

Alcohol in Ireland: Tackling the Financial Hangover

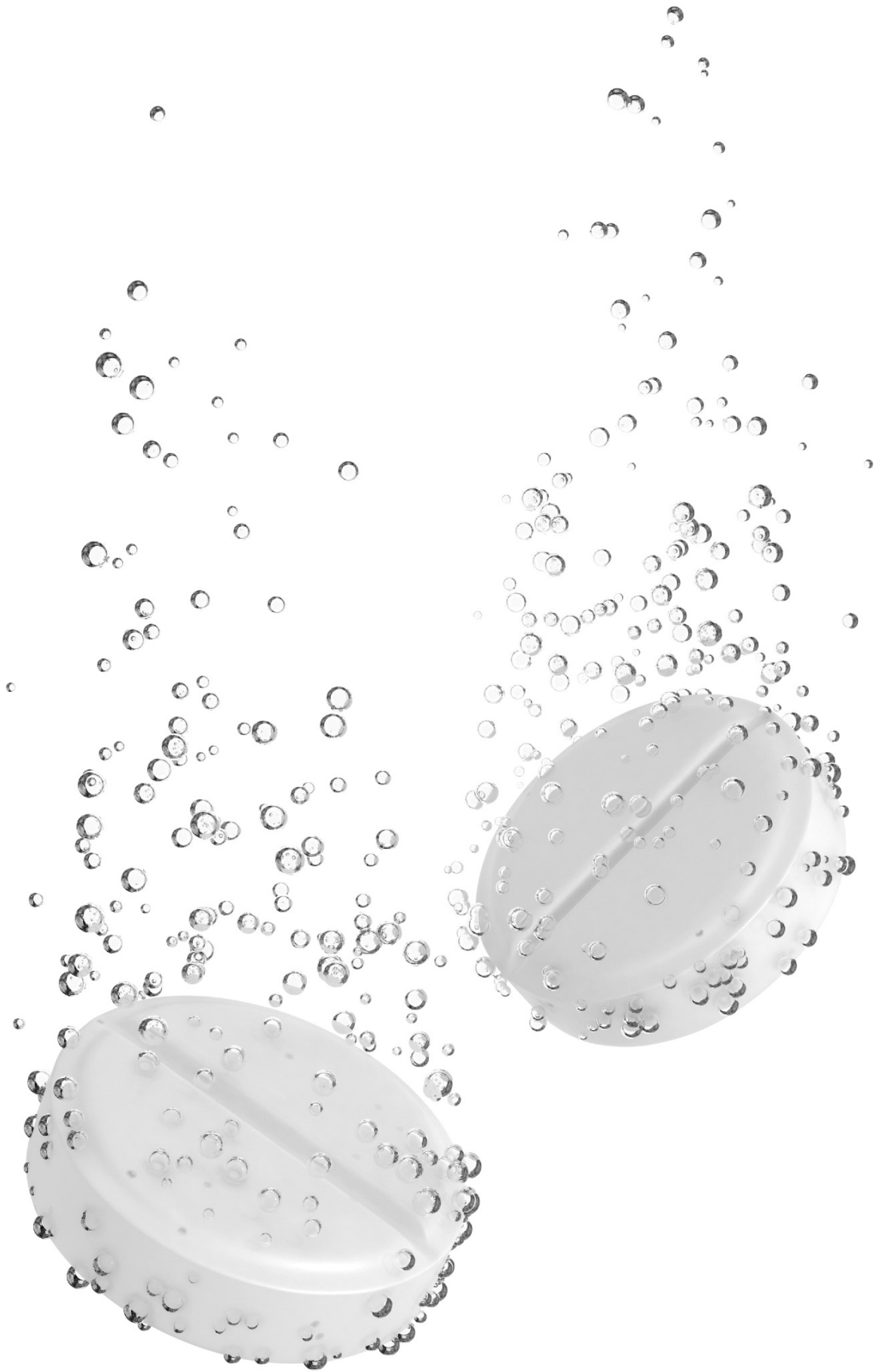
Pre Budget Submission 2011
& the Case for Minimum Pricing



alcohol action
ireland

the national charity for alcohol-related issues

www.alcoholireland.ie





Estimated €3.7 billion ‘hangover’
in alcohol-related health and
crime costs:

