

Alcohol Change UK is a leading UK alcohol charity, formed from the merger of Alcohol Concern and Alcohol Research UK. With a vision of a society that is free from serious alcohol harm, we work towards five key changes: improved knowledge, better policies and regulation, shifted cultural norms, improved drinking behaviours, and more and better support and treatment. We are a research funder, we deliver the annual Dry January campaign, and we provide training to client-facing professionals through our award-winning Blue Light project. We welcome the opportunity to make representation to the 2021 Autumn Budget.

Our representation focuses on the Budget; we have also separately made a joint response to the 2021 Comprehensive Spending Review, alongside Adfam, the Alcohol Health Alliance, Collective Voice, the Institute for Alcohol Studies, and the NHS Addiction Providers Alliance. As a member of the Alcohol Health Alliance, we also support their representation to the Budget.

### **We call on the Chancellor to increase alcohol duty by 2% above inflation in this Budget.**

While we await the outcome of the ongoing review of alcohol duty (to which we have already submitted evidence<sup>1</sup>), it is vital the Chancellor reverses years of real terms cuts to alcohol duty, which have lost £6.8bn in revenue since 2012, over a period when deaths rose dramatically.

### **Key points**

A freeze on alcohol duty is, in effect, a real terms cut. Freezing or cutting duty in this Budget would:

- make things worse for the hospitality trade by further increasing the price gap with supermarkets.
- make cheap booze even more affordable, causing greater harm – when deaths caused by alcohol rose by 20% in 2020.
- further encourage ‘pre-loading’, harming the hospitality sector, making the night-time economy less safe, and increasing the burden of anti-social behaviour on the police and local communities.
- hurt the public purse by further decreasing revenue receipts.

Increasing alcohol duty would maintain or increase revenue and:

- rebalance the burden of paying the £27bn+ cost of alcohol harm, away from taxpayers (around one-fifth of whom do not drink), to manufacturers, retailers, and drinkers.
- raise vital funds for the criminal justice system and the NHS, who currently shoulder the main burden of alcohol harm.
- help reduce alcohol harm, reversing the trend of rising deaths and health disparities.

The public welcome increasing alcohol duty: 40% want an increase compared to just 14% who want a cut. 56% support an increase if the revenue is used to fund the NHS and police.

It's time for everybody to play their part in the national recovery and rebuilding. We need the businesses who have seen increased profits throughout the pandemic (like large alcohol producers and supermarkets) to help bear the cost of alcohol harm.

## 1. Alcohol duty and hospitality

Everybody needs to play their part in the national recovery and rebuilding. We need the businesses who have continued to thrive during the pandemic to help. Many alcohol producers and retailers have made significant profits, with off-trade volume sales up 25% during the pandemic<sup>2</sup>. Meanwhile, hospitality businesses, especially pubs, bars, and clubs, have suffered greatly, with consumer spending in this sector still 39% lower than pre-pandemic levels in May 2021 – a huge blow to businesses and workers.<sup>3</sup>

Cutting or freezing alcohol duty does not help the hospitality trade. Instead, it increases the price differential between the off-trade (including supermarkets) and hospitality businesses like pubs and nightclubs. Cutting alcohol duty now would further benefit large producers and retailers at the cost of the hospitality trade.

Even before the pandemic, in 2019 just 28% of alcohol sold was bought in on-trade venues – down from 58% in 1994.<sup>4</sup> This is partly down to the widening price differential. The cost of a pint bought in a pub has risen 400% since 1987 while a pint bought at the supermarket has risen by just 70%.<sup>5</sup> However, alcohol duty is the same wherever that pint is sold (because it is paid by the producer or packager when the drink is released onto the market) – currently around 44p for a pint or equivalent large can. As supermarket beer is so much cheaper, the proportion of the price that 44p represents is greater. Therefore, if a duty cut results in price reduction, it has a bigger impact on the supermarket price than the pub price, increasing the price gap and making the supermarket pint even more attractive.

Publicans themselves recognise that the biggest threat to their businesses is cheap supermarket booze. In a 2018 survey of publicans, cheap off-trade alcohol was the main reason cited for pub closures, while 89% said duty cuts had not helped their business.<sup>6</sup> Previous governments sacrificed significant public revenue and achieved no benefit to pubs. Furthermore, if producers choose not to pass-through duty cuts to retailers, the benefit is realised by large producers who have seen profits increase during the pandemic. Diageo, for example, reported “strong growth in net sales, operating profit and cash generation” for 2020-21.<sup>7</sup>

Increasing alcohol duty is also one of the most popular tax increases with the public, after tobacco duty and corporation tax. 40% of people want an increase in alcohol duty,<sup>8</sup> and 56% support it if the revenue is used to fund the NHS and police.<sup>9</sup>

While we await the outcome of the ongoing review of alcohol duty, the least the Chancellor can do to make alcohol duty fairer is to maintain or even reduce the differential between hospitality and supermarkets, by increasing alcohol duty in the Budget.

