



**Scottish Health Action on Alcohol Problems (SHAAP) response to UK government on 'Alcohol structures consultation', 23 May 2017**

**Introduction**

Scottish Health Action on Alcohol Problems (SHAAP) welcomes the opportunity to comment on the proposed measures to introduce a new still cider and perry band below 7.5% abv. SHAAP provides the authoritative medical and clinical voice on the need to reduce the impact of alcohol related harm on the health and wellbeing of people in Scotland and the evidence-based approaches to achieve this.

SHAAP was set up in 2006 by the Scottish Medical Royal Colleges through their Scottish Intercollegiate Group (SIGA) and it now resides as a project within the Royal College of Physicians of Edinburgh (RCPE). SHAAP is advised by a Steering Group made up of members of the Royal Colleges and Faculties in Scotland.

SHAAP works in partnership with a range of organisations in Scotland and beyond. Key partners include Alcohol Focus Scotland, the British Medical Association (BMA), the Scottish Alcohol Research Network (SARN), the Alcohol Health Alliance, the Institute of Alcohol Studies, Eurocare and the European Public Health Alliance (EPHA).

**Background**

Scottish Health Action on Alcohol Problems (SHAAP) welcomes and supports the proposal to introduce a new still cider and perry band below 7.5% abv. SHAAP has long campaigned for the introduction of Minimum Unit Pricing (MUP) in Scotland because it believes that raising the price of alcohol, along with marketing restrictions and licensing regulation, is the best means of reducing consumption.

In 2012, the previous UK coalition government introduced their Alcohol Strategy which acknowledged that the price of alcohol has a significant impact on how much people drink. The Government pledged to take evidence-based action and introduced a ban on below-cost selling of alcohol. This measure is estimated to affect less than 1% of alcohol products and to be 40-50 times less effective than MUP. Alongside this, there has been a series of cuts to alcohol duty and the alcohol duty escalator was scrapped – the escalator increased alcohol duty by 2% above inflation. It is therefore very welcome that the Government is consulting on the introduction of a new tax band targeting higher-strength ciders which would raise the price of these products.

Price matters because it influences consumption. Alcohol is 60% more affordable today than it was in 1980. The latest sales figures show that enough alcohol is sold in England and Wales for every drinker to consume an average of 22 units per week, far higher than Chief Medical Officers' new

weekly low-risk guidance of 14 units. In Scotland it is even higher at almost 25 units per week. The harms related to cheap alcohol are far-reaching. It is estimated that alcohol misuse costs the NHS £3.5 billion every year, equivalent to £120 for every UK taxpayer. The cost to wider society is even greater at around £21 billion. We are all paying the price of cheap alcohol in pounds and lives.

Research published by the Alcohol Health Alliance ('Cheap alcohol: the price we pay', October 2016) found that cheap alcohol is prevalent across the UK and little has changed in the past five years. The lowest reported price per unit was 16p for white cider, meaning that the CMO drinking guidelines of 14 units per week could be purchased for just £2.24. Recent research conducted by the Alcohol Health Alliance found that 7½ litres of white cider could be purchased for the price of a cinema ticket! So any action which increases the price of the most harmful drinks is welcome.

### **Our response to consultation questions**

In this response, we would like to expand on the questions provided in the consultation as follows:

#### **1. Do you agree that there is a case for a new still cider and perry band below 7.5% abv?**

SHAAP strongly agrees with the UK government that alcohol duties should be related to the strength of alcohol of the product and that consequently there is a very strong case for introducing a new still cider and perry band below 7.5% ABV. Within the constraints of the current duty system, this is likely to be the most effective way of using tax to address the proliferation of cheap, high strength 'white' ciders that are disproportionately associated with harmful and street drinking.

In recent years doctors, psychiatrists, outreach teams and charities have increasingly expressed concern about cheap, high-strength ciders. These drinks are the cheapest products on the market on a per unit basis, and as a result, they are overwhelmingly favoured by those seeking alcohol at the cheapest possible price – often harmful, street and underage drinkers.