Each tax payer picking up an
estimated €3,318 a year tab*

*‘There is indisputable evidence
that the price of alcohol matters.
If the price of alcohol goes up,
alcohol-related harm goes down’*

World Health Organisation, 2009

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Cheap alcohol in Ireland is fuelling a growing health and crime crisis that is costing us an estimated €3.7 billion* a year in health, crime/public order and ancillary costs including workplace absenteeism. As the country faces into a significant period of budget austerity and cuts to frontline services, it is important to remember that these estimated €3.7 billion costs are avoidable costs. According to the Chief Medical Officer of Ireland, a 30% reduction in alcohol-related harm would result in a cost saving to the Exchequer of €1 billion.

At a time when we need to do more with less, we cannot afford the current price of cheap alcohol – a woman can reach her low risk weekly drinking limit for €6.30 and a man for under €10, the equivalent of around an hour's work on minimum wage. Alcohol currently costs the health service an estimated €1.2 billion* a year, around 10% of the current health budget (€13 billion). The Chief Medical Officer of Ireland recently outlined the impact of alcohol on the health services: alcohol is responsible for 100 deaths per month, 2,000 beds occupied every night in hospitals around the country, 30% of emergency department attendances and 7% of GP consultations. A 30% reduction in alcohol-related harms would save 30 lives per month and 600 overnight hospital admissions per day.

The financial burden of alcohol-related harm is estimated to run to an average of €3,318 for each taxpayer in Ireland – yet the Government cut excise duties in last year's budget potentially depriving the country of €182 million in much needed tax revenue¹.

After alcohol-related health costs, alcohol-fuelled crime and public order costs are making the biggest hole in the public purse – with an estimated €1.2 billion* of tax payers' money being spent on dealing with anti-social behaviour, violence and vandalism. It is communities and families having to cope with this behaviour that are paying the heaviest price: 85% of the Garda Youth Diversion Projects put alcohol-related crime as first on the list of offences committed in their area. Affordability and accessibility are two of the key factors fuelling alcohol-related youth crime.

On a wider economic level, it is estimated that we lose an estimated €527 million* a year in alcohol-related absenteeism and alcohol-related accidents in the workplace. Ireland relies heavily on external investment and is in direct competition with other lower cost base locations to attract this investment. What then is the damage to the "Ireland" brand when major financial media such as *The Financial Times* and *The Wall Street Journal* report on Ireland topping the European binge drinking league.

‘According to the Chief
Medical Officer of Ireland,
a 30% reduction in alcohol-
related harm would result in a
cost saving to the Exchequer
of €1 billion’

¹ The figure is based on the Department of Finance's Tax Strategy Group 2009 alcohol-related excise calculations.

* Study commissioned by the Health Service Executive



'If we reduced alcohol-related harms by 30%, we would save 30 lives per month and 600 overnight hospital admissions per day'

Chief Medical Officer of Ireland, Dr. Tony Holohan

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Busting the Myths Surrounding 'Cheap Alcohol'

There is robust and extensive evidence from the World Health Organisation to show that one of the most effective actions a government can take to reduce alcohol-related harms and costs is to increase the price of alcohol. According to the World Health Organisation - when price increases, consumption levels fall, leading to decreases in alcohol-related harms and costs. As already stated, a 30% reduction in alcohol-related harm would result in a cost saving to the Exchequer of €1 billion.

One of the myths surrounding alcohol in Ireland is that we have among the least affordable alcohol in Europe. It is true that we have relatively high excise duty on alcohol but it is not true to say Ireland is among the least affordable countries for alcohol. Affordability factors in the relationship between price and disposable income. According to the RAND report, commissioned by the European Commission's Department of Health, Ireland is one of six countries in the EU where alcohol has become 50% more affordable than it was 15 years ago.

