



Issues Paper:

‘The public interest case for a minimum (floor) price for alcohol’

Submission on behalf of the Australian Medical Association

August 2012

Contact:

Dr Maurice Rickard
Policy Manager, Public Health
Australian Medical Association
42 Macquarie St
Barton ACT 2600
Ph: 02 6270 5449
mrickard@ama.com.au

Corinne Dobson
Senior Policy Officer, Public Health
Australian Medical Association
42 Macquarie St
Barton ACT 2600
Ph: 02 6270 5494
cdobson@ama.com.au

Introduction

The Australian Medical Association is pleased to make this submission and contribute to the discussion around the introduction of a minimum (floor) price for alcohol in Australia.

This submission has been developed in response to the Issues Paper prepared by the Australian National Preventive Health Agency (ANPHA), which explores the merits and public interest implications of a minimum price for alcohol.¹ As the peak professional organisation representing medical practitioners in Australia, the AMA welcomes this Issues Papers, which has been developed at a time when there is an urgent need for action to reduce harmful drinking in Australia.

The AMA has actively campaigned for a comprehensive strategy to reduce the harms associated with the misuse of alcohol in Australia. Excessive alcohol consumption is the source of significant health, social and economic harms, particularly among young Australians. As the Preventive Health Taskforce concluded, there is a “unique window of opportunity” to prevent alcohol-related harms, and it is imperative governments adopt policies and programs that hold the most promise of being effective.²

This submission identifies alcohol pricing as one such area with considerable potential to reduce the harms associated with alcohol consumption, particularly among young drinkers. This is supported by a solid and extensive evidence-base, which indicates that young drinkers and heavy drinkers choose beverages that provide the cheapest unit price for alcohol, and reduce consumption in response to price increases. This evidence-base, combined with the growing burden of heavy alcohol consumption, constitute a sound and compelling public interest case for adopting a minimum (floor) price for alcohol.

The AMA support the introduction of a minimum price for alcohol on the basis that:

- **there are substantial harms associated with the misuse of alcohol in Australia, particularly among young people;**
- **there is extensive evidence supporting pricing policy as an effective and cost effective means to reduce alcohol consumption and consequent harms; and**
- **there is significant evidence to indicating that minimum pricing targets young drinkers and those groups that drink most heavily.**

The following discussion elaborates on this position, focusing on the key considerations raised in the Issues Paper.

Alcohol-related harms are at an unacceptable level

Within Australia, the harms resulting from alcohol misuse are significant. By world standards, Australia's per capita consumption of alcohol is high. One in five Australians consume alcohol at levels that put them at risk for alcohol-related disease or injury,³ and a further 70 per cent of Australians report being adversely affected by others' drinking.⁴ The prevalence of harmful or hazardous drinking is even more pronounced among young Australians. Almost one in four young people aged 14–19 drink alcohol at levels associated with short-term harm on a monthly or weekly basis,⁵ and over 40 per cent of those aged 16–24 years report having consumed more than 20 standard drinks on a single occasion.⁶

The consequences of these harmful drinking patterns are significant. Alcohol is causally related to over 60 different medical conditions, and its excessive consumption contributes to preventable deaths, chronic disease, mental illness, and injury. In the majority of cases, there is a dose-response relationship, with risk increasing with the amount of alcohol consumed. Among young people, the short-term and long-term risks of heavy drinking are of particular concern. Drinking contributes to the three leading cases of death among adolescents, and regular drinking at a young age is an important risk factor for future hazardous patterns of alcohol consumption. In addition to these health impacts, the misuse of alcohol imposes significant social and economic costs, including crime, violence, reduced workplace productivity, vandalism, offensive behaviour, and dysfunctional family dynamics. The total costs of alcohol-related harms in Australia are estimated to be between \$15 and \$36 billion each year.⁷

Given the impact of alcohol-related harms, there is a pressing need for policy interventions that reduce the burden of injury, illness and death associated with alcohol consumption.

Pricing policy is one of the most effective measures to control alcohol consumption and harms

There is substantial evidence supporting the link between alcohol affordability and levels of alcohol consumption, with increased prices resulting in reduced consumption.

In surveying the existing research literature, the Issues Paper documents variations in the magnitude of price effects across groups, situations, places and times. Although the magnitude of price effects may vary, the basic relationship between price and consumption is consistent: alcohol prices affect the consumption of all types of alcoholic beverages, and the drinking behaviours of all types of drinker. For example, a 2009 meta-analysis of data from 112 studies tracked the relationship between alcohol pricing and consumption, and found that the more alcohol costs, the less people drink it. This reduction in alcohol consumption is reflected in both per capita consumption of alcohol, and in measures for heavy drinking. Based on these findings, the authors conclude that increasing the price of alcohol is the most consistently successful means of reducing drinking:

We know of no other preventive intervention to reduce drinking that has the numbers of studies and consistency of effects in the literature on alcohol taxes and prices.⁸

Increasing the price of alcohol not only reduces alcohol consumption, but also reduces alcohol-related harms. A number of literature reviews have supported an association between increases in alcohol price and reductions in harm, with increased prices correlating with reduced healthcare costs, fewer alcohol-related hospital admissions, and reductions in alcohol-related crime and violence.⁹ According to one summary of international research into the links between high alcohol prices and alcohol consumption:

An increase in the price of alcohol reduces hazardous and harmful alcohol consumption, alcohol dependence, the harm done by alcohol, and the harm done by alcohol to others than the drinker.¹⁰

In short, from the repertoire of policies available, the evidence suggests that measures that increase alcohol prices and taxes are the most effective in reducing alcohol consumption and related harms.

