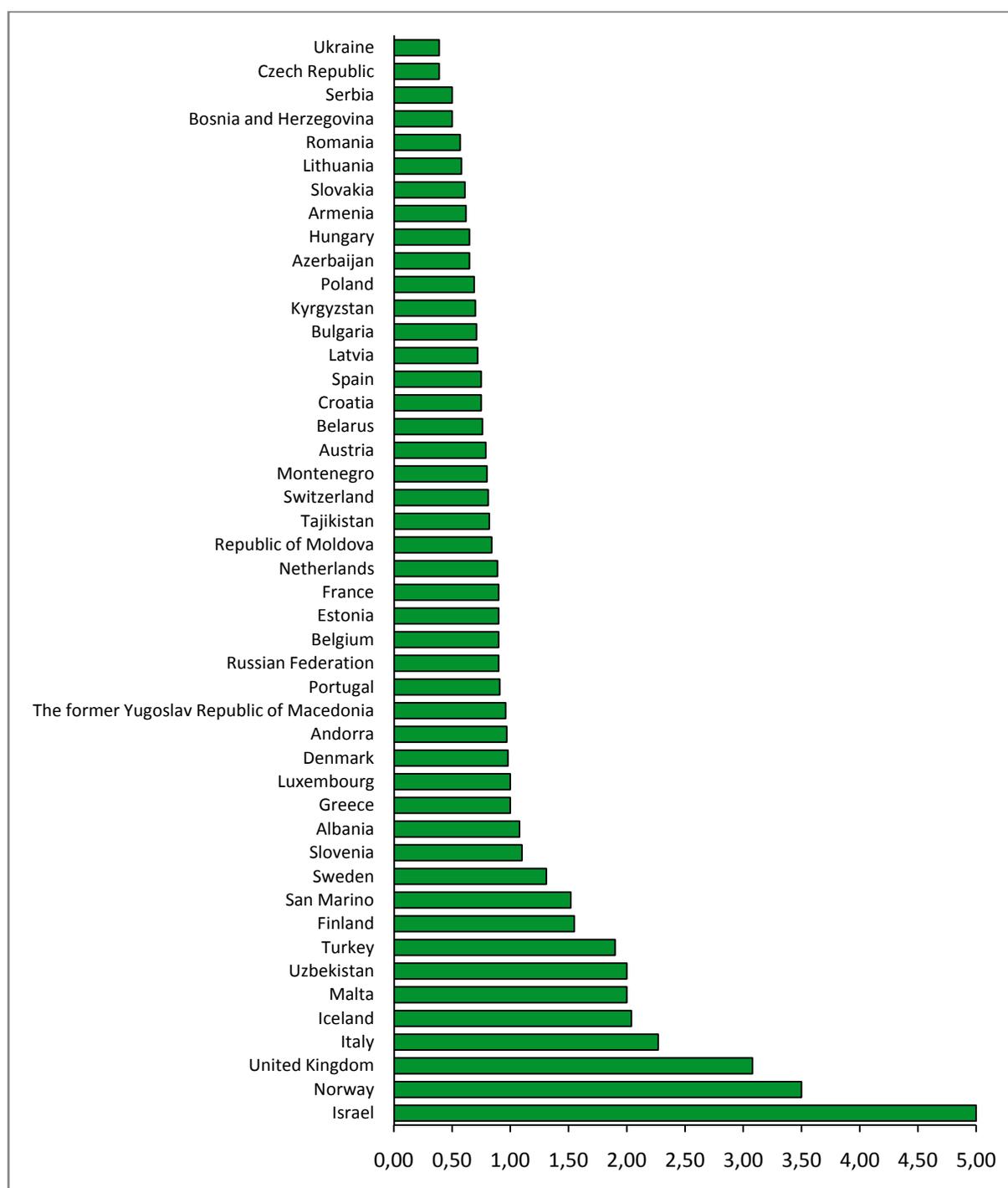


Fig.1.2. Retail price in € for 75 cl table wine (n=46)

