



making business sense

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NEWS RELEASE

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Minimum pricing will cost Scottish consumers £81 million per year

Minimum alcohol pricing will do more harm than good to the Scottish economy says leading economics consultancy

SABMiller plc, one of the world's leading brewers, commissioned the centre for economics and business research (cebr) to conduct an analysis of the available research on minimum pricing with the intention of understanding the economic and social impact of the Scottish Government's proposals.

Our key finding is that from an economic perspective, minimum pricing cannot be justified. Specifically, we have found that if minimum pricing at **40 pence per unit** was introduced in Scotland:

- Consumers would end up paying **over £80 million per year more for alcohol products – the equivalent of £35 per household per year**
- Consumers would also lose out by the equivalent of an additional **£45 million per year** in lost 'consumer value'
- The value of benefits of improved health and job prospects for individuals would be **only £38 million**
- The **savings to wider society** including NHS and policing costs and costs to victims of crime would be **around £10 million per year**

According to the UK Government's own research (*Meier et al, University of Sheffield, 2008*) those deemed to be hazardous or harmful drinkers are much less sensitive to higher prices than moderate drinkers, in terms of their overall alcohol consumption. Consequently, whilst all drinkers have to pay more for their purchases, moderate drinkers would be more responsive to price changes than those whom the Government is targeting. Based upon the University of Sheffield research, we estimate that a minimum price at 40 pence per unit would reduce consumption amongst harmful drinkers by only 2.3%.

Meanwhile, the benefits to suppliers, retailers or producers could be substantial, undermining consumer choice. **We estimate that if minimum pricing of 40p per unit was implemented in Scotland, supplier profitability would be boosted by approximately £80-100 million a year.**

Ben Read, one of the report's authors and managing economist at cebr, commented:

'Despite The Scottish Government's proclamations to the contrary, the published research on minimum alcohol pricing does not present a compelling case once you factor in the substantial additional costs to consumers. In fact, with direct financial costs to consumers in the region of £80 million per year and additional economic costs of £45 million per year, the potential benefits start to seem pretty small in comparison.

'We can only hope that the Scottish Government will undertake a full regulatory impact assessment which considers both the costs and benefits of this proposed policy, instead of the relatively one-sided case that has been presented to date.'

Mark Pragnell, managing director at cebr added:

'A key problem with minimum pricing is that heavier drinkers – those that the policy is supposed to be targeting – are least responsive to price changes. This means that minimum pricing is an incredibly blunt instrument which imposes significant costs across large sections of society, whilst having very limited benefits in terms of curbing the excesses of the minority.'

NOTES TO EDITORS

cebr is a leading independent commercial economics consultancy with particular strengths in regulatory impact assessments.

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