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Alcohol Action Ireland

Alcohol Action Ireland is the national charity for alcohol related issues.

We are an independent voice for advocacy and policy change, working to reduce levels of alcohol-related harm in Ireland and improve health, safety and wellbeing for all.

We focus on evidence-based public health policies that will deliver the widest benefits to the greatest number of people within the population.

Alcohol Action Ireland adheres to the World Health Organisation (WHO) guidance that “the alcohol industry has no role in the formulation of alcohol policies, which must be protected from distortion by commercial or vested interests”, (1) and Health Service Executive (HSE) guidance that “there is an inherent conflict associated with the alcohol industry playing a role in providing public health advice”. (2) We therefore do not work with the alcohol industry.

We act as secretariat to the Oireachtas Cross Party Group on Alcohol Harm and are founding members of the Alcohol Health Alliance Ireland. Our organisation is composed of two full-time and one part-time staff members and is run by a voluntary board. Our CEO is Suzanne Costello and the chairperson of our Board is Carol Fawsitt, Partner with Hayes Solicitors.

Other board members include: Professor Joe Barry, specialist in public health medicine with the HSE and Professor of Population Health Medicine at Trinity College Dublin; Dr Declan Bedford, public health specialist; Padraig Brady, CEO Pioneer Total Abstinence Association; Catherine Brogan, Director, Samaritans Ireland; Pat Cahill, retired teacher; John McCormack, CEO, Irish Cancer Society; Dr Bobby Smyth, Consultant Child and Adolescent Psychiatrist with the HSE and Senior Clinical Lecturer with the Department of Public Health and Primary Care in Trinity College Dublin, and Tadhg Young, Chief Operating Officer, State Street International Ireland.

Alcohol Action Ireland is funded primarily by the HSE and also through individual public donations. Our governance code and annual accounts are available on our website at www.alcoholireland.ie/about/funders
Executive Summary

In Ireland, our harmful drinking, which has worsened significantly in recent decades, has a huge impact on our nation’s physical and mental health, causing the loss of 88 lives due to alcohol every month. (3)

Ireland has one of the highest levels of both alcohol consumption and binge drinking in the world. (4) Beyond health consequences, the harmful use of alcohol brings significant social and economic losses to individuals and society at large.

Our current level of alcohol taxation in Ireland falls €1.6 billion below covering its €3.7 billion cost to society, while we can put no price on the suffering, ill-health and loss of life that harmful drinking causes.

There is no doubt that “the societal costs of existing levels of alcohol consumption in Ireland far outweigh the employment, trade and tax benefits”. (5) Harmful drinking, and particularly binge drinking, carry “devastating personal and social consequences, they increase health spending and reduce our standard of living”. (6) They are a threat not just to the health of individuals, but to our society and our economy.

Alcohol pricing measures, including excise duty, are one of the most effective, and cost-effective, ways of reducing alcohol-related harm and consequently the significant social and economic losses to individuals and society at large, (6, 7) as well as making progress towards our Healthy Ireland target of 9.2 litres of pure alcohol per capita.

Alcohol consumption increased to 11 litres of pure alcohol per capita in Ireland in 2014 and our personal expenditure on alcohol also increased, to €6.5 billion, (8) which the Minister for Health has described “a matter of real concern, because it indicates that without policy change, as more people return to work and they have more money in their pockets, they are likely to drink more of it”. (9)

The dramatic shift in our consumption of alcohol from the on-trade to the off-trade in recent years means that we are now buying a lot more of our alcohol from large multiple retailers, where it is relatively cheap, which will become a greater problem as the economy continues to recover.

Alcohol affordability is a function not just of price, but also of disposable income. (5) The more affordable alcohol becomes, the more people drink, (10) and the real, not just the nominal price, of alcohol must rise at or above the level of inflation for taxation to be effective in tackling alcohol-related harms. (11)

Despite its reputation as one of ‘the old reliables’, along with cigarettes, increases in excise duty on alcohol are not common occurrences and have failed to keep pace with increases in disposable income and inflation.

During 18 of the last 26 Budgets in Ireland there was either no change in excise duty or a decrease in rates, meaning that the rates of excise duty in Ireland, and the burden of alcohol taxation, have declined significantly in real terms in recent decades.

Prior to the consecutive increases in Budgets 2013 and 2014, excise duty on beer was at a lower rate in 2012 than it had been in 1989, and despite the recent increases, excise on a pint of lager is now just six cents more than it was in 1994. Excise duty, as a proportion of the pint, remains lower now than it was in 2003. (12)
While much is made by vested interests of Ireland’s relatively high excise duty rates in relation to other countries, the reality is that alcohol remains very affordable here, especially when bought in the off-trade, which means that people can drink to harmful levels for relatively little.

Arguments have been made that a reduction in excise duty would help the on-trade ‘compete’ with the off-trade. However any reduction in excise duty, as it applies to all alcohol products, will have absolutely no impact in terms of closing the gap in prices between the off and on-trade.

In fact, as excise duty makes up a significantly greater proportion of the price of alcohol products in the off-trade, (11, 12) a reduction would only serve to widen the gap, as the off-trade has more scope for a reduction in price with a reduction in excise duty.