'A woman need only work an hour to earn enough money to buy her weekly low-risk alcohol limit'

Furthermore, alcohol prices in Ireland are falling at a much faster rate than average prices. According to Central Statistics Office figures, the price of alcohol fell by 4.6% in Ireland between September 2009 and September 2010, while average prices rose by 0.5%.

As previously stated, a woman in Ireland can reach her low risk weekly drinking limit of 14 units for just €6.30 and a man his low-risk weekly limit of 21 units for around €10. When offset against even the lowest paid in Irish society, the affordability of alcohol becomes even more pronounced. A woman need only work an hour to earn enough money to buy her weekly low-risk alcohol limit.

In the retail sector alcohol is used by some retailers as a loss leader in order to increase the numbers of shoppers buying their products. From an economic perspective this is bad news. Small scale, independent retailers lose out because they cannot compete with the multiple retail giants. The consumer loses out because while it appears they might be getting a good deal financially at the till on alcohol, retailers can generally maximize their profits in other parts of the store. What consumers' till receipts do not show is the alcohol-related crime and health costs of which each tax payer is picking up an estimated €3,318 tab.

Therefore Alcohol Action Ireland proposes two key recommendations for Budget 2011:





- Restore excise duty to 2009 levels which could earn the Exchequer €182 million in additional revenue
 - Introduce minimum floor price for alcohol
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Restore Excise Duty to 2009 Levels

There are three key benefits to restoring excise duty to its 2009 level:

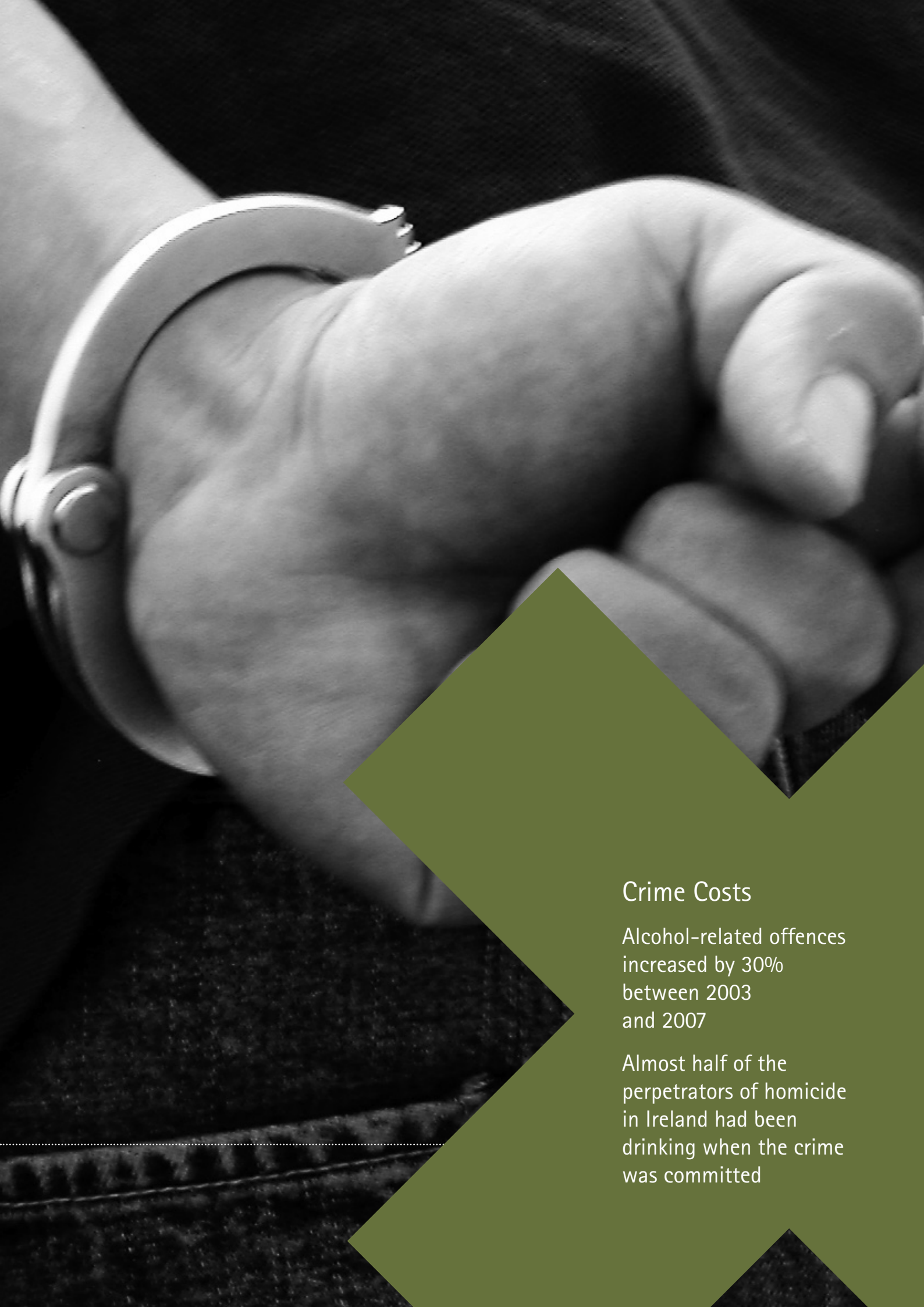
- An increased tax take could provide much needed revenue – estimated €182 million
- Increasing the price of alcohol has been proven both internationally, and in previous Irish budgets, to reduce alcohol consumption which in turn will reduce health-related costs
- Reducing consumption levels will reduce pressure on essential services – 30% injury-related A&E admissions are alcohol-related