## 2. Alcohol duty and cut-price booze

The price of alcohol is a crucial factor in the amount of harm caused. If producers and retailers pass-through duty cuts to consumers, resulting in lower prices on the shelf, alcohol harm increases.<sup>10</sup> 2020 saw alcohol deaths rise by 20% to its highest rate since records began in 2001. In 2020, 7,423 people in England and Wales died of alcohol-specific causes<sup>11</sup>; still more from conditions where alcohol was a contributory factor.<sup>12</sup>

If, instead of the successive cuts and freezes to alcohol duty since 2012, duty had increased in line with inflation, an estimated 37,000 hospital admissions and 1,400 deaths could have been avoided. But it's not too late. Introducing an annual 2% above inflation increase in alcohol duty at this Budget and continuing until 2032 would save 5,120 lives in England and Scotland and prevent almost 170,000 hospital admissions.<sup>13</sup>

In the years before the pandemic, duty cuts helped make alcohol increasingly affordable; between 1987 and 2019, alcohol became 74% more affordable.<sup>14</sup> In England, where we do not benefit from Minimum Unit Pricing, it costs less than £4 to buy more alcohol than the Chief Medical Officers recommend consuming in a week.<sup>15</sup>

Price is the main motivation for pre-loading,<sup>16</sup> where people choose to consume cheaper alcohol at home, before visiting an on-trade venue, often arriving already extremely inebriated. Pre-loading is a huge burden on the hospitality and night time economy sector. Not only does it mean less alcohol is sold in the on-trade

than otherwise would have been, but it also increases anti-social behaviour, violence towards staff, and crime. This has a knock-on effect on neighbourhood policing and the wider criminal justice sector, as well as hospital Accident and Emergency departments, and the local communities who suffer the consequences.

A Local Government Association survey of 140 licensing authorities in England and Wales<sup>17</sup> found that two in five respondents saw a correlation between pre-loading and alcohol-related crime and disorder in their local area and one in four had seen their local public health team express concern about the health impacts of pre-loading in the local area. Respondents highlighted that pre-loading is fuelled by the availability of cheap alcohol in the off-trade, with one respondent stating, “*The cost of alcohol needs to be tackled at a national level. Implementing local measures [is] only going to scratch the surface with this issue*”.

Finally, in line with the Government’s ambition to Build Back Better, alcohol duty increases have a greater benefit on the most deprived in society. Cuts and freezes disproportionately lead to an increase in the drinking of those in the most deprived quintiles because of the bigger impact on prices in the off-trade. Drinkers in more deprived groups buy a greater proportion of alcohol from shops than the pub, leading to a heavier burden of alcohol harm. These groups already suffer more harm, with the rate of alcohol-related deaths and hospital admissions being 60% higher than in the least deprived groups.<sup>18</sup>

### 3. Alcohol duty and revenue

Alcohol producers (mostly very large profitable corporations) reap the benefits of alcohol duty cuts while our valuable and hardworking national institutions - the police, the NHS - bear the considerable cost. It’s time to redress the imbalance.

The Treasury estimates that, since 2012, alcohol duty cuts and freezes have cost government £6.8 billion in foregone revenue.<sup>19</sup> If duty freezes continue, by 2024/25 the total loss of revenue will be £14.3 billion.

Furthermore, cuts and freezes to alcohol duty since 2012 have cost the NHS in England and Scotland £341 million and increased the costs of crime by £469 million due to the increased volume of alcohol consumed.<sup>20</sup>

The recent Independent Review of Drugs, led by Dame Carol Black, highlighted that the average decrease in funding for drug and alcohol treatment services was 14%, with considerable regional variation – some areas experiencing cuts of 40%. Dame Carol observed that the drug and alcohol treatment system is no longer fit for purpose, and that funding cuts have left services ‘on their knees’.

In a recent speech at the Grange Community Centre in Blackpool, Health Secretary Sajid Javid recognised the record levels of people dying from harmful drug and alcohol use, and the disproportionate burden of substance misuse on our most deprived communities. Increasing alcohol duty represents an opportunity for the government to tap into an appropriate stream of taxation that more fairly distributes the burden, increases revenue and reduces harm.

### 4. Beyond the Budget

In the ongoing review of alcohol duty, we call for:

- **Alcohol duty to at least cover the costs of alcohol to society**

Alcohol must be taxed in proportion with the harm it causes. Alcohol duty currently contributes around £12bn a year in revenue<sup>21</sup>, while alcohol harm is estimated to cost between £27bn and £52bn a year – more than double, and possibly up to four times as much.<sup>22</sup>

- **Alcohol to be taxed according to strength**

To have the greatest impact on health, the duty system should recognise that stronger drinks create more harm and should be taxed at a higher rate per unit than lower-strength drinks. This scaled approach would encourage producers to reformulate their drinks and create better quality drinks at lower strengths.