It would also serve to increase the risks for those vulnerable groups, including young people, who favour the strongest, cheapest alcohol, (13-16) as well all those in society impacted by alcohol-related harm.

Therefore, a cut in excise duty would be of benefit solely to those who manufacture, distribute and sell alcohol products, and at the expense of the health, wellbeing and safety of Irish citizens, as well as having a detrimental impact on our economy through an increase in the large financial burden of alcohol-related harm and a reduction in Exchequer revenue.

The narrow view of the alcohol industry also completely ignores the economic reality that money not spent on alcohol through a reduction in consumption does not simply disappear, but is spent on other goods and services which they do not directly profit from, but still create employment and contribute to the wider economy. (6, 17)

Consumers of alcohol increase their drinking when prices are lowered, and decrease their consumption when prices rise, with heavy drinkers no exception to this rule. (18)

We therefore recommend that excise duty on all alcohol products be increased in Budget 2016 so that the price of alcohol is set at a level that reflects its significant health, social, and economic impacts; the wide range of harm its consumption causes to others; the costs borne by the State and, ultimately, the taxpayer.

We also recommend the introduction of a social responsibility levy on the alcohol industry, which currently makes no direct contribution to addressing the considerable financial burden the consumption of its products places on the State.

This levy or tax, recommended in the National Substance Misuse Strategy, (19) could be ‘ring fenced’ in a manner similar to the 1% betting tax, which is used to contribute to the Horse and Greyhound Racing Fund.

If it is considered appropriate to use the proceeds of gambling to support sporting organisations that otherwise would rely more heavily on State funding, then it is certainly appropriate to apply a social responsibility levy to alcohol products, which place such a great burden – in economic and human terms – on our State and its citizens.
Alcohol and health
The harmful use of alcohol is a causal factor in more than 200 disease and injury conditions. Worldwide, 3.3 million deaths every year result from harmful use of alcohol, which represents 5.9 % of all deaths. (4)

Harmful alcohol use is the fifth leading cause of death and disability worldwide, up from 8th in 1990, and every 10 seconds somebody dies from a problem related to alcohol and many more develop an alcohol-related disease. (7)

Alcohol is associated with a risk of developing health problems such as mental and behavioural disorders, including alcohol dependence, major non-communicable diseases such as liver cirrhosis, cancers and cardiovascular diseases, as well as injuries and deaths resulting from violence and road traffic collisions. (4)

In Ireland, our harmful drinking, which has worsened significantly in recent decades, has a huge impact on our nation’s physical and mental health, causing the loss of 88 lives due to alcohol every month. (3)

Ireland’s current level of alcohol consumption is 11 litres of pure alcohol per capita and we have one of the highest levels of drinking in the world. (4)

However, the amount of alcohol consumed is only one factor – the pattern of drinking also matters, with binge drinking particularly harmful to health. Ireland has the second highest levels of binge drinking in the world. (4)

The Health Research Board (HRB) has found that 75% of alcohol in Ireland is consumed as part of a binge drinking session. (20)

The HRB’s Irish Alcohol Diaries 2013 also revealed that:

- More than half (54%) of 18 to 75 year old drinkers were classified as harmful drinkers, which equates to 1.35 million harmful drinkers in Ireland.
- One third (33%) of men and more than one fifth (23%) of women who consumed alcohol in the week prior to the survey consumed more than the HSE’s low-risk weekly guidelines.
- One in eight (13%) men and almost one in ten (9%) women drank the HSE’s low-risk weekly guidelines in one sitting in the week prior to the survey. Among 18 to 24 year-olds, 28% of men and 22% of women consumed the weekly guidelines in one sitting.
- Harmful drinking is highest among 18-24 year old age group (at 75%).
- Dependent drinking is highest among 18-24 year old age group (at 15%).

Four in five drinkers would reduce their risk of death from any causes if they cut their alcohol consumption by just one unit (eight grammes of pure alcohol) a week. (7)

Therefore, there is wide scope for improving the health and wellbeing of those drinking to harmful levels in Ireland if we can reduce our levels of alcohol consumption.

Alcohol’s cost to society
The World Health Organisation (WHO) has pointed out that, beyond health consequences, the harmful use of alcohol brings significant social and economic losses to individuals and society at large. (4)
In Ireland, the burden of alcohol related harm is often experienced by those around the drinker, such as a family member, friend, co-worker or innocent bystander. Alcohol’s harm to others undermines public safety and is experienced in every community, ranging from the nuisance factor, feeling unsafe in public places, drink-driving, to a violent attack by an intoxicated drinker. (21)

Although not often publically visible, alcohol’s harm to others within the family can have very serious consequences for the safety and well-being of family members, with children being the most vulnerable. (21)

Life-long damage, through foetal development disorders, can also be caused to the unborn child by alcohol consumption during pregnancy. (7)

Alcohol-related harm costs the State an estimated €3.7 billion annually, with €2.4 billion of that figure accounted for by health and crime-related costs alone, and road traffic collisions and work-related losses (e.g. absenteeism and loss of productivity) costing more than €850 million. (22)

Therefore it’s clear that while drinking alcohol is an individual choice, it is one that has significant social and economic impacts, and it is these wide range of harm to others, and costs borne by the State and, ultimately, the taxpayer, that economists define as ‘externalities’. (7)

The OECD states that when these ‘externalities’ exist, consumers typically do not appreciate the full costs of their consumption, because the price they pay when they purchase a commodity does not reflect the external costs of its consumption. (7)

Therefore, while those who profit from the sale of alcohol attempt to portray alcohol taxes as a punitive measure on consumers, the reality is that the current level of alcohol taxation in Ireland - which yielded €1.1 billion in excise duty and €1 billion in VAT in 2014 (23) - falls €1.6 billion below covering its economic costs to society, while we can put no price on the suffering, ill-health and loss of life that harmful drinking causes.