In 2009, the Department of Finance's Tax Strategy Group calculated the anticipated yield of a range of excise increases on alcohol products. Based on these 2009 estimates, a restoration of excise duties to 2009 levels could yield a total of €182.1 million.

The price of alcohol influences the amount people drink (World Health Organisation, 2009). Furthermore, we have an Irish evidence base to illustrate the impact of changes in excise duty on alcohol consumption.

In December 2001, excise duty on cider was subject to a significant increase, and cider sales in the following year fell by 11.3%. In 2002, there was an increase in excise duty on spirits – spirits consumption dropped by 20% in the following year which caused an overall drop in alcohol consumption of 6%: the first drop in alcohol consumption in Ireland in 16 years. Budget 2010 cut excise rates on alcohol by around 20% with a resulting rise in alcohol sales.

‘Alcohol has been identified as a contributory factor in 97% of public order offences as recorded under the PULSE system’ (Hope 2008)



Crime Costs

Alcohol-related offences increased by 30% between 2003 and 2007

Almost half of the perpetrators of homicide in Ireland had been drinking when the crime was committed

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Introduce Minimum Pricing – Rejecting Alcohol at 'Pocket Money' Prices

Minimum pricing is the lowest price at which an alcohol product can be sold: the cost of a product based on the number of alcohol units/grams it contains. Put simply, the more units/grams of alcohol in a bottle, the higher the price. As such, minimum pricing affects people directly in relation to how much they drink. This means that minimum pricing will primarily affect heavy drinkers (i.e., those that drink most), as well as children and young people who are more likely to consume low-cost alcohol. Minimum pricing policy has popular support with two out of three Irish adults saying they would support such a measure².

Minimum pricing will have least impact on those who drink within low risk weekly limits, i.e., moderate drinkers, as, by definition, they drink less. Moderate drinkers tend not to buy the cheapest products.

At current prices, a woman can reach the weekly limit for low risk drinking for just over €6.30 a week while a man can reach this limit with a spend of less than €10.

