Alcohol Taxation

Sarah Wollaston (Totnes, Conservative) (Click here to watch the Debate live)

I have watched many of my former patients die as a result of alcohol; there is nothing like witnessing the end of the journey to focus one’s attention on the need to prevent people from becoming harmful drinkers in the first place. We are witnessing an unprecedented rise in hospital admissions and deaths from alcohol-related liver disease. Alcohol is directly responsible for more than 6,500 deaths and more than 1 million hospital admissions a year. It is the single largest cause of mortality in young people, accounting for one in four deaths among 15 to 24-year-olds—far more than die as a result of knife crime. There are now 1.6 million dependent drinkers in England alone.

However, the point about alcohol is that it does not just affect the drinkers themselves; it has a devastating effect on their families, especially children, and on entire communities. There are 705,000 children living with a parent who is a dependent drinker. Parental alcohol abuse is a factor in half of child protection cases.

The full costs are hard to quantify, but the bill runs to at least £20 billion a year.

Kevin Barron (Rother Valley, Labour)

The hon. Lady will know that I chaired the Select Committee on Health in the previous Parliament. We conducted an inquiry into alcohol, and it was the first time in many decades that a Select Committee had done that. We took evidence that the cost to the NHS could be as high as £55 billion a year. The situation is similar to that with tobacco: in the end, no one really knows the cost of the use of these products.

Sarah Wollaston (Totnes, Conservative)

I thank the right hon. Gentleman for that intervention. He is absolutely right. The study to which he refers took into account the reduced quality of life years associated with alcohol, which are extremely difficult to quantify.

In three years’ time, the Government will be judged not just on the economy, but on other tangible markers, such as violent crime, the prison population, health inequalities—even markers such as teenage pregnancy. It is hard to think of a social marker that is not affected by alcohol.

However, there are other compelling reasons for taking action. At a time of squeezed police budgets and when the NHS needs to find efficiency savings of £20 billion, we should not be pouring that money down the drain because of the problems that this country has with alcohol. About half the offenders in some prisons are jailed for an offence in which alcohol played a significant role. The relationship between crime and alcohol is not linear, but the positive association between violent crime and alcohol is compelling. There is a wealth of evidence to link alcohol price increases and reduced rates of homicide, rape, robbery, assault, motor vehicle theft and domestic violence.
Brandon Lewis (Great Yarmouth, Conservative)

I congratulate my hon. Friend on securing this important debate. In terms of alcohol price increases having the effect that she has just outlined, does she agree that one easy, fast and effective route that the Government could take to stop under-priced and low-priced alcohol being sold would be to go ahead with duty stamping on beer and wine to ensure that alcohol is sold at the right price and, equally, to save the Government up to Â£1 billion a year of revenue that is currently lost through the tax being avoided?

Sarah Wollaston (Totnes, Conservative)

That is one of the options. I would like to outline an alternative, but I certainly thank my hon. Friend for that intervention.

Numerous studies around the world have shown public health benefits as a result of price increases and taxation policies, so is it not time for some evidence-based politics? The trouble is that there is no single, simple solution. We know that there are other factors in addition to price: availability, our drinking culture and marketing. Those are all key factors, but today's debate is about taxation, so I will focus entirely on price, not because the others do not matter, but because they are not within the remit of the Treasury.

It is worth pointing out that most health experts feel that changing pricing is the most effective way of achieving results. I draw the attention of my hon. Friend the Minister to the letter in today's edition of The Daily Telegraph signed by 19 organisations. I know that the Treasury is aware of the costs to our economy of dependent drinkers and binge drinking, so I will not ask my hon. Friend to respond in detail on those points. As disposable incomes have fallen, so too has the overall consumption of alcohol, but that comes on the back of decades of steady increases. Alcohol remains about 44% more affordable than it was in 1980.

In 2010, a total of 48.4 billion units of alcohol were sold in the UK. Of those, 31.8 billion units—about two thirds; the great and increasing majority—were sold by the off-trade. The widening gap between the price of on-licence and off-licence alcohol is becoming far more significant and is fuelling the rise in home drinking. Harms are not going down as we might expect as a result of the small fall in overall consumption, because of the low-price deals that are still very widely available in supermarkets, garages and convenience stores pretty much around the clock.