- **Alcohol duty to be consistent across drink types**

The current system creates a market for cheap, high-strength products, which do most damage to health. The system should be consistent across drink types, rather than giving preferential tax rates to some and not others.

- **Alcohol duty to automatically increase in line with inflation or earnings**

To ensure it always performs a harm reduction role, duty can't be indefinitely frozen or allowed to stagnate. This would make sure progress is made towards reducing harm and improving health, year-on-year.

Furthermore, reform to alcohol duty is not enough to stem the tide of rising alcohol harm. The government must pursue other measures to tackle the harm that affects people who drink, their families and loved ones, and our communities. Introducing a Minimum Unit Price (MUP), to bring England into line with Scotland and Wales, would provide consistent alcohol pricing - and health protection - across the UK nations.

Duty reform and increases alone are not enough to protect the heaviest, most harmful drinkers, as they are more likely to switch to cheaper alternatives than to reduce consumption when price rises.<sup>23</sup> MUP complements duty by preventing the sale of extremely cheap, high strength products, even if manufacturers absorb the duty.

The greatest impact on alcohol harm would come from the combination of both MUP and strength-based, inflation-linked duty.

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<sup>1</sup> Alcohol Change UK (2020). [Representation to the Duty Call for Evidence 2020](#).

<sup>2</sup> Public Health England (2021). [Monitoring alcohol consumption and harm during the COVID-19 pandemic: summary](#).

<sup>3</sup> Office for National Statistics (2021). [Coronavirus and its impact on UK hospitality: January 2020 to June 2021](#).

<sup>4</sup> Public Health Scotland (2021). [Using alcohol retail sales data to estimate population alcohol consumption in Scotland – an update of previously published estimates](#). MESAS Monitoring Report 2020 – revised alcohol sales.

<sup>5</sup> Office for National Statistics (2021). [Consumer price inflation time series](#).

<sup>6</sup> Balance North East (2018). [Views from behind the bar, North East Landlord Survey 2018](#).

<sup>7</sup> Diageo (2021). [Press release: 2021 Preliminary Results, year ended 30 June 2021](#).

<sup>8</sup> YouGov (2020). [Budget 2020: what tax changes would be popular?](#)

<sup>9</sup> Alcohol Health Alliance (2020). [Small change: alcohol at pocket money prices](#).

<sup>10</sup> World Health Organization Regional Office for Europe (2020). [Alcohol pricing in the WHO European Region: update report on the evidence and recommended policy actions \(2020\)](#).

<sup>11</sup> Office for National Statistics (2021). [Quarterly alcohol-specific deaths in England and Wales: 2001 to 2019 registrations and Quarter 1 \(Jan to Mar\) to Quarter 4 \(Oct to Dec\) 2020 provisional registrations](#).

<sup>12</sup> Public Health England (2021). [Local Alcohol Profiles for England](#).

<sup>13</sup> Angus, C. and Henney, M. (2019) [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and IAS.

<sup>14</sup> NHS Digital (2020). [Statistics on Alcohol, England 2020. Part 7: Expenditure and affordability](#).

<sup>15</sup> Iceland Foods Ltd. (2021). [Frosty Jack's Cider 2.5 Litres](#).

<sup>16</sup> John H. Foster, Colin Ferguson, Alcohol 'Pre-loading': A Review of the Literature, *Alcohol and Alcoholism*, Volume 49, Issue 2, March/April 2014, Pages 213–226, <https://doi.org/10.1093/alcalc/agt135>

<sup>17</sup> Local Government Association (2016). [Alcohol Pre-loading: Survey of Licensing Authorities](#).

<sup>18</sup> Public Health England (2020). [Local Alcohol Profiles for England](#).

<sup>19</sup> Institute of Alcohol Studies (2021). [March 2021 Budget Analysis](#).

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<sup>20</sup> Angus, C. and Henney, M. (2019) [Modelling the impact of alcohol duty policies since 2012 in England and Scotland](#). The University of Sheffield and IAS.

<sup>21</sup> HM Revenue and Customs and HM Treasury (2020) [Alcohol duty review: call for evidence](#).

<sup>22</sup> Burton, R. et al. (2016). A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective. *The Lancet* VOLUME 389, ISSUE 10078, P1558-1580, APRIL 15, 2017 DOI 10.1016/S0140-6736(16)32420-5

<sup>23</sup> Pryce, R., Hollingsworth, B. & Walker, I. Alcohol quantity and quality price elasticities: quantile regression estimates. *Eur J Health Econ* 20, 439–454 (2019). <https://doi.org/10.1007/s10198-018-1009-8>