‘Two out of three Irish adults say they would support minimum pricing²’

To be effective in reducing alcohol-related harms and costs, a minimum price per alcohol unit/gram needs to be set at a level the evidence indicates will reduce the burden of harm from alcohol use. To do this will require an analysis of the market, alcohol consumption and expenditure patterns, and health and crime data, among other factors. To maintain effectiveness, a minimum price will need to be reviewed on a regular basis and adjusted when necessary to maintain its value in line with inflation.

An increase in excise duty complements a minimum pricing initiative. Large multiple retailers can sell alcohol as a loss leader so a tax increase can easily be absorbed. Minimum pricing sets a floor price and cannot be undercut by loss-leading and below-cost selling. Banning below-cost selling by itself while sounding like a sensible policy initiative is recognised as being unworkable because of varying cost-base calculations, resulting in implementation difficulties. Such a measure would not achieve the goal of reducing alcohol-related harm and the associated costs as a ban on below cost selling would still allow alcohol to be sold very cheaply - especially if combined with another excise duty cut, which would reduce the cost base even further. In other words, these policies are contradictory.

Lives Lost

One person dies every seven hours from alcohol-related illness in Ireland

One in four deaths of young men (15-34) is due to alcohol

There are four times as many deaths due to alcohol than due to all other drugs combined

² Alcohol Action Ireland commissioned market research firm Behaviour and Attitudes to carry out a nationally representative survey consisting of 1,000 participants to gauge people's attitudes to alcohol-related issues. The survey showed a 65% support for a minimum pricing initiative (field work was carried out in August 2010).



Summary

Government has a particular responsibility in tackling the damage caused by alcohol use and in reducing the cost of that damage. By adopting these proposals, Government can choose to save frontline services, to cut the costs to our health and justice systems, to cut workplace costs to the State and employers, and to cut the cost to our emergency and policing services.

Can we really afford to run an alcohol-related bill of an estimated €3.7 billion* in avoidable costs when frontline health services are going to have to close due to funding cuts – it's a question for all of us but it is politicians that will ultimately have to come up with the answer.

‘By adopting these proposals, Government can choose to save frontline services, to cut the costs to our health and justice systems, to cut workplace costs to the State and employers, and to cut the cost to our emergency and policing services’