Guy Opperman (Hexham, Conservative)

I congratulate my hon. Friend on obtaining the debate. The north-east has one of the worst rates of liver disease: we have seen an increase of 400% since 2002. I accept entirely the point that she makes about robust regulation in terms of minimum pricing, but does she accept that the local supermarkets in our individual constituencies can make a specific difference on the pricing and availability of alcohol and the way in which it is presented to our constituents?
Sarah Wollaston (Totnes, Conservative)

I absolutely agree. Most of the alcohol-related carnage is caused by young binge drinkers and by heavy or dependent drinkers, so the issue is not only about the availability of alcohol in outlets throughout the country. The harm is not going down, because those groups are the ones that are most attracted by the low-price deals.

Andrew Griffiths (Burton, Conservative)

I congratulate my hon. Friend on securing this important debate. I declare an interest as chairman of the all-party beer group. I agree with her about the need for the Government to take action. Does she agree with me on this point? Twenty years ago, the price in a supermarket and the price in a pub were much the same at about 75p a pint. Today, a pint costs Â£3.10, Â£3.20 or Â£3.30 in a pub, whereas in a supermarket it remains at about 70p or 80p. That has encouraged people to drink more and more at home and discouraged them from drinking in a safe, supervised environment such as the community pub that is at the heart of many of our towns and villages.

Sarah Wollaston (Totnes, Conservative)

I thank my hon. Friend: he makes an excellent point about the decline in rural pubs and why any action that the Minister takes has to take into account the impact on rural pubs and, of course, town pubs.

Jason McCartney (Colne Valley, Conservative)

I congratulate my hon. Friend on securing the debate. I have to declare an interest. I worked behind the bar in one of my local pubs on a recent Friday evening, celebrating British beer week. I am also a member of the all-party beer group. I echo the comments made by my hon. Friend Andrew Griffiths. In a pub, we have a safe environment; we have a landlord who is licensed. That encourages responsible drinking. The pub I worked in—the Wills O'Nats in Meltham—was a family environment. Young people were there, drinking soft drinks until early in the evening. Does my hon. Friend agree that any taxation put in place by the Government should not just be about revenue streams, but should encourage responsible drinking in the community pub environment?

Sarah Wollaston (Totnes, Conservative)

I absolutely agree. The point is that in the UK harmful drinkers buy 15 times more alcohol than moderate drinkers, yet they pay 40% less per unit. Those are the groups that are most influenced by pricing. That is why I agree with my hon. Friends that the problem does not come from pubs.

I did have a prop for the debate. Last weekend, my researcher was able to access 2 litres of own-brand cider from Asda for Â£1.48, which worked out at just 18p a unit. With a four-pack of bitter for 68p, the price was just 17p a unit. I particularly objected to the labelling. It said, "Asda Smart Price". I put it to hon. Members that there is nothing smart about charging 68p for four units of alcohol. That would send a woman well over the safe limit for a single day for just 68p.

Mike Wood (Batley and Spen, Labour)
I, too, congratulate the hon. Lady on securing the debate. It is significant that Asda is the supermarket she cited, because it is seen as the one supermarket that has so far taken a lead in trying to get to the bottom of two-for-one offers and the like. If Asda is still behaving as badly as that, what can we expect from the others?

Sarah Wollaston (Totnes, Conservative)

Asda has acquired a veneer of respectability by signing up to the new responsibility deal, but I would ask whether it is killing its customers with such pricing. Asda has liked to boast of its responsible approach in removing low-price offers from its foyers, but I put it to Asda that those who conduct proxy sales

on behalf of teenage binge drinkers have no trouble in locating the cider at the back of the store. It is the ultra-low pricing that is causing the carnage.

I recognise that the Government are trying to introduce a floor price for alcohol that will include duty and VAT. The trouble is that the policy will not go far enough to solve the problem, as it will still allow white cider to be sold at below 10p a unit. It will establish the principle of minimum pricing without the prospect of delivering any meaningful results. Will the Minister set out what responses she has received from public health experts on that point? All the public health advice that I have seen is entirely pessimistic. The Daily Telegraph pointed out today that the policy will catch only one in 4,000 of the drinks currently being sold and will do nothing to save lives.

Andrew Griffiths (Burton, Conservative)

Does my hon. Friend agree that it was this Government who introduced, for the first time, a ban on below-cost selling? That was an important line in the sandâ€”the first time that a Government have said that selling booze too cheaply is a bad thing. The question now is, how cheap?