Attempts to portray alcohol taxes as a punitive measure on consumers also ignore the fact that both personal spending on alcohol and alcohol consumption increased during 2014, when personal expenditure on alcohol in Ireland reached €6.47 billion (8) and consumption reached 11 litres of pure alcohol per capita.

There is no doubt that “the societal costs of existing levels of alcohol consumption in Ireland far outweigh the employment, trade and tax benefits”. (5)

Harmful drinking, and particularly binge drinking, carry “devastating personal and social consequences, they increase health spending and reduce our standard of living”. (7) They are a threat not just to the health of individuals, but to our society and our economy.

Healthy Ireland

An Taoiseach has acknowledged that our health problems are more frequently the cause of our modern lifestyle. Alcohol consumption is a key risk-factor, along with smoking, poor diet and lack of physical activity.

“This trend is worrying and unless we make some significant changes, we are facing an unhealthy and costly future. The health sector alone cannot address these problems; we must change our approach,” said An Taoiseach, in the foreword to Healthy Ireland. (24)
Healthy Ireland: A Framework for Improved Health and Wellbeing 2013 – 2025, states that “a healthy population is essential to allow people to live their lives to their full potential, to create the right environment to sustain jobs, to help restore the economy and to look after the most vulnerable people in society”. (24)

The framework recognises that “a healthy population is a major asset for society” and states that improving the health and wellbeing of the nation is a priority for the Government and the whole of society. Healthy Ireland therefore calls for “whole-of-government and whole-of-society approaches”, termed Health in All Policies (HiAP), to address Ireland’s rapidly growing chronic disease crisis. (24)

HiAP highlights the fact that the risk factors of major diseases, or the determinants of health, are modified by measures that are often managed by other Government sectors, apart from health, as well as by other actors in society, and that “broad-based policy approaches are therefore needed, to ensure that health is an integral part of all relevant policy areas, including environment, social and economic policies”. (24)

For alcohol-related harm, the Department of Finance plays a key role through the setting of excise duty, with the price of alcohol in Ireland directly linked to levels of consumption and the wide range of related harms.

If the Government is committed to a HiAP approach, and indeed the Healthy Ireland framework, it must ensure that alcohol is taxed at a level that reflects its cost to society and that encourages us to lower our levels of consumption towards the Healthy Ireland target of 9.2 litres of pure alcohol per capita, from our current level of 11 litres.

Price matters

Alcohol pricing measures are one of the most effective ways of reducing alcohol-related harm and consequently the significant social and economic losses to individuals and society at large.

The World Health Organisation (WHO) has made it clear that there is “indisputable evidence that the price of alcohol matters. If the price of alcohol goes up, alcohol-related harm goes down”. (6)

The price of alcohol is directly linked to how much people drink across the population and to levels of alcohol-related harms and costs in a country. Pricing impacts on general consumption and lower consumption levels lead to reduced harms and costs.

There is compelling international evidence that pricing is one of the most effective ways to tackle alcohol-related harm. It has been established in a number of comprehensive systematic reviews that alcohol prices and taxes are related inversely to consumption.

It has also been established that the effects of increasing taxes or the price of alcohol are large compared to other prevention policies and programmes. (6, 7, 25)

An increase in the price of alcohol has been found to reduce alcohol consumption, hazardous and harmful alcohol consumption, alcohol dependence, the harm done by alcohol, and the harm done by alcohol to those others than the drinker. (6, 11, 13, 26)

Strong and cheap drinks are the alcohol products favoured by the heaviest drinkers among us, who generally seek to get as much alcohol as they can for as little money as they can and are most at risk
of alcohol-related illnesses and death. They are also favoured by young people, who generally have the least disposable income and have the highest prevalence of binge drinking. (13-16)

A review of the evidence indicates that “consumers of alcoholic beverages increase their drinking when prices are lowered, and decrease their consumption when prices rise. Heavy or problem drinkers appear to be no exception to this rule.” (18)

The influence of price on alcohol consumption in Ireland, particularly on young people, was highlighted in a HRB survey, which found that if the price of alcohol was to decrease further, 24% said they would buy more alcohol. That figure increased to 50% for respondents in the 18 to 24 age bracket. (27)

Almost half (45%) of respondents said they buy more alcohol when it is on special offer or the price is reduced, while that figure increased to 64% for respondents in the 18 to 24 age bracket. The same HRB survey also revealed that 78% of respondents believed that the Government has a responsibility to implement measures to address our high levels of alcohol consumption. (27)