Health Costs

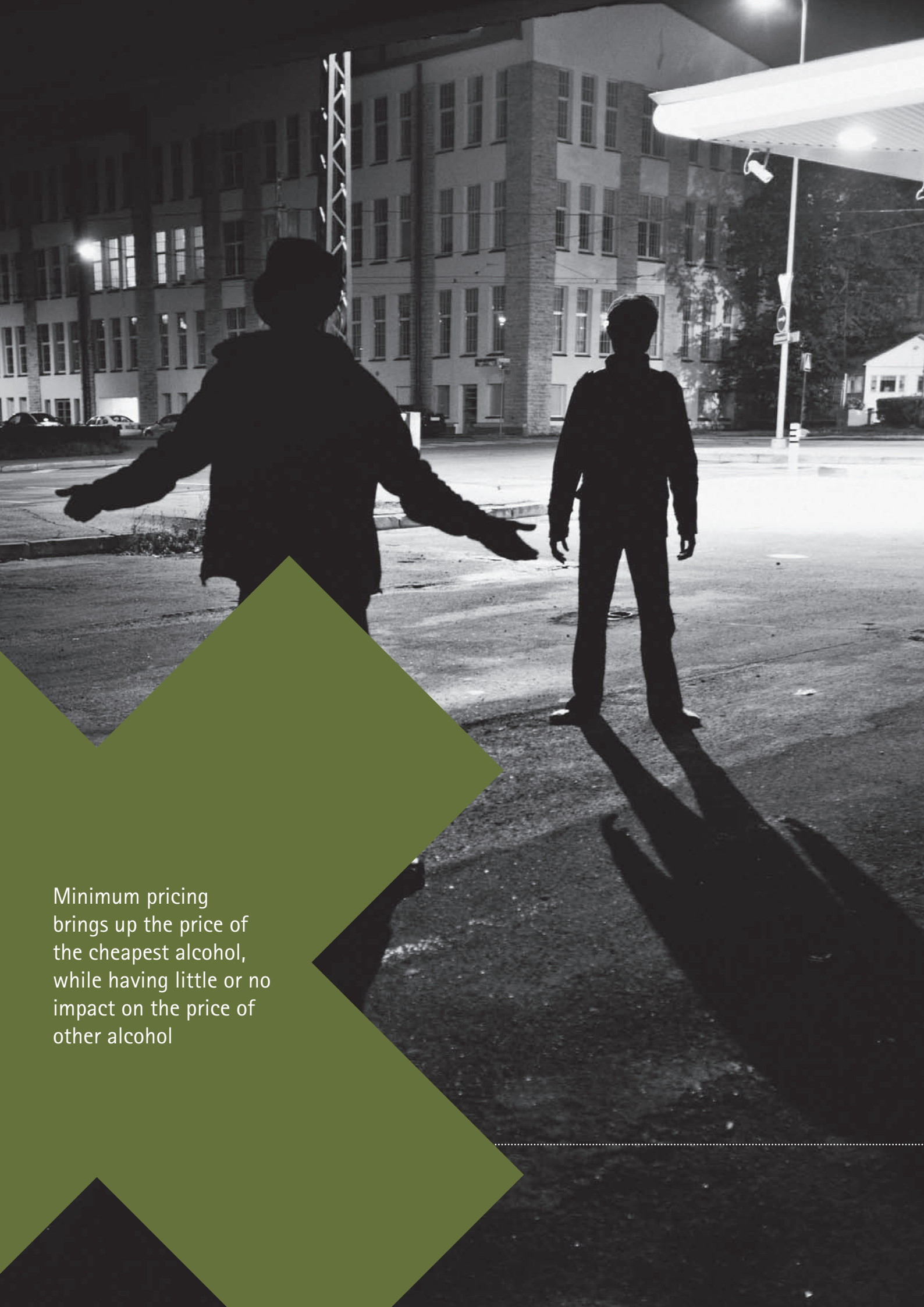
Each night, 2,000 hospital beds are occupied for alcohol-related reasons

10% of all general inpatient hospital costs, 14% of psychiatric hospital costs, 7% of GP costs and up to 30% of emergency department costs are alcohol-related

Alcohol-related deaths almost doubled between 1995 and 2004

* Study commissioned by the Health Service Executive





Minimum pricing
brings up the price of
the cheapest alcohol,
while having little or no
impact on the price of
other alcohol

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The Case for Minimum Pricing

Frequently Asked Questions

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Pre Budget Submission 2011 & the Case for Minimum Pricing

The Real Price of Cheap Alcohol – Who Pays?

Getting the facts right on minimum pricing

The rise in alcohol-related harms and costs is linked to the increased availability, affordability and marketing of alcohol. Price is a key driver in the consumption of alcohol. This briefing sets out the case for minimum pricing, spells out the facts and dispels the myths and misinformation.

What is minimum pricing?

Minimum pricing is the lowest price at which an alcohol product can be sold, the cost of a product based on the number of units/grams it contains. To put it simply, the more units/grams of alcohol in a bottle, the higher the price. As such, minimum pricing affects people directly in relation to how much they drink. This means that minimum pricing will primarily affect heavy drinkers (i.e., those that drink most), as well as children and young people who are more likely to consume low-cost alcohol.

Minimum pricing will have the least impact on those who drink within low risk weekly limits, i.e., moderate drinkers, as, by definition, they drink less and they tend not to buy the cheapest products.

Why do we need minimum pricing now?