Does my hon. Friend share my concern that the current tax system seems to encourage people to drink ever stronger and stronger drinks? The tax system encourages the strength of wine to increase dramatically, and the drink of choice of young people is now vodka.

Sarah Wollaston (Totnes, Conservative)

I thank my hon. Friend for making that point. We need to show what minimum pricing means in practice if we set a reasonable price. If we set a minimum price of around 45p a unit, as the Scottish Government are planning to do, in a Bill introduced at the end of October, it would mean that a bottle of whisky containing 28 units could not be sold below Â£12.60, a bottle of wine containing 10 units could not cost less than Â£4.50, and a pint of beer with two units could not cost less than 90p. Such prices would not suck all the fun from a night out; in fact, they would not raise the price of alcohol in the on-trade at all.

Kevin Barron (Rother Valley, Labour)

Will the hon. Lady give way?

Sarah Wollaston (Totnes, Conservative)

May I make a little progress? The case against a minimum price of between 45p and 50p a unit may hang on the loss of income to the Treasury. Alcohol duty raised Â£9.5 billion in
2010-11, which is equivalent to 1.7% of total Government revenue. There is a certain illogicality in the bands set by the European Union, so to a certain extent, as my hon. Friend Andrew Griffiths said, there is great encouragement towards higher strength products.

The amount received by the Treasury is the same whether a product is sold in a pub or a supermarket. VAT is levied on top, but there are no specific data on where and on what products it is levied. Will the Minister set out estimates of the loss of income that would arise from the introduction of a minimum unit price of between 45p and 50p? Will she also set that against the benefits in estimated savings to the Home Office, the Department of Health and the Ministry of Justice that would result from a reduction in alcohol-related harms?

The Department of Health leads on alcohol policy. It has stated repeatedly that it does not wish to disadvantage moderate drinkers on a low income. However, it has failed to point out that harmful drinking disproportionately affects the poorest and most vulnerable in our society, and is a significant contributor to health inequality. A report on the Department's behalf from September 2011, titled "Narrowing the health inequalities gap", makes it quite clear that if it were not for alcohol-related deaths, and if we had had an effective policy, the objective to narrow the overall life expectancy gaps for the spearhead local authority areas â€” "the most deprived areas in our countryâ€” "would...certainly have been achieved for males; and would be well on the way to being achieved for females."

The evidence is not just that low-income groups suffer the most health harms, but that they suffer the most harms as a result of violence in their communities.

If we look at the evidence from some shopping basket data published in a university of Sheffield study, we can see that for "a 50p minimum price, a harmful drinker will spend on average an extra Â£163 per year whilst the equivalent spending increase for a moderate drinker is Â£12."

In other words, the published data state that such a policy will not penalise low-income moderate drinkers.

The deprived spearhead communities have the most to gain from an effective alcohol policy. A minimum or floor price can be set that is not regressive and is affordable for anyone who is not drinking at hazardous levels. As one of my correspondents pointed out:

"If you can't afford 50p per unit it is a good sign that you are drinking too much."

The charge is often made that without an increase in duty the profits will go to the drinks industry and retailers, not the Treasury. I can understand that, but if we can introduce windfall taxes on energy companies, why not have windfall taxes on supermarkets that profit from windfall gains? With more than 31 billion units sold in the off-trade, why not even consider a health levy on unopened bottles, perhaps of between 5p and 10p a unit, targeting just the off-trade? That would be more than enough to allow for decent treatment programmes. Evidence shows that for every pound we invest in such programmes, we save Â£5 in wider benefits to the economy because of reduced harms.

Guy Opperman (Hexham, Conservative)

Does my hon. Friend think that it would be a good idea to introduce an alcohol Act similar to that which exists in Scotland?
I could not agree more.

Finally—"I know that other Members would like to come in"—there are those who argue that a minimum price is illegal under EU law. If so, why are the Scottish Government so confident that it is not? I draw the Minister’s attention to a reply given by Mr Dalli on behalf of the European Commission to a question put by an MEP on that point. The bones of the reply are that

"the Commission fully shares with the Honourable Member the conviction that there are strong public health reasons for the EU to tackle alcohol-related harm including minimum pricing measures."

Will the Minister set out today whether there have been discussions with the Scottish Executive on the matter? Will she also comment on what steps the Treasury will take to tackle supermarkets’ plans to undermine Scotland’s decisive action to tackle the carnage caused by alcohol? Tesco recently e-mailed Scottish customers to reassure them that they will still be able to access cut-price deals after the Act is in force, as the products will be delivered from across the border. Will the Minister join me in condemning that e-mail from Tesco?