The elasticity of demand means that when the price of alcohol goes up, alcohol purchases and consumption generally decrease. (17) A comprehensive systematic review found the own-price elasticity of all alcohol products to be -0.51, meaning that a one per cent change in alcohol prices leads to a 0.5% change in alcohol consumption in the opposite direction. (25)

An estimation of alcohol price elasticity in Ireland, based on actual changes in consumption following excise duty changes, found that beer had a price elasticity of -0.36 and spirits a price elasticity of -0.5. Therefore a 10% increase in the price of beer and spirits would lead to decreases in consumption of 3.6% and 5% respectively. (17)

That increases in alcohol prices are associated with decreases in alcohol consumption “concurs with a fundamental law of economics called the downward sloping demand curve, which states that as the price of a product rises, the quantity demanded of that product falls”. This rule has been found to hold even for potentially addictive products such as alcohol, illicit drugs and tobacco. (11)

**Excise duty’s impact on alcohol consumption**

The impact of changes in the price of alcohol products has been extensively studied and a comprehensive and consistent body of evidence shows that tax increases, when passed onto consumers, reduce alcohol consumption. (7)

A large number of studies have shown that tax increases have the potential to reduce alcohol-related harms, deaths, costs to the health and criminal justice systems, and lost productivity. (7)

An assessment of the health, social and economic impacts of the key policy options for tackling alcohol-related harms was published this year by the Organisation for Economic Co-operation and Development (OECD).

*Tackling Harmful Alcohol Use: Economics and Public Health Policy* found that an increase in excise duty was not a threat to economies, as portrayed by sectoral interests, but an opportunity, particularly in countries such as Ireland where there is a large burden of alcohol-related harm.
The OECD found that the “largest gains in health and life expectancy can be obtained through brief interventions in primary care, typically targeting high-risk drinkers, and tax increases leading to an average increase of 10% in alcohol prices, which affect all drinkers”. (7)

While most alcohol policies were estimated to cut overall healthcare expenditures to the extent that their implementation costs would be more than offset, the OECD found that price increases, restrictions on availability and advertising bans are the most cost-effective measures available.

The OECD reports that price policies, especially tax increases, are cheaper to implement, relative to other policies, and also produce large savings in healthcare expenditure, which in turn benefits the Exchequer and taxpayers. (7)

A systematic review of studies containing over 1,000 estimates of the tax/price–alcohol consumption relationship, determined that there is a highly significant relationship between alcohol tax or price levels and alcohol consumption, with greater tax or price levels associated with decreased alcohol consumption. (25)

Increases in tax or price were also found to reduce alcohol consumption among those drinking heavily, though to a lesser level than overall drinking in populations. The review also found the effects of these increases in tax or price are “large compared to other prevention policies and programs” and public policies that raise the price of alcohol are therefore an effective way to reduce alcohol consumption. (25)

A systematic review of the effects of alcohol taxes and prices on alcohol-related morbidity and mortality found that public policies, such as an increase in excise duty, affecting the price of alcohol products can reduce alcohol-related disease and injury rates, including deaths due to alcohol, road traffic fatalities, sexually transmitted diseases and alcohol-related crime. (26)

An analysis of alcohol tax changes and the use of alcohol in Europe found that increasing excise duty would “serve both the fiscal and the social and health interests of the state” in most European countries, where the share of alcohol taxes in the price of alcoholic beverages is quite low. (28)

A review of the evidence on the effects of alcohol prices and taxation clearly indicates that increases in taxation and prices are associated with decreases in alcohol consumption and harms, and vice versa. (11)

**Excise duty and the Exchequer**

Excise duty not only has a direct impact on our levels of alcohol consumption and the related harms, but also on the Exchequer.

In general, an increase in excise duty rates leads to reduced alcohol sales, higher excise receipts and lower consumption, while a reduction in excise duty rates leads to increased alcohol sales, lower excise receipts and higher consumption. (28, 29)

In Budget 2010, the excise duty rate was decreased by 20 to 21% for all alcohol beverages. This led to increased sales for the alcohol industry in 2010 amounting to an additional 2,149,624 litres of pure alcohol (equivalent to 8.1 million 700ml bottles of vodka). (29)
However, the decrease in excise duty rates in 2010 had a detrimental impact both on the exchequer and on public health, as the excise receipts decreased by €142 million and overall consumption increased by 6%.

In comparison, the 42% increase in excise duty rates on spirits in 2003 led to an increase of €39 million in excise receipts and a decrease of 6% in overall alcohol consumption, at a time when alcohol consumption in Ireland had reached an all-time high. (29)

Alcohol consumption fell by almost one litre in 2013 following an increase in excise duty, while the increase in excise duty revenue on alcohol received by the State was €155.9 million, bringing about a positive outcome for both public health and the Exchequer. (23)

The excise duty increases in Budget 2014 led to an increase in excise duty receipts for the State of €137.8 million, although it was accompanied by an increase in alcohol consumption of 3%. (23)

In 2014, excise duty receipts comprised €424.9 million from beer, €301.8 million from spirits, €354.6 million from wine and €58.5 million from cider. (23) However, alcohol excise duty receipts now comprise a much lesser proportion of tax revenue than in previous decades. (17)

Between 2002 and 2011, revenue from excise duty receipts decreased by 13.8%, but as overall consumer prices increased by 21.4% over this period, the real fall in excise receipts was 29%. (17)

It should also be noted that a relief of 50% on alcohol products tax paid applies to beer exceeding 2.8% ABV produced in Irish microbreweries, which cost almost €1 million in 2013. (12)

Excise duty and alcohol consumption in Ireland

Alcohol consumption in Ireland almost trebled over four decades between 1960 (4.9 litres of pure alcohol per capita) and 2000 (14.1 litres of pure alcohol per capita), as alcohol became much more affordable and more widely available.