Reducing current levels of alcohol-related harms and costs is good news for the taxpayer. The estimated cost of alcohol was an estimated €3.7 billion in 2007, that's an average alcohol-related tax burden of an estimated €3,318 on each person paying income tax in Ireland. Alcohol-related harms cost the healthcare system an estimated €1.2 billion, while alcohol-related crime costs an estimated €1.2 billion.*

The massive drop in the relative price of alcohol alongside the liberalisation of licensing laws which led to an increase in outlets selling alcohol has fuelled a growing health crisis. The real price of a drink in Ireland has decreased, making alcohol 50% more affordable than it was in 1996 (RAND report).

Alcohol has also become more available and is sold in more outlets than ever before. Increased availability has increased competition between alcohol retailers, mostly in the off-licence sector. Cut price alcohol is often used as a loss leader, to attract customers into supermarkets and shops.

At current prices, it's possible for a woman to reach her weekly limit for low risk drinking for just €6.30 a week while a man can reach this limit with a spend of less than €10.

The rise in the availability of alcohol alongside a drop in price has led to big increases in alcohol-related harms and costs.

* Study commissioned by the Health Service Executive





Cheap Alcohol: The Real Costs

- More than half of Irish adults report a harmful drinking pattern – that's 7 in 10 men and 4 in 10 women who drink (SLAN 2007, Department of Health and Children)
- Between 1995 and 2004
 - alcohol-related hospital discharges increased by 92%
 - alcohol-related mortality almost doubled
 - the discharge diagnosis of alcoholic liver disease increased by 147%
- Between 1995 and 2003, there was an 85% increase in the number of hospital discharges with alcohol-related intentional injuries
- Between 1996 and 2002, public order adult offences increased by 247%
- Alcohol has been identified as a contributory factor in 97% of public order offences as recorded under the PULSE system (Hope 2008)
- Between 1996 and 2005 juvenile offences of intoxication in a public place increased 12 fold

The cost of alcohol to the Irish economy outweighs the benefits. If we are to reduce the costs of our alcohol use, we need to reduce the levels of alcohol consumed – this can be best achieved by increasing price and reducing availability. Alcohol is not an ordinary grocery or commodity and should not be treated as one.

‘Alcohol in Ireland is 50% more affordable than it was fifteen years ago’

RAND Report



The price of alcohol fell by 4.6% in Ireland between September 2009 and September 2010, while average prices rose by 0.5%

Central Statistics Office figures

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But isn't Ireland one of the most expensive countries in the EU for alcohol?

This is probably one of the greatest myths about alcohol in Ireland.

The RAND report commissioned by the DG SANCO (European Commission's Department of Health) for the European Alcohol and Health Forum found that Ireland was one of six countries in the EU where alcohol has become over 50% more affordable than it was in 1996.

Furthermore, alcohol prices in Ireland are falling at a much faster rate than average prices. According to Central Statistics Office figures, the price of alcohol fell by 4.6% in Ireland between September 2009 and September 2010, while average prices rose by 0.5%.

How will increasing the price of the cheapest drink make any difference to how much people drink?

The price of alcohol is directly linked to how much people drink. When price increases, consumption levels fall. Increased alcohol prices reduce consumption leading to decreases in alcohol-related harms and costs.

The World Health Organisation's (2009) review of 32 alcohol policy measures found that, in terms of the degree of effectiveness, the breadth of research support and the extent to which they have been tested cross-culturally and the relative expense of implementation, the alcohol policies most effective in reducing alcohol-related harms and costs are policies which put controls on price and availability, drink driving laws and brief interventions.

Minimum pricing policy increases the price of the cheapest drink, which is the drink that tends to be purchased by heavy drinkers as well as young drinkers. As such, this pricing policy is expected to have little impact on those who drink within low-risk weekly limits. Those weekly limits are 14 units for a woman and 21 for a man.

What is the link between the amount we drink and the damage from drink?

There is a direct relationship between the level of alcohol consumed in a country and the levels of alcohol-related harms and costs. Increased alcohol prices reduce consumption which will lead to an attendant decrease in alcohol-related harms and costs.

Why doesn't the Government just increase tax on alcohol?