Increasing the minimum price for alcohol will have the greatest effect on young people and heavy drinkers

The rates of risky drinking in Australia peak among young people, and the AMA consider measures that address these harmful patterns to be a policy imperative. Both young people and heavy drinkers tend to choose cheaper alcoholic beverages.¹¹ Because minimum pricing directly targets the cheapest drinks, a key benefit of this pricing strategy is that it would most likely have the greatest impact on young drinkers and those consuming alcohol at harmful levels. Drinkers who consume alcohol within recommended guidelines would only be marginally affected.

The targeted nature of minimum pricing offers certain advantages to across-the-board tax increases. This is because drinkers can compensate for a general increase in alcohol taxes by shifting their consumption from more expensive to cheaper alcohol products, rather than reducing their overall consumption of alcohol.¹² Minimum pricing prevents such substitution effects. Unlike general taxation measures, minimum pricing also circumvents the practice of below-cost sales or 'loss leading', which are a prominent feature of the Australian market.¹³ The practice of below-cost sales encourages consumption and undermines the effectiveness of tax-based approaches, as major off-trade retailers are able to absorb price increases rather than passing them onto the consumer.

The targeting of cheap drinks makes minimum pricing a particularly potent strategy for reducing alcohol consumption in young people. There is a substantial body of research that demonstrates that young drinkers are particularly sensitive to changes in alcohol price.¹⁴ As concluded by the World Health Organization expert committee on Problems Relating to Alcohol Consumption:¹⁵

Policies that increase alcohol prices have been shown to reduce the proportion of young people who are heavy drinkers, to reduce underage drinking, and to reduce per occasion binge drinking. Higher prices also delay intentions among younger teenagers to start drinking and slow progression towards drinking larger amounts.

While these effects are observed for general price increases, the impact is likely to be particularly pronounced through a minimum pricing strategy. Young people generally have a relatively small discretionary income, are more likely to purchase alcohol for its intoxicating properties, rather than its quality, and are more likely to consume alcohol purchased from offsite locations, rather than onsite locations.¹⁶

Alcohol pricing policies are cost-effective

In addition to reducing alcohol consumption and related harms, increasing the price of alcohol has the potential to deliver significant cost savings, reducing healthcare costs, increasing workplace productivity, and reducing crime. To achieve such savings, the minimum price threshold would need to be set at a level that is effective in reducing the affordability of the cheapest alcoholic beverages. Establishing and maintaining an optimal price threshold requires access to wholesale and retail alcohol sales data, which in turn indicates consumption levels and patterns. In Australia, estimates of the cost savings associated with alcohol pricing policy have focused on taxation measures, and have calculated a net saving of between 14 and 38 per cent (or between \$2.19 and \$5.94 billion in 2004-05 dollars).¹⁷ This finding echoes the international literature, which identify pricing policies as having the lowest intervention costs and greatest overall cost benefits.

While significant social and healthcare savings would arise from a minimum floor price, a combination of minimum pricing and volumetric taxation would deliver the greatest returns in terms of net cost savings. Taxation provides a revenue stream for government, which can be hypothecated for alcohol harm prevention and treatment programs. In contrast to taxation, additional revenue generated from a minimum price goes toward alcohol producers and retailers.¹⁸ Adopting a minimum pricing scheme in conjunction with volumetric taxation therefore offers the greatest scope for discouraging harmful drinking and recovering the fiscal costs associated with alcohol harms.

The introduction of a minimum floor price is an important step toward a comprehensive taxation and pricing policy oriented around public health

A fundamental shortcoming of the current alcohol pricing and taxation system in Australia is that it is not based on public health principles. By targeting low-cost alcohol, minimum pricing has important implications for young and heavy drinkers, and therefore offers a potent means of tackling damaging patterns of consumption.

While the public interest case for minimum pricing is compelling, reducing the harms associated with alcohol ultimately requires a comprehensive suite of measures. As with any other measure to address the alcohol-related harms, minimum pricing should not be considered in isolation from other measures, and the AMA urges governments to pursue a comprehensive reform of alcohol taxation, with public health as the principle objective. As both the Henry Tax Review and the National Preventive Health Taskforce concluded, an optimal mix of pricing policy would combine both a volumetric taxation regime and a minimum floor price. The AMA supports this

comprehensive reform of alcohol taxation,^{*} which would result in a more equitable and efficient volumetric taxation system underpinning a minimum price for alcohol. These taxation reforms would reinforce the health benefits of minimum pricing, which has significant potential to reduce the burden of injury, illness and death associated with alcohol consumption in Australia.