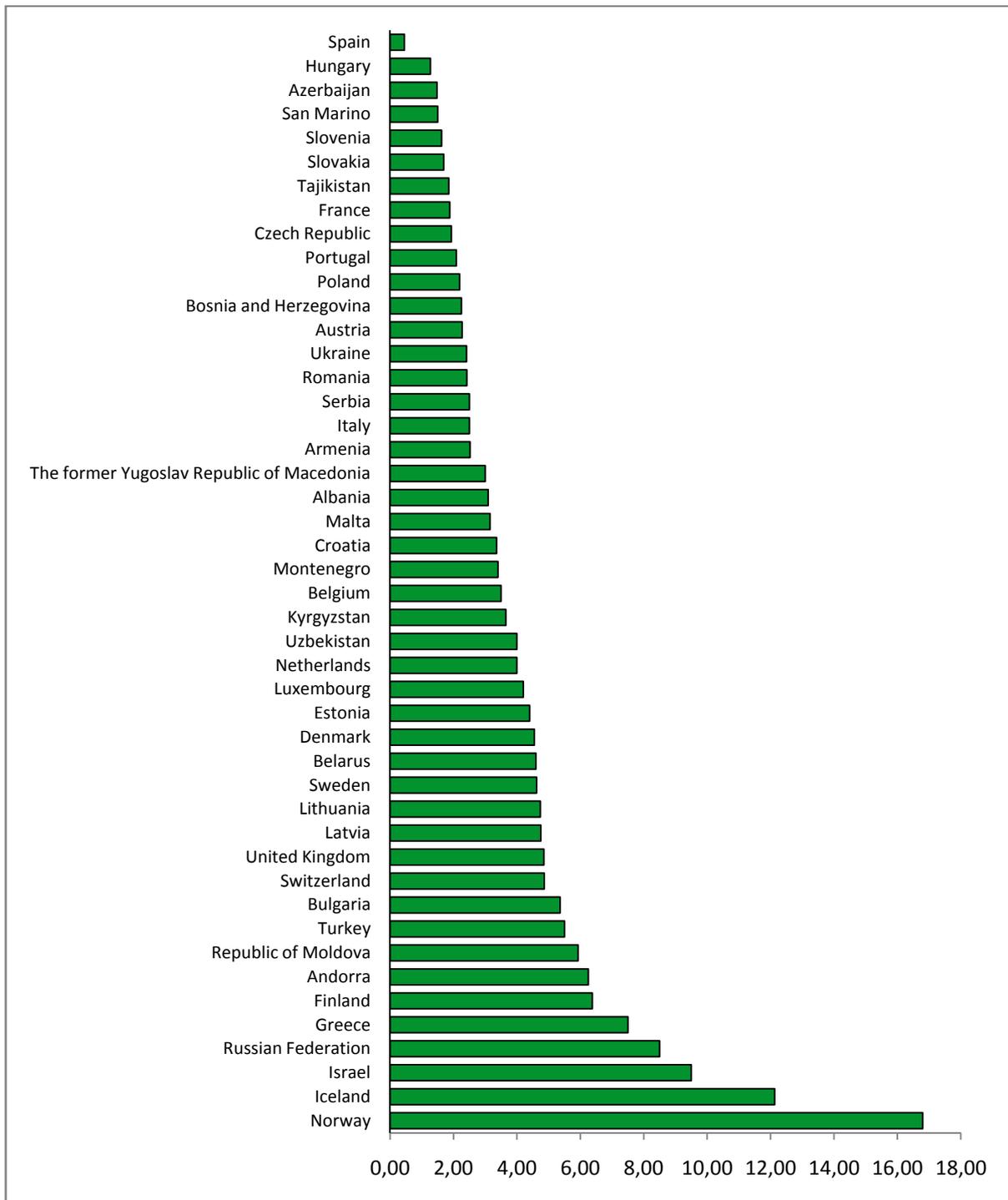


Fig.1.3. Retail price in € for 70 cl spirits (local brand) (n=43)

