

Extract A: Scotland ends cheap booze as minimum price starts

The price of cheap, high-strength alcohol has gone up in Scotland as long-awaited legislation on minimum pricing comes into force.

The law, which sets a floor price for drinks depending on how many units of alcohol they contain, was passed in 2012 but has faced legal challenges.

The Scottish government said the move would cut consumption and save lives.

High-strength white cider and cheap own-brand vodka and whisky will see the biggest rise in prices.

Ministers said the idea was to target booze that attracted problem drinkers.

They were concerned that a two-litre bottle of strong cider (7.5 abv), which contained more than the weekly recommended limit for alcohol (14 units), could be bought for as little as £2.50.

It will now cost at least £7.50.

Own brand vodka, gin and whisky will also rise in price by as much as £3 a bottle, as will some cheap wines and multi-pack beers.

Last week, a BBC survey of Scotland's supermarkets found that well-known brand names such as Smirnoff vodka, Famous Grouse whisky and Tennent's lager would also be affected by the minimum price, especially when they are on special offer.

Research by alcohol-concern charities showed that almost three-quarters of Scotland's alcohol is bought from supermarkets and shops.

Media caption These three women are a little taken aback when they find out the new price of a bottle of cider

Pubs, clubs and restaurants are unlikely to be affected by the law as they would have to be selling a pint of lager for about £1.14 or a large glass of wine for £1.50.

The new law is not a tax and any extra revenue from higher prices will go to the supermarkets.

Adapted from: <https://www.bbc.co.uk/news/uk-scotland-43948081> (01/05/2018)

Extract B: Flapjacks are too chewy to be taxed as cakes, tribunal rules

Health impact

What's the cost of Scotland's alcohol problem?

£3.6bn

Annual cost to NHS and justice system

22 Alcohol-specific deaths each week

697 Hospital admissions linked to drink

80% Assault victims at A&E had been drinking

Ministers have called the new law a significant step in tackling Scotland's "unhealthy relationship" with alcohol.

The Scottish government claims minimum pricing will save 58 lives in its first year and reduce hospital admissions by 1,300.

Speaking on the BBC's Good Morning Scotland radio programme, Health Secretary Shona Robison said the policy "targets hazardous and harmful drinkers". She added: "This policy is geared towards making sure that by increasing the price - particularly of those products that do the most harm - that we will reduce consumption."

Asked about how it would be enforced, Ms Robison insisted policing of the policy would be robust.

"We believe that the licensing standards officers, and the work they do anyway around licensed premises, will be able to make sure that minimum unit pricing is adhered to," she said. "I don't think anyone is going to want to put their licence at risk because obviously breaching licensing conditions can be a criminal offence and could lead to serious consequences with substantial fines and potentially imprisonment of up to six months."

Adapted from: <https://www.bbc.co.uk/news/uk-scotland-43948081> (01/05/2018)

Figure 1: UK VAT rate (1978 to 2022)

Only about a dozen countries, mainly in eastern Europe, drink more than the British. Adult Britons each glug the equivalent of 500 pints of beer a year, a habit which kills 7,000 of them annually. The Scots, who are the thirstiest of the bunch, are determined to cut down. On February 26th their devolved government set a minimum price for alcohol of 50p (\$0.70) per unit (equivalent to roughly half a pint of beer or a small glass of wine). The policy is likely to sober up some of the heaviest drinkers. Surprisingly, it may also give some drinks firms and retailers reason to celebrate.

The Scottish Parliament voted for a price floor in 2012. But legal challenges by the drinks industry delayed the policy's implementation. The Scotch Whisky Association argued that the plan conflicted with European Union trade rules. In November 2017 Britain's Supreme Court decided that it did not. When the policy is introduced in May, Scotland will join a handful of other countries that have introduced some form of minimum price, mostly big-drinking places such as Russia and Ukraine.

Plenty of tipples will be made more expensive by the new floor. An analysis by the Institute for Fiscal Studies, a think-tank, suggests that across Britain roughly 70% of shop-bought alcohol is priced at below 50p a unit. The cheapest, strongest drinks will become a lot more expensive. In some places the price of Omega cider, which makes up in strength what it lacks in taste, stands to rise by 70%.

This kind of sturdy, discount grog is often favoured by the hardest drinkers. The minimum price could, therefore, have a big impact on public health. Last year a review of evidence in *BMJ Open*, an online journal, suggested that minimum pricing was "likely to reduce alcohol consumption, alcohol-related morbidity and mortality".

Yet the policy may also mean higher profits for some drinks makers and retailers. Demand for booze tends to be inelastic with respect to price, suggesting that the hit to revenues caused by the expected fall in consumption will be more than outweighed by the rise in prices. Normally competition between firms prevents them from jacking up their prices. By introducing a compulsory price floor, the government is doing it for them.

Higher taxes would be an alternative way to dissuade consumption, with the added benefit of raising money for the Treasury rather than the drinks industry. It would encourage champagne guzzlers to cut back, as well as scrumpy swillers. But the Scottish government has no powers over alcohol duties. And the Westminster government, which does, is worried about squeezed living standards and is in no mood to raise taxes on the national pastime.

Adapted from: <https://www.economist.com/britain/2018/03/01/scotlands-minimum-price-for-alcohol-may-have-unexpected-effects> (01/03/2018)

Questions

- With reference to the information provided, assess the impact that the PED of alcohol may have on the effectiveness of the minimum price scheme
- With reference to the information provided, assess whether a minimum price or an indirect tax is the best way to reduce the consumption of alcohol
- With reference to the information provided, evaluate the expected microeconomic effects of the price floor on alcohol in Scotland