Yesterday, the Select Committee on Health returned from a visit to Carlisle, and it is clear that the city is expecting an increase in cross-border sales. It would prefer to see us use an evidence-based policy to protect the north-west, which has suffered from the devastating impact of alcohol. There have been many calls for effective minimum pricing and numerous models show the amount of lives and money saved, so I do not want to go over them in detail, other than to point out again that a 50p minimum price could save nearly 10,000 lives a year.

We have shown that Britain is prepared to stand our ground in the EU when it comes to the City of London. Now is the time to put the lives of our young people ahead of the theoretical risk of a legal challenge. A precedent exists in the loi Evin, which the French introduced to protect children from the effects of alcohol marketing in France. It has been challenged repeatedly by the industry in the EU’s courts, but it was upheld on the grounds of the health benefits. I fully agree with that.

Kevin Barron (Rother Valley, Labour)

I agree with the hon. Lady regarding unit pricing, as did the Select Committee. One issue that caught my ear in her presentation is that of spirits. For 10 years, I have sat in Budget speeches in the House of Commons Chamber, when everyone cheered when the duty on spirits never went up. Then a Â£6 bottle of vodka became the choice for binge drinking. That is one of the lessons that the Treasury should learn.

Sarah Wollaston (Totnes, Conservative)

I could not agree more. Pricing plays, and has played, a role in the massive increase in the drinking of vodka, particularly by young women.

There are other ways of levelling the playing field, if the Treasury wants more income after minimum pricing. I know that the Minister is aware of the paper written by Dr Nick Sheron in...
which he argued that we could vary VAT between the on and off-trades to achieve minimum pricing, without damaging our pubs. I accept that the Treasury is convinced that that would be illegal under EU law. That is just another example of the completely illogical rules by which alcohol duty is set from across the channel, and is a prime example of the intrusive and frustrating way so much of our legislation is controlled by the EU.

I finish by asking the Minister not to commit to a floor price that will be meaningless. Will she assure the House that she will meet her Scottish counterparts to discuss why they are convinced that it is legal to introduce a realistic minimum price for alcohol? Can she assure me that the Government will look at the consistent and evidence-based advice from health experts on minimum pricing, and at least ensure that supermarkets south of the border do not undermine what is happening in Scotland? Can she also assure me that the Treasury recognises that alcohol is not an ordinary commodity, but a psychoactive, teratogenic carcinogen, which also happens to be addictive?

I finish with a story from one of my constituents, who spoke to me after trying to stop a drunken lout urinating on a semi-conscious vulnerable woman in the street. Is that the picture of Britain that we want to send to the rest of the world in our Olympic year? It really is the picture that other people are starting to have of Britain, and it is completely preventable. We just need bold action from the Government. Otherwise, we are abandoning another generation of young people. There is no such thing as a free lunch and equally no such thing as a cheap drink. We are all cross-subsidising cheap deals in supermarkets by paying extra for our groceries and other products. There is no such thing as a cheap drink: we are all paying a heavy price.

Chloe Smith (Assistant Whip, House of Commons; Norwich North, Conservative)

I congratulate my hon. Friend Dr Wollaston on securing the debate. I recognise that, as a general practitioner, she can draw on direct experience on dealing with the adverse effects of alcohol on health. I also acknowledge her reference to the contribution in The Daily Telegraph today from other professionals in the field.

I can assure all hon. Members who have spoken—it is a pleasure to hear so many—that not only GPs have such concerns about the effect of alcohol on the welfare and well-being of society; that concern is shared by the Government. It is clear that alcohol abuse causes serious harm to health and leads to considerable costs to the NHS and that many towns and cities are affected by alcohol-related violence and crime, as my hon. Friend has said. Like her, of course I abhor behaviour such as that in the example on which she finished her speech.

For all those reasons, the coalition Government are committed to tackling problem drinking across a range of fronts. I shall set out a few points on which action has already been taken. I shall try to do so quickly, to get on to minimum unit pricing, as my hon. Friend has requested. I will begin by trying to tackle a couple of points made by other hon. Members. Irresponsible drinkers, rather than responsible drinkers in pubs and other places of safety, are the problem.