In recent years our alcohol consumption has declined from a peak of 14.3 litres of pure alcohol per capita in 2001, to 11 litres in 2014. However, this decline has not been consistent throughout those years, with changing levels of excise duty having a direct and immediate impact on population consumption patterns.

Consumption fell by about 8% during 2002 and 2003, with an increase in excise duty on cider in 2002 and, in particular, a rise in excise duty on spirits in 2003, leading to a sharp fall in spirits consumption and an overall fall in alcohol consumption from its peak of over 14 litres of pure alcohol per capita.

Our alcohol consumption figures then remained relatively static from 2003 to 2007, but fell significantly over a two-year period from 2007 to 2009, when there was a reduction of 16%, as the recession began to take its toll on levels of disposable income in Ireland.

However, despite the impact of the recession, our alcohol consumption increased by 0.6 litres per capita in 2010, following a significant excise duty cut of 20% on all alcohol products, settling at the new level of 11.7 litres during 2011 and 2012.

An excise duty increase on all alcoholic beverages then resulted in a fall of alcohol consumption by almost one litre in 2013, to 10.7 litres. Despite an excise duty increase in 2014, alcohol consumption increased to 11 litres of pure alcohol per capita.
The fact that alcohol consumption in 2014 bucked the trend of increasing excise leading to a decrease in consumption is likely due, as indicated by the Minister for Health, (9) to disposable income in Ireland beginning to increase again, following the recession, which has made alcohol more affordable. If levels of disposable income rise faster than the price of alcohol, the real price of alcohol falls. (17)

The dramatic shift in our consumption of alcohol from the on-trade to the off-trade in recent years also means that we are now buying a lot more of our alcohol from large multiple retailers, where it is relatively cheap. (11, 17, 30) The more affordable alcohol becomes, the more people drink, (10) and the real, not just the nominal price, of alcohol must rise at or above the level of inflation for taxation to be effective in tackling alcohol-related harms. (11)

Heavily discounted alcohol products for sale in the off-trade is a situation that the Government has committed to address through the introduction of minimum unit pricing, as part of the Public Health (Alcohol) Bill, which can be used in conjunction with excise duty, as minimum unit pricing will only impact on the strongest, cheapest alcohol in the off-trade (by setting a floor price beneath which alcohol cannot be sold) and will have no impact on alcohol sold in pubs, clubs or restaurants.

**Alcohol affordability**

Affordability has been an important driver in the growth of alcohol consumption in Ireland, which has doubled in the past 50 years. Alcohol affordability seeks to measure people’s ability to buy alcohol, which is a function not just of price, but also of disposable income. (5)

Total disposable personal income in Ireland increased to 163,813 EUR Million in 2014 from 148,144 EUR Million in 2013. It had increased steadily from 79,921 EUR Million in 1995 right through to 2008, before dipping as a result of the recession. With economic recovery, it is now increasing again. (31)
While much is made of Ireland’s relatively high excise duty rates in relation to other countries, the reality is that alcohol remains very affordable, especially when bought in the off-trade, which means that people can drink to harmful levels for relatively little.

An analysis of alcohol affordability in Ireland (using the consumer price index, the CSO's alcohol price index and real personal disposable income derived from the CSO’s National Income & Expenditure Accounts) shows that between 1995 and 2007 the affordability index increased by 102%, driven by an increase of 111% in real disposable incomes. Between 2008 and 2012, affordability fell by 11%, due to a decline in real disposable incomes. (5)

However, with economic recovery, this situation is changing again. The increase in alcohol consumption during 2014, despite a corresponding increase in excise duty, is an indication of this change and is a cause for concern given our high levels of alcohol harm.

The Minister for Health has warned that last year’s increase in alcohol consumption is “probably related to the upturn in the economy and represents the first increase in alcohol consumption in a number of years. If that is the case, it is a matter of real concern, because it indicates that without policy change, as more people return to work and they have more money in their pockets, they are likely to drink more of it”. (9)

Overall, spending on personal consumption in Ireland increased by two per cent between 2013 and 2014, having decreased the previous three years. Personal spending on alcohol in Ireland increased to €6.47 billion in 2014, up from €6.21 billion in 2013, comprising 7.4% of total personal expenditure. This is almost four times as much as we spent on tobacco (€1.7 billion) and more than twice as much as we spent on clothing and footwear (€3.1 billion) in 2014. (8)

When people become more affluent they can consume more alcohol. Therefore, in order to decrease alcohol affordability by increases in alcohol prices, the increases have to be relatively large in order to counteract the effect of higher incomes. (28)

However, real alcohol prices have decreased rather than increased in the EU member states during recent decades, as “price trends have strengthened rather than limited the effects of growing affluence on alcohol affordability” (28).
This is particularly true of the steep decline in real alcohol prices in Ireland, brought about by a prolonged period of rising disposable income, no change in excise duty and the abolition of the Groceries Order, which has led to the widespread availability of very cheap alcohol in the off-trade, particularly supermarkets.