The price of white cider is low due to an anomaly in the tax system. There are two reasons for this anomaly. First, cider is taxed at a lower level than any other drinks category. Second, cider is taxed by volume, rather than alcohol content, thus meaning that stronger drinks within the same duty band are taxed at the same price. The duty bands are 1.2-7.5% and 7.5-8.5%. The first band is wide, and as cider is taxed by volume, there is no variation within the band, which incentivises the production and subsequent consumption of higher strength ciders.

Over the past twenty years, white ciders have gained increasing prominence as a 'drink of choice' for harmful and dependent drinkers. 25% of alcohol treatment services patients in Glasgow and Edinburgh drink white cider, and of these 45% drink it exclusively.<sup>1</sup> An Alcohol Concern survey has found that 50% of homeless white cider drinkers drink more than 3 litres a day, with 42% of respondents saying they have drunk it for more than 10 years<sup>2</sup>.

High strength cider plays a particularly damaging role in the consumption patterns of heavy drinkers, with many seeing it as a 'buffer drink', allowing them to maintain their level of consumption even through financial setbacks.<sup>3</sup> Increasing the price of high-strength cider would to some extent remove this 'buffer', and so encourage harmful drinkers to cut down when their money begins to run out.

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<sup>1</sup> Black, H. et al (2014) *White Cider Consumption and Heavy Drinkers: A Low-Cost Option but an Unknown price*. Alcohol and Alcoholism 49:6, pp675-80

<sup>2</sup> Goodall, T. (2011). *White Cider and Street Drinkers: Recommendations to reduce harm*. London: Alcohol Concern.

<sup>3</sup> Black, H. et al, *op. cit.*

White ciders, particularly 'Frosty Jacks', have been consistently found to be among the top drinks chosen by young people who are known to have alcohol-related problems.<sup>4</sup> Younger underage drinkers appear to particularly favour cider. According to Alcohol Concern: "*Cider, which is sweet and cheap, is the most frequent type of drink consumed by children under 15 years old*".<sup>5</sup>

Harmful drinkers appear to account for the vast majority of white cider sales. A recent academic analysis applied the rates of strong cider consumption found among drinkers hospitalised with alcohol-related diagnoses and those in alcohol-treatment services to the estimates of the total population of these groups in Scotland, though there is little reason to suspect the results would be different for the rest of the country. It concluded that "most, if not all, customers of the cheap strong cider industry are dependent, and possibly ill, drinkers".<sup>6</sup>

These results fit with popular perceptions of white cider. White cider is invariably seen as poor quality, and is sought almost exclusively because of its price. It is associated with desperation, and in particular, street drinking, as evidenced by the common nickname 'tramp juice'.<sup>7</sup>

There is little evidence of mainstream consumers drinking white cider and there is widespread public support for higher taxation of alcohol.

**2. Where do you think the lower threshold should be set? Please provide evidence to support your answer. We would also welcome any evidence about reducing the alcohol content of ciders.**

We believe that the lower threshold of the new duty band should be set at 5.5% ABV. More generally, in terms of the different approaches proposed in the consultation, we believe that the new duty rate should be wide. It should *primarily* aim to raise the price of strong white cider, rather than to encourage strong cider producers to reformulate. We do not believe that encouraging reformulation of strong white ciders should be the main policy objective because this is likely to result only in modest changes to products and to levels of alcohol consumption. By contrast, raising the price of high strength cider, particularly if the increase were substantial, has the potential to radically alter the structure of the alcohol market. Since high strength cider is the cheapest product on the market by some distance, a meaningful increase in its price would significantly reduce the amount of alcohol that is affordable to harmful drinkers, and so reduce their consumption.

A wider duty band would effectively target the most harmful products on the market with minimal effects on more mainstream products. As the chart below shows, the most popular ciders are typically 4-5% ABV. While there are a small number of mainstream products that are in the 5-6% range, these should be close enough to the boundary to be encouraged to reformulate to lower strength by a wide band.

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<sup>4</sup> See, for example: Alcohol Concern (2015). *Alcohol brands consumed by young people in treatment 2015*. Available at [http://www.alcoholconcern.org.uk/wp-content/uploads/2015/06/Alcohol-Brands\\_Young-People.pdf](http://www.alcoholconcern.org.uk/wp-content/uploads/2015/06/Alcohol-Brands_Young-People.pdf); Alcohol Concern (2013). *Alcohol brands consumed by under-18s in contact with young people's drug and alcohol services*; Alcohol Concern (2012). *Alcohol brand consumption by 'at risk' underage drinkers: consumptive behaviours of under-18s in contact with Drug and Alcohol Services*.

<sup>5</sup> Alcohol Concern (2015), op. cit., p3.

<sup>6</sup> Chick, J. et al (2016), Strong cider sold in Scotland appears to be almost exclusively for dependent drinkers, *Clinical Medicine* 16:4, p398.

<sup>7</sup> Brown, M. (2012), 'Tramp juice' makers Aston Manor reject pricing claims, *Chronicle Live* (27 November). Available from: <<http://www.chroniclelive.co.uk/news/north-east-news/tramp-juice-makers-aston-manor-1375311>>. [Accessed 8 December 2016].



As important as setting the right threshold is ensuring that the duty rate is set appropriately. To significantly reduce white cider consumption, the duty rate must be significantly increased. A guide for setting a new white cider duty rate could be the current rate applied to beer of similar strength (as noted, 7.5% ABV cider duty is currently a third of beer duty).

As a general principle, we hope that the government will seek to ensure that products in higher strength duty bands are always charged a higher rate of duty than those in lower strength duty bands.

This principle has implications for the 7.5-8.5% duty band as well. 8.5% cider is currently taxed at 7.2p per unit. Should the new proposed rate of duty on 7.5% cider exceed this level, we would expect the duty on 8.5% cider also to rise, so as to ensure the top rate of duty remains the highest. It would clearly be counterproductive if the new band were to encourage the production of ciders over 7.5% ABV because increases in duty in this category did not keep up with reforms elsewhere.

### 3. In volume terms, how does the still cider market breakdown by strength in 0.1% abv increments?

While we do not have access to such a detailed market breakdown, we do know from NHS Scotland's Monitoring and Evaluating Scotland's Alcohol Strategy (MESAS) project that 'strong cider' accounted for 18% of all cider sales in England, and 21% of all sales in Scotland in 2015.<sup>8</sup> The MESAS data draws on the best available market research sources.

### 4. We would welcome evidence on the impacts a new still cider and perry band could have. This includes, but is not limited to, the impacts on: (1) businesses, (2) consumers, and on (3) public health.

1) Large parts of the alcohol industry also appear to have recognised the harms associated with high strength ciders. Heineken executives withdrew White Lightning, then the market leader, from the market after a visit to a homeless charity Thames Reach hostel.<sup>9</sup> The major supermarkets do not stock the product. We call on the alcohol industry to share sales data as part of the evaluation process.

<sup>8</sup> NHS Health Scotland (2016), op. cit.

<sup>9</sup> Goodall, T. op.cit., p8.

2) As outlined above, the existence of a market for white cider is almost exclusively attributable to its cheapness. A cider of 7.5% ABV attracts the lowest level of duty of any alcohol product at any strength. For example, a 500ml can of 7.5% cider generates 19p duty; this is less than a third of the duty on a can of beer of equivalent size and strength (69%). Since the same per litre tax rate is applied to all ciders between 1.2% and 7.5% ABV, this means that duty per unit is actually lower for higher strength products. A new duty band for high strength ciders between 5.5% and 7.5% and below would go some way to reducing these perverse incentives.

The best available evidence suggests that white cider drinkers are highly influenced by price. Alcohol Concern has found that though “It is often argued that raising prices would not change the drinking habits of this group, it was very apparent during interviews that most of them have a very detailed knowledge of price variations”.<sup>10</sup>

3) Harmful alcohol consumption comes at a major cost to public health, but also wider society.

Raising the price of alcohol is widely recognised as one of the most effective ways to address alcohol harm.<sup>11</sup> The new cider duty rate should push up the price of the cheapest products on the market, with the consequence that the most harmful drinkers will be able to purchase and consume less for their money. This, in turn, should reduce death and illness from alcohol and associated social harms.

## **5. Would a new band for still wine above 5.5% up to 8.5% ABV encourage innovation in the lower strength wine market?**

Previous steps to encourage lower strength alcohol through the duty system have met with modest success. For example, sales of low and no alcohol beer rose by 33% in England and Wales between 2010 and 2012, apparently driven by the introduction of a lower rate of duty for beers between 1.2% and 2.8% ABV in October 2011.<sup>12</sup> However, as of 2015, they still accounted for only 0.1% of the market.<sup>13</sup>

Some Australian states have been extremely successful at using tax incentives to promote lower strength beer, with regular strength (>3.8% ABV) beers levied additional wholesale taxes of over 10% of retail price since the 1980s.<sup>14</sup> This encouraged a thriving market for low and mid-strength beer, which have come to account for 18% of total beer sales.<sup>15</sup> Abolition of the sale of medium strength beer in Swedish grocery stores in 1977 led to lower alcohol consumption and alcohol-related harm.<sup>16</sup>

One small survey (sample of 120) from 1994 found that 27% of UK consumers were open to low alcohol wine, while 54% rejected it.<sup>17</sup> More recent research suggests that there remain a number of consumer barriers to trying lower alcohol wine, including perceptions of lower quality and taste, low

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<sup>10</sup> Goodall, T. op.cit.

<sup>11</sup> World Health Organization (2013), *Global Action Plan for the prevention and control of noncommunicable diseases 2013-2020*

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

<sup>14</sup> Stockwell, T. & Crosbie, D. (2001), Supply and demand for alcohol in Australia: relationships between industry structures, regulation and the marketplace, *International Journal of Drug Policy* 12:2, pp139-52.

<sup>15</sup> Australian Bureau of Statistics (2015), Apparent Consumption of Alcohol, Australia, 2013-14. Available from: <<http://www.abs.gov.au/ausstats/abs@.nsf/Latestproducts/4307.0.55.001Main%20Features22013-14?opendocument&tabname=Summary&prodno=4307.0.55.001&issue=2013-14&num=&view=>>>. [Accessed 29 March 2017].

<sup>16</sup> Jones, L. & Bellis, M.A. (2012), Can promotion of lower alcohol products help reduce alcohol consumption? A rapid literature review. Liverpool: North West Public Health Observatory.

<sup>17</sup> Saliba, A.J. et al (2013), Consumer demand for low-alcohol wine in an Australian sample, *International Journal of Wine Research* 5, pp1-8.

awareness and a lack of direct concern regarding alcohol content.<sup>18</sup>

**6. We would welcome evidence on non-tax barriers to the growth of the lower-strength wine market.**

We call on the alcohol industry to share consumer attitude data as part of the evaluation process.

**7. We would welcome evidence on the current and future performance of the lower-strength wine and made-wine markets, including information on volumes sold.**

MESAS data indicates that 0.5% of all wine sold in England and Wales (0.4% in Scotland) in 2015 was 'low alcohol', though the precise definition of this category is unclear.<sup>19</sup>

Regarding "made wines," the HMRC definition is a very broad one. There has been a recent development of so-called "fusion brands" in the UK which are described as "alcoholic mixed beverages with fruit extracts." The development of this kind of new category, which may come into the "made wine" category needs to be monitored. A reduction in made wine duty may encourage new low cost products at up to 8.5% similar to the ciders which have caused substantial problems in recent years.

There needs to be a thorough evaluation of this category, particularly if there is a reduction in duty. Information on sales trends and consumer insights from the drinks industry will be central to this and a mechanism should be established to make this part of the evaluation.

So although this sounds like an appealing measure to encourage lower strength wine, caution is indicated that it doesn't end up as an opportunity for the wine, and made-wine manufacturers to develop new low-cost products to fill the 3-litre, 7.5% abv market gap left by 'Frosty Jacks' et al. There are many parts of the world where wine is the dependent drinker's drink of choice because of cheapness and this could easily happen in the UK, if the price was right. So the wine band needs to be pitched high enough to prevent this. Even if the duty was halved for 8.5% wine, a 3L bottle would be around £7 with VAT, making it very cheap in comparison to average strength wine(11-13%)

**8. We would also welcome evidence on the practicalities of reformulation for wine and made-wine producers.**

Nothing to add.