Large multiple retailers often sell alcohol as a loss leader – an increase in tax by itself can easily be absorbed. Minimum pricing sets a floor price and cannot be undercut by loss-leading and below-cost selling.

‘There is a direct relationship between the level of alcohol consumed in a country and the levels of alcohol-related harms and costs’

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Would banning below cost selling of alcohol not have the same effect?

There is no agreed definition of below cost selling in Ireland, nor is there an agreed formula for calculating cost price. Also, cost prices can change over time. Working out the cost price of alcohol would be a complex and costly exercise, making a ban on below cost selling of alcohol almost impossible to implement, monitor and enforce.

By contrast, the operationalisation of minimum pricing would be relatively simple in comparison, as the cost of a drink can be calculated using the simple formula: *minimum price per unit X number of units in drink = price*. As such, fewer resources would be needed to administer, implement, monitor and enforce a minimum pricing policy.

Some of the commentators calling for a ban on below cost selling are, in fact, calling for a ban on selling alcohol below the total taxation on a drink. i.e., below VAT plus excise. This is not the same as below cost selling as cost price (which can include costs such as manufacture, packaging, transport, etc.) has not been included in the price of the drink.

A ban on below cost selling would still allow alcohol to be sold very cheaply - especially if combined with another excise duty cut, which would reduce the cost base even further. In other words, these policies are contradictory.

Will minimum pricing have a disproportionate impact on people on low incomes?

The simple answer is that this will depend on how much alcohol someone buys. Minimum pricing, by definition, impacts most on those that drink the most. As we already know, a man can reach

his low-risk weekly limit for less than €10 and a woman for €6.30 – around an hour's work on minimum wage. If someone is buying cut-price alcohol and still drinking at moderate levels, i.e.; low risk weekly limits, they will experience a slight increase in how much they pay for alcohol. For example, if alcohol was set at €1 a unit/gram – then someone drinking at low risk weekly limits would see a weekly increase of between €2.25 and €4 a week. It is important to remember that alcohol is not an ordinary grocery like bread or milk, it is a luxury good. It is also important to remember that people on low incomes suffer a range of health inequalities, i.e.; nutrition, education, access to healthcare contingent on ability to pay, that alcohol-related harms can further exacerbate.

At what level should a minimum price be set?

A minimum price needs to be set at a level the evidence indicates will reduce the burden of harm from alcohol use. To do this will require an analysis of the market, alcohol consumption and expenditure patterns, among other data sets such as health and crime data.

To maintain effectiveness, a minimum price will need be reviewed on a regular basis and adjusted when necessary to maintain its value in line with inflation.

Who wins? Who benefits from minimum pricing?

The benefits of minimum pricing resulting in a reduction in consumption and associated alcohol-related harms are numerous. These include:

Emergency
→

Minimum Pricing: Social and Economic Benefits

- Decreases in workplace absences and in violent crimes
- Reductions in crime and public order offences involving children and young people and in the cost of responding to same
- Reduction in social and health harms and costs for the drinker and those around them
- Large retailers cannot simply absorb price increases as can happen with other pricing policies

Minimum Pricing: Who Benefits?

- Moderate drinkers, i.e., those who drink within low risk limits, are least affected
- Heavy drinkers, along with children and young people, are particularly affected
- Small retailers and off-licences put on a level playing field with large multiple retailers
- It is likely that the decline in the volume of alcohol sales will be more than offset by the unit price increase resulting in an overall increase in profit for retailers
- Large retailers can raise alcohol prices to the minimum price without running the risk of losing customers to competitors

(Based on University of Sheffield research on minimum pricing commissioned by the Scottish government)

THE PRICE OF CHEAP ALCOHOL - YOUR BILL

Average cost to the Irish taxpayer =
estimated €3,318

Cost to the state = estimated
€3.7 billion*

Cost to the healthcare system =
estimated €1.2 billion*

Crime costs = estimated €1.2 billion*

Road collisions = estimated
€526 million*

Lost output due to work absences
= estimated €330 million*

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