The Steering Group Report on a National Substance Misuse Strategy reports that there was a dramatic increase in the affordability of alcohol relative to disposable income between 2002 and 2007. In 2002, one week’s disposable income would have purchased 162 cans of lager (500ml) from the off-trade, whereas in 2007 one week’s disposable income would have purchased 234 cans – a 44% increase. (19)

Alcohol affordability increased in all EU member states except Italy between 1996 and 2004 and in Ireland it increased by 50%. This change in affordability was, in turn, accompanied by “substantial increases in levels of alcohol consumption, with corresponding increases in all the main indicators of alcohol-related problems”. (10)

The increase in alcohol affordability across the EU was driven primarily by increases in real disposable income, but there were also countries where increases in affordability were driven primarily by changes in the relative prices of alcohol products.

Overall, the analysis indicated that across the EU, 84% of the increase in alcohol affordability was driven by increases in income and 16% by changes in alcohol prices. It found that for every 1% increase in affordability, in the long-run there is an increase of 0.32 % in consumption. (5, 10)

An examination of alcohol affordability over a longer period of time, 1975 to 2000, in OECD countries also found that it is largely driven by income changes, with per capita GDP in the OECD countries about 40% higher in 2000 compared to 1975, while the real price of alcohol had increased by just 4%. Income growth during that period was highest in Ireland, Norway and Portugal. The largest relative increases in alcohol consumption occurred in Ireland and Finland. (32)

An analysis of alcohol affordability in EU countries between 2000 and 2008 found that real price reductions of alcohol occurred in all countries, bar Italy and Cyprus, due to income growth and the fact that alcohol prices increased, but not enough to keep up with general inflation and therefore the real price of alcohol decreased. From 2000 to 2008, Ireland was one of several countries where alcohol affordability increased by more than 50%. (32)

A comparison of alcohol affordability in 65 cities worldwide (which defined affordability as the proportion of median daily income needed to buy a certain amount of alcohol) found that Dublin ranked 13th of the 65 cities, with all cities belonging to high-income countries having relatively high levels of alcohol affordability. (33)

The ‘gap’ between the off-trade and the on-trade
One of the key issues with regard to alcohol affordability in Ireland has been the widespread availability of very cheap alcohol in the off-trade.

Since the abolition of the Restrictive Practices (Groceries) Order in 2006 alcohol in Ireland can now be sold below cost and a retailer can then recover the VAT on the difference between the sale price and the cost price.

In the four years following the abolition of the Groceries Order, overall consumer prices rose by 5.6%, while the price of alcoholic beverages in the off-trade fell by 10.4% (5) and the shift towards the much
cheaper in the off-trade now has continued unabated, with the off-trade now accounting for 60% of the alcohol sold in Ireland. (34) Large multiple retailers sell deeply discounted alcohol as a draw to attract customers – an increase in excise duty can be absorbed and off-set by the purchase of other goods by those customers. (5, 30)

A report commissioned by the Department of Health stated that “from an alcohol consumption perspective and a health perspective, this is not a positive development. Lower price increases consumption, particularly for young people and problem drinkers”. (5)

Arguments have been made that a reduction in excise duty would help the on-trade ‘compete’ with the off-trade. However, any reduction in excise duty, as it applies to all alcohol products, will have absolutely no impact in terms of closing the gap in prices between the off and on-trade. In fact, as excise duty makes up a significantly greater proportion of the price of alcohol products in the off-trade, (12) it would only serve to widen the gap.

An analysis of the pass-through of excise duty to consumers of alcohol products in Ireland found that pass-through in the on-trade is limited, “possibly because of the already high prices of alcoholic beverage in this sector”, with the pass through rates significantly higher for excise duty on beer, spirits and wine higher in the off-trade, therefore giving the off-trade more scope for a reduction in prices with a reduction in excise duty. (11)

A reduction in excise duty would simply make the very cheapest alcohol even cheaper in the off-trade, as well as in the on-trade, driving up overall alcohol consumption in Ireland and increasing the risks for those vulnerable groups who favour the strongest, cheapest alcohol, as well all those impacted by alcohol-related harm.

Therefore, an excise duty cut would be of benefit only to those who manufacture, distribute and sell alcohol products, and at the expense of the health, wellbeing and safety of Irish citizens, as well as having a detrimental impact on our economy through an increase in the large financial burden of alcohol-related harm and a reduction in Exchequer revenue.

Alcohol – an old reliable?

Despite its reputation as one of ‘the old reliables’, along with cigarettes, when Budget time comes around, increases in excise duty in alcohol are not common occurrences and have failed to keep pace with disposable income and inflation.