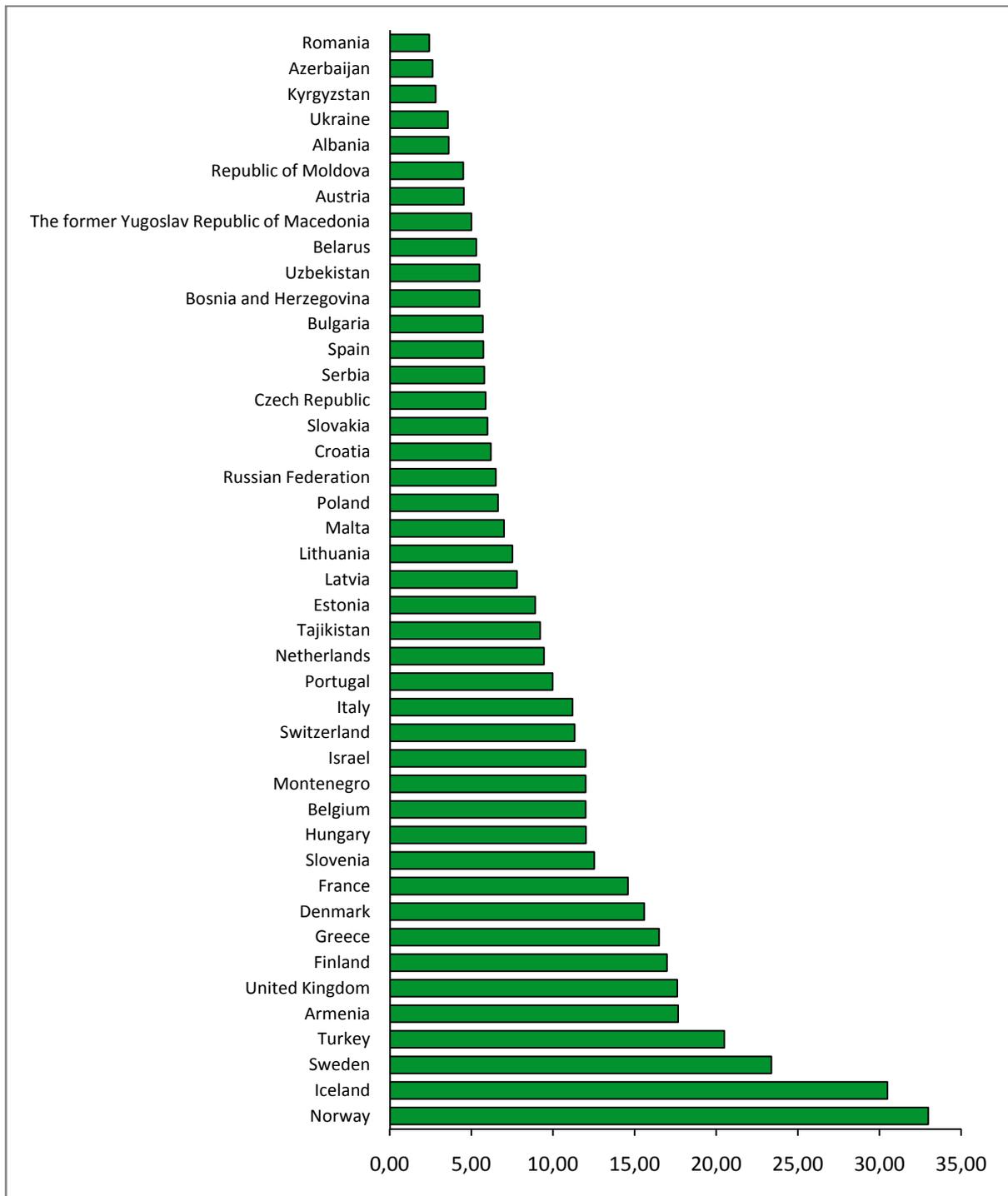


Fig. 1.4. Retail price in € for 70 cl spirits (imported brand) (n=44)