I shall try to tackle a couple of the specific questions. If I do not do get there in time, I hope that my hon. Friend will forgive me if I write to her on a couple of points. With regard to measures that the Government have already taken, I hope that they will demonstrate and reassure her that the Government are committed to an evidence-based approach. I specifically reassure her of that today. It is, of course, a subject on which data speak clearly. It is a complex subject that requires much analysis of evidence.
I shall start that process with what the Government have done. My hon. Friend will know that the Treasury published the review of alcohol taxation in November 2010, which among other things identified a problem with so-called super-strength lagers, about which others have spoken today. The Government confirmed in the 2011 Budget that action would be taken to discourage consumption of those drinks, introducing two new additional duties, which should help. There are also targeted approaches on other types of drink—for example, a minimum juice content for products that qualify as cider. I note my hon. Friend's point about ciders.

Andrew Griffiths (Burton, Conservative)

The Minister has clearly got up to speed quickly on her brief. With regard to cider, does she agree that it seems completely incongruous that the 4% duty paid on a pint of beer is twice that paid on cider—2%—at exactly the same strength?

Chloe Smith (Assistant Whip, House of Commons; Norwich North, Conservative)

I am aware of that specific point, and I am sure that my hon. Friend and his colleagues will be even more aware of that tonight at the all-party parliamentary beer group's Christmas party, if I have that correct. If he will forgive me, I will focus on minimum unit pricing in this debate, to deal with points raised by my hon. Friend the Member for Totnes. I shall briefly note that she raised the wider impacts of alcohol. Of course, it is not just the duty system that is important. I direct her to the Police Reform and Social Responsibility Act 2011, which I hope will help with the late-night economy. To make an important point, I direct her to a forthcoming paper from the Department of Health, which, with the Home Office, is responsible for this area, that will consider the wider social and health impacts of alcohol. I have no doubt that she will look at that in some detail.

Guy Opperman (Hexham, Conservative)

A simple question: when assessing taxation in the alcohol strategy document, working with the Department of Health, will there be a difference in the views on taxing supermarket sales compared with the pubs that we all cherish and that are so affected by this?

Chloe Smith (Assistant Whip, House of Commons; Norwich North, Conservative)

If my hon. Friend will allow me to come to that, I shall attempt now briefly to answer a number of the questions asked. First, as my hon. Friend the Member for Totnes explained, the Scottish Government have recently introduced a Bill that seeks to bring in a 45p per unit minimum price. She asked why this Government believe that that would be incompatible with EU law, when the Scottish Government do not. If I may quote the specific point: we believe that it could be incompatible with article 34 of the treaty of the functioning of the European Union. I should be delighted to go into more detail on that if she required. That is the position.

I should like to deal with the important point made by my hon. Friend Guy Opperman. No one wishes to hit pubs unnecessarily. I take the examples about the behaviour of supermarkets that have been given. Like hon. Members, I am wary of those. If an indirect tax were introduced, it would be difficult to distinguish between points of sale. I am happy to come back to hon. Members in more detail on why that is difficult, but it is not as straightforward as saying that we want to hit supermarkets and not pubs; it is
about how to set up an indirect tax.

On that note, as hon. Members will have heard in other debates, it is difficult to find ways to vary VAT on similar products. Again, I am happy to come back with more detail on that if required. On price distortion and perhaps distasteful practices at the border, the UK Government will look into that closely. My hon. Friend the Member for Totnes asked whether we will discuss matters with the Scottish Government. We will be watching the situation extremely closely in the service of seeing what works and what we can assess among these complex policy and legal issues.

I will go briefly to a couple of other questions that my hon. Friend asked me: have we received representations from public health representatives on the duty plus VAT measure? I regard that measure as a starting point, as a first step. She rightly notes that it introduces a principle and a starting point. Treasury officials are very closely involved in discussing such matters with the Department of Health and, as I have already mentioned, the Home Office, which is also responsible in part for alcohol. I hope that reassures her.

We have mentioned supermarkets. I shall briefly turn to whether a windfall profit tax could be introduced as a method of trying to tackle some of the harms. First, this is about evidence. It is questionable whether windfall profits are likely to arise, and therefore whether there would be something to tax, as a viable approach. That question rests on carefully analysing the evidence, policy and legal issues and what is possible.

Finally, I hope that I have set out that the Government have taken some action and made some starting points. The Government are keen to hear evidence on the matter and will observe carefully what is going on in Scotland and elsewhere.

Question put and agreed to.

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