During 18 of the last 26 Budgets in Ireland there was either no change in excise duty or a decrease in rates, meaning that the rates of excise duty in Ireland, and the burden of alcohol taxation, have declined significantly in real terms in recent decades. A major cause of this decline is that excise duties are set as a fixed amount, so inflation automatically reduces their value, unless there is a new level set in the Budget each year, which has not been the case in Ireland. (29)

Prior to the consecutive increases in Budgets 2013 and 2014, excise duty on beer was at a lower rate in 2012 than it had been in 1989, and despite the recent increases, excise on a pint of lager is now just six cents more than it was in 1994.

Just three times since 1990 (1994, 2013, and 2014) has there been excise duty increases across all four categories of alcohol products (beer, spirits, wine and cider) in the same year, with a substantial reduction of excise duty on all alcohol products in 2010.
Despite the excise duty increases in 2013 and 2014, the excise duty on beer, cider and spirits, as a percentage of the retail price in the pub, are still lower now than they were in 2003. (35)

The Minister for Finance has pointed out that the two most recent increases in excise duty on alcohol “should be viewed against a historical background of significant excise reductions on all alcohol products in Budget 2010 and very little change to excise duty on alcohol products for the previous ten years”. (35)

Before it was cut by 20% in 2010, the excise duty on beer had remained unchanged since the Budget of 1994. Meanwhile, the rate of excise duty on cigarettes increased by 174% between 1994 and 2010, during which time the number of cigarettes sold decreased by 31%. In addition to the positive public health benefits arising from a reduction in cigarette smoking, the excise duty receipts for the State increased by 149%. (29)

Figure 3: Excise duty rate changes in Ireland 1990 to 2015

<table>
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<th>Year</th>
<th>Beer*</th>
<th>Spirits</th>
<th>Wine**</th>
<th>Cider***</th>
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* Beer (>1.2 ABV)
** Wine (5.5% - 15% ABV)
*** Cider (<6% ABV)
**Beer**

*Figure 4: Excise duty rate of beer in Ireland 1989 to 2015*

Excise duty on a pint of stout currently stands at 54c, just 7c higher than in 1994, while excise on a pint of lager (4.3% ABV) is 55c, just 6c higher than in 1994. (12)

In the off-trade, excise duty on can of lager has increased by just 5c since 2003. (12)

Overall, excise duty on beer exceeding 1.2 per cent volume has increased by 21% since 1989, from €18.65 to €22.55 per hectolitre per cent of alcohol. It has been increased in three Budgets (1994, 2013, and 2014) during the last 26 years and has also been reduced in one Budget (2010).

Excise duty on beer was lower in 2010 than it had been in 1989, hitting a low of €15.71 per hectolitre per cent of alcohol, before excise duty was increased in Budgets 2013 and 2014.

Excise duty on beer has increased the least of all alcohol product categories, despite the fact that it is the category that accounts for the largest share of our alcohol consumption in Ireland, at 5.2 litres of pure alcohol per capita (out of a total of 11 litres) in 2014.

**Spirits**

Excise duty on a glass of whiskey in a pub in Ireland is just 4c more now, at 60c, than it was in 2003 (56c), while excise duty on a bottle of whiskey in the off-trade has increased from €10.99 to €11.92 during that time – an 8% increase in 12 years. (12)

Excise duty on spirits has increased by 67% since 1989, from €25.50 to €42.57 per litre of alcohol. It has been increased in four Budgets (1994, 2003, 2013, and 2014) during the last 26 years and has also been reduced in two Budgets (1996 and 2010) during that period.

Excise duty on spirits increased by just 22% between 1989 and 2010, before the consecutive increases in Budgets 2013 and 2014. Consumption of spirits in Ireland reached a peak of 3.2 litres of pure alcohol
per capita (out of a total of 14.2 litres) in 2002, but dropped to 2.5 litres of pure alcohol per capita following an excise duty increase in Budget 2003.

*Figure 5: Excise duty rate of spirits in Ireland 1989 to 2015*

![Spirits Excise Duty Rate: 1989-2015](image)

**Wine**

Excise duty on a standard bottle of wine (12.5% ABV) in the off-trade has increased by 55% since 1995, from €2.05 to €3.19, (12) during which time consumption of wine in Ireland has almost trebled.

*Figure 6: Per capita consumption of pure litres of alcohol through wine in Ireland 1975 to 2014*

![Per Capita Wine Consumption in Ireland 1975-2014](image)
Overall, excise duty on wine has increased by 64% since 1989. It has been increased in four Budgets (1994, 2009, 2013 and 2014) and has also decreased in one Budget (2010) during that period.

Excise duty had only increased by 1.2% over a period of 23 years (1989-2012), before the consecutive increases in the Budgets 2013 and 2014 saw excise duty on a bottle of wine has increased from €2.46 in 2009 to €3.19.

With regard to wine, it is worth noting that levels of excise duty on wine are often compared, by vested interests, with other European countries which produce wine and, as a result, apply either no tax to it or tax it at such a low level that means it is effectively tax-free – an approach that is motivated by agricultural policy. (28) Meanwhile, EU rules prevent the excise duty on wine and cider from being linked directly to their alcohol content, as with beer and spirits. (17, 28)

It is also notable that wine consumption has fallen significantly in countries such as Italy and France in recent decades, while wine consumption in Ireland has increased six-fold between 1975, when it accounted for just 0.5 litres of pure alcohol consumption per capita, and 2014, when it accounted for three litres of pure alcohol consumption per capita.