^{*} Because the terms of reference of the Issues Paper are narrowly delimited to the issue of Minimum Pricing, it is beyond the scope of this submission to detail the taxation arrangements that would be most suited to delivering better public health outcomes. However, it should be noted that, in addition to volumetric taxation, further adjustments to taxation would involve removal of the Wine Equalisation tax and other distortions, such as duty-free and onsite discounts.

REFERENCES

- ¹ Australian National Preventive Health Agency [ANPHA], (2012). *Exploring the public interest case for a minimum (floor) price for alcohol: issues paper*. ANPHA: Canberra.
<http://anpha.gov.au/internet/anpha/publishing.nsf/Content/min-floor-price-alc> [accessed 9 July 2012]
- ² Commonwealth of Australia, (2010). *Taking preventative action. A response to Australia: the healthiest country by 2020. Technical Report No 3: Preventing alcohol-related harm in Australia: a window of opportunity*. Canberra.
- ³ Australian Institute of Health and Welfare (AIHW) (2011). *2010 National Drug Strategy Household Survey Report*. Drug statistics series no. 25, Cat. no. PHE 145. AIHW: Canberra.
- ⁴ Laslett, A., Room, R., Ferris, J., Wilkinson, C., Livingston, M. & Mugavin, J. (2011). Surveying the range and magnitude of alcohol's harm to others in Australia. *Addiction* 106(9):1603–11.
- ⁵ AIHW, (2007). *National Drug Strategy Household Survey: detailed findings*. Drug statistics series no. 22. Cat. no. PHE 107. AIHW: Canberra.
- ⁶ Victorian Drug and Alcohol Prevention Council, (2010). *2009 Victorian youth alcohol and drug survey: Final report*. Victorian Drug and Alcohol Prevention Council for the Department of Health: Melbourne.
- ⁷ Collins, D., Lapsley H., (2008). *The Costs of Tobacco, Alcohol and Illicit Drug Abuse to Australian Society in 2004/05*. Commonwealth of Australia, Canberra; Laslett, A-M., Catalano, P., Chikritzhs, T., Dale, C., Doran, C., Ferris, J., Jainullabudeen, T., Livingston, M., Matthews, S., Mugavin, J., Room, R., Schlotterlein, M., Wilkinson, C., (2010). *The Range and Magnitude of Alcohol's Harm to Others*. AER Centre for Alcohol Policy Research: Melbourne.
- ⁸ Wagenaar, A., Salois, M., & Komro, K. (2009). Effects of Beverage Alcohol Price and Tax Levels on Drinking: A Meta-Analysis of 1003 Estimates from 112 studies. *Addiction* 104: 179–190.
- ⁹ Booth, A., Meier, P., Shapland, J., Wong, R. and Paisley, S. (2010). *Alcohol pricing and criminal harm: a rapid evidence assessment of the published research literature*. London: Home Office; Booth, A., Brennan, A., Meier, P., O'Reilly, D., Purshouse, R., Stockwell, T., Sutton, A., Taylor, K., Wilkinson, A. and Wong, R. (2008). *Independent review of the effects of alcohol pricing and promotion: part a – systematic reviews*. ScHARR: University of Sheffield; Home Office (United Kingdom), (2011). *The likely impacts of increasing alcohol price: summary review of the evidence base*. Home Office: London.
- ¹⁰ Anderson, P., & Baumberg, B.,(2006). *Alcohol in Europe: a public health perspective. A report for the European Commission*. Institute of Alcohol Studies, U.K.,
http://ec.europa.eu/health/archive/ph_determinants/life_style/alcohol/documents/alcohol_europe_en.pdf [accessed 30 July 2012].
- ¹¹ Booth *et al.* (2008), (2010)
- ¹² Meier, P., Purshouse, R., & Breannan, A., (2009). Policy options for alcohol price regulation: the importance of modelling population heterogeneity. *Addiction* 105:383-393.
- ¹³ Carragher, N., & Chalmers, J., (2011). *What are the options? Pricing and taxation policy reforms to redress excessive alcohol consumption and related harms in Australia*. NSW Bureau of Crime Statistics and Research: Sydney.
[http://www.lawlink.nsw.gov.au/lawlink/bocsar/ll_bocsar.nsf/vwFiles/R59a.pdf/\\$file/R59a.pdf](http://www.lawlink.nsw.gov.au/lawlink/bocsar/ll_bocsar.nsf/vwFiles/R59a.pdf/$file/R59a.pdf) [accessed 1 August 2012]
- ¹⁴ Hunt, P., Rabinovich, L. and Baumberg, B. (2010). Preliminary analysis of the economic impacts of alcohol pricing policy in the UK. Home Office: London.
- ¹⁵ World Health Organisation (2007) *Expert committee on problems related to alcohol consumption, Second report*. WHO Technical Report Series 944, provisional edition. World Health Organisation, Geneva. www.who.int/substance_abuse/activities/expert_comm_alcohol_2nd_report.pdf [accessed 3 August 2012].
- ¹⁶ Hunt *et al.* (2010).
- ¹⁷ Collins & Lapslet (2008).
- ¹⁸ Carragher & Chalmers (2011).