

IAS response to HM Treasury Alcohol structures consultation



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IAS