Cider

Excise duty on a pint of cider currently stands at 54c, just 7c higher than in 2003, while excise on a can of cider from the off-trade has increased by just 5c since 2003, from 42c to 47c. (12)

Overall, excise duty on cider (2.8% to 6% ABV) has been increased by 364% since 1989, from €25.98 to €94.46 per hectolitre. It has increased in six Budgets (1992, 1993, 1994, 2002, 2013 and 2014) during the last 26 years and has also decreased in one Budget (2010) during that period.

Cider consumption in Ireland increased eight-fold between 1975, when it accounted for just 0.1 litres of pure alcohol consumption per capita, and 2014, when it accounted for 0.8 litres of pure alcohol consumption per capita.

Five excise duty myths

As well as ignoring the social and economic losses to individuals and society at large caused by harmful drinking, vested interests lobbying for a reduction in excise duty also make a number of claims that are not supported by evidence:

1. Tourism does not depend on the availability of cheap alcohol and is not impacted negatively by increases in excise duty. Those who claim otherwise have no evidence to support these claims, while during the two most recent years when excise duty increased (2013 and 2014) the number of overseas visitors to Ireland increased by one million, (36) reaching record numbers in the first half of 2015, as Irish tourism continues to go from strength to strength. (37)

2. Despite claims of increasing ‘black market’ trade, figures from Revenue show that there were 550 seizures of illicit alcohol totalling 40,237 litres and worth an estimated €600,000 in 2014, down from 507 seizures of illicit alcohol totalling 55,755 litres and worth an estimated €1.5 million in 2013. Up to June 2015, there has been 282 seizures of illicit alcohol totalling 19,363 litres and worth an estimated €200,000. This is a context where we consumed 39,526,406 litres of pure alcohol in Ireland last year, so even assuming all of the illicit alcohol seized in
2014 comprised spirits and applying an ABV of 40% to it, this amount still represents just 0.04% of the alcohol consumed in Ireland last year.

3. A reduction in excise duty would not help close the price gap between pubs and the off-trade, particularly supermarkets. Only minimum unit pricing would help achieve this. In fact, as excise duty makes up a greater proportion of the price of alcohol products in the off-trade, (12) it would only serve to widen the gap. While vested interests attempt to portray excise duty as solely responsible for the struggles of the pub sector, the reality is that the recession, the subsequent impact on disposable income, and the shift of drinking culture towards the far cheaper alcohol in the off-trade have had the greatest impact. Excise duty, as a proportion of the pint, remains lower now than it was ten years ago. (38)

4. An excise duty increase on alcohol in Ireland has no impact on the jobs or the output of the exporting sector.

5. The view of vested interests on excise duty completely ignores the economic reality that money not spent on alcohol through a reduction in consumption does not simply disappear, but is spent on other goods and services, which they do not directly profit from, but still create employment and contribute to the wider economy. (6, 17)
**Social responsibility levy**

The hugely profitable alcohol industry currently makes no direct contribution to addressing the considerable financial burden, which the consumption of its products place on the State. (19, 22)

The Steering Group Report on the National Substance Misuse Strategy recommends the introduction of a “social responsibility” levy through which the alcohol industry would “contribute to the cost of social marketing and awareness campaigns in relation to social and health harms caused by alcohol”. (19)

It states that the levy “could also be used to contribute to the funding of sporting and other large public events that help provide alternatives to a drinking culture for young people”. (19)

Despite this recommendation being made in February 2012, there have so far been no indications that the Government will implement it, with concerns having been expressed about introducing a levy specific to one area or ‘ring-fencing’ a tax.

However, it is noteworthy that a levy or ‘ring-fenced’ tax has already been in operation in relation to the Horse and Greyhound Racing Fund through a 1% betting tax, which raised €573.7 million through gambling proceeds between 2000 and 2013. (12)

Therefore, if it is considered appropriate to use the proceeds of gambling to support sporting organisations that otherwise would rely more heavily on State funding why can’t the same rationale be applied to alcohol, which places such a great burden – both in economic and human terms – on our State and its citizens?

The alcohol industry’s estimated total annual spend on sports sponsorship in Ireland is estimated at less than €30 million. (39) Similar to the support provided to the horse and greyhound racing industries through the betting tax, a levy on alcohol products would allow the State to bridge any potential loss of funding if the proposed ban on alcohol sponsorship of sport - another key recommendation contained in the Steering Group Report on the National Substance Misuse Strategy – were to be introduced.

The funding required – if any – for sporting organisations would be far less than the estimated €30 million figure once replacement sponsorship deals are taken into account. A social responsibility levy for the alcohol industry could also assist in counter-acting the widespread ill-effects of alcohol for society, encompassing a wide range of potential action areas, including treatment.

Based on the latest per capita alcohol consumption figures for Ireland (11 litres in 2014), a levy set at the very minimum of just one cent per Irish standard drink (10 grammes of alcohol) would currently generate over €31 million annually.
References

39. It’s Not a Game. Submission to the working group on regulating sponsorship by alcohol companies of major sporting events. Dublin: Alcohol Action Ireland; 2014.