

Alcohol: minimum pricing could decrease consumption, while increasing industry revenue by 68%

March 12 2009

(PhysOrg.com) -- A leading Scottish health economist will today present new data which will show that the alcohol industry in Scotland could experience an increase in revenue even if the Scottish Government's proposals to introduce a minimum price per unit of alcohol in Scotland resulted in a 30% reduction in consumption of low priced alcohol products.

Prof Anne Ludbrook, of the Health Economics Research Unit, University of Aberdeen, will be speaking at a major conference convened by the Royal College of Physicians of Edinburgh and the Faculty of [Public Health](#) examining evidence-based public health measures in the areas of [alcohol](#), smoking and diet.

Minimum pricing for a unit of alcohol has proven to be one of the most controversial measures contained with the Scottish Government's recent proposals to reduce excessive [alcohol consumption](#). In particular, the alcohol industry and retailers' representative bodies have claimed that the introduction of minimum pricing would adversely affect their sales.

Prof Ludbrook has analysed the impact of introducing a [minimum price](#) per unit of alcohol sold in Scotland using a hypothetical example. If a minimum price of 30p per unit of alcohol was introduced (equivalent to a minimum price of 68p per pint for beer), the alcohol industry could actually experience a 68% increase in revenue whilst selling 30% less of

heavily discounted products (reduced alcohol consumption being the aim of this policy measure).

How does this work?

Analysis of price components

Discounted (offer) price Minimum price* 23p per unit of alcohol

* 52p per pint (equivalent)

- Duty 35p

- VAT 7p

- Industry 10p- 30p per unit of alcohol

- 68p per pint (equivalent)

- Duty 35p

- VAT 9p

- Industry 24p

Effect on revenue/sales

Discounted (offer) price Minimum price* Assume 100 pints sold at offer price

(above)

* revenue - *52.00

- Duty *35.00
- VAT *7.00
- Industry *10.00- assume only 70 pints are sold at higher price (above)
- revenue - *47.60
- Duty *24.50
- VAT *6.30
- Industry *16.80

Prof Anne Ludbrook, Health Economics Research Unit, University of Aberdeen, said,

"The introduction of a minimum price for a unit of alcohol has recently been proposed by the Scottish Government as a means of reducing alcohol consumption and, in turn, alcohol-related harm. It is a controversial measure which has, in particular, been contested by the alcohol industry and retailers who believe that this would result in a decrease in revenue for them.

"There is strong evidence that higher prices would reduce alcohol consumption. Minimum pricing is one means of raising prices and my analysis has shown that this could be more beneficial to the industry than the traditional approach of increasing duty. If a minimum price of 30p per unit was introduced, then a product which is currently heavily discounted might experience up to a 30% decrease in sales. However, industry revenue could actually increase by as much as 68% because

most of the price increase is retained by the industry. Duty per pint is fixed and VAT takes only 15% of the price increase. Therefore, minimum pricing could achieve a public health gain due to reduced consumption and the decrease in profits forecast by industry and retailers would not materialise. This would be a win-win situation"

Prof Harry Campbell, from the Royal College of Physicians of Edinburgh (and Professor of Public Health, University of Edinburgh), said,

"In recent years Scotland has experienced significant public health problems caused by excessive alcohol consumption, smoking and poor diet. In order to ensure that future public health policy is informed by best scientific evidence, we have convened this event to examine what measures are likely to be most successful in tackling Scotland's appalling health record. We will look at examples of ways in which evidence can be used to inform public health policy and in some cases to allay misperceptions regarding the impact of such policy measures."

Provided by University of Aberdeen ([news](#) : [web](#))

Citation: Alcohol: minimum pricing could decrease consumption, while increasing industry revenue by 68% (2009, March 12) retrieved 25 April 2024 from <https://phys.org/news/2009-03-alcohol-minimum-pricing-decrease-consumption.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.