**9. The government would welcome evidence on the impacts of introducing a new band on: (1) businesses, (2) consumers, and (3) public health.**

The effectiveness of encouraging lower strength alcohol as a policy for reducing alcohol-related harms is unproven, but worth exploring. Its success depends, first, on consumers who switch from higher to lower strength products not increasing their volume consumption, though one recent academic review suggested that this phenomenon is "implausible and largely theoretical", with little

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<sup>18</sup> Bruwer, J. et al (2013), Lower alcohol wines in the UK market: some baseline consumer behaviour metrics, *British Food Journal* 116:7, pp1143-61.

<sup>19</sup> NHS Health Scotland (2016), op. cit.

evidence of it in randomised trials.<sup>20</sup> However, it also depends on lighter drinkers not increasing their consumption. There is also a danger that consumption of lower strength products is additive rather than substituting for higher strength products. Thus the net health effects of a new band of duty on lower strength wine are ambiguous, but potentially positive.

**10. If the government decides to introduce a new still wine band, should the new duty band also be applied to still made-wines?**

Yes, for reasons given in answer to Q.7

**11. What impacts would a new still made-wine band have?**

We believe that for the reasons given in answer to Q.7 it could provide added incentive to purchase more wine as it would be cheaper, and we know that price is a significant factor in drinkers' purchasing behaviour.

**12. Do you think introducing a new still wine and made-wine band could create adverse incentives for producers to increase their alcohol strength of some of their drinks? If so, how large an effect would you expect this to be?**

Nothing to add.

**13. Are there any other factors that the government should consider in relation to a new duty band for wine and made-wine?**

Nothing to add.

## **Conclusion**

The effectiveness of using tax and pricing mechanisms to control consumption is well recognised and these were seen as effective interventions for reducing alcohol-related harm by the World Health Organisation (WHO) and OECD. SHAAP recognises that there is widespread public support across individual politicians, political parties, charities and advocacy organisations striving to reduce alcohol harm and harmful consumption in society. In Scotland, the Minimum Unit Pricing Bill in 2012 was passed with cross-party support and the MUP policy commands a majority of public support in Scotland.

Public health groups, including Alcohol Focus Scotland, BMA Scotland, Scottish Families affected by Alcohol and Drugs, the Institute of Alcohol Studies, Alcohol Concern and the rest of the Alcohol Health Alliance have been calling for action on white cider for a number of years.<sup>21</sup>

The Institute for Fiscal Studies has recommended action be taken on "the very low levels of duty charged on strong cider",<sup>22</sup> and has proposed that the optimal rate of cider duty (averaged across all

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<sup>20</sup> Rehm, J. et al (2016), Evidence of reducing ethanol content in beverages to reduce harmful use of alcohol, *Lancet Gastroenterology & Hepatology* 1:1, pp78-83.

<sup>21</sup> Alcohol Health Alliance (2015), Budget 2015: The Alcohol Health Alliance's position on taxation. Available from: <<http://ahauk.org/wp-content/uploads/2015/03/AHA-Policy-Position-Alcohol-Duty.pdf>> [Accessed 23 March 2017]; Goodall, T., op. cit.

products, not just high strength) should be 25p per unit – more than five times the current level of 7.5% ABV products.<sup>23</sup>

50% of white cider drinkers themselves favour raising the price of the product<sup>24</sup> and the new duty band would be popular with the general public, with 66% of British people agreeing that taxes should be increased on high strength ciders.<sup>25</sup>

### **Contact**

For further information please contact Felicity Garvie, Policy Officer, SHAAP; shaap@rcpe.ac.uk or 0131 2476 3667.

For more information about SHAAP, please visit <http://www.shaap.org.uk/>

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<sup>22</sup> Levell, P. et al (2016), Excise duties, *The IFS Green Budget*, p201. Available:

<<http://www.ifs.org.uk/uploads/gb/gb2016/gb2016ch9.pdf>>. [Accessed 20 December 2016].

<sup>23</sup> Griffith, R. et al (2017), Design of optimal corrective taxes in the alcohol market. *IFS Working Paper W17/02*, p30.

<sup>24</sup> Goodall, T. op.cit., p16.

<sup>25</sup> AHA Opinion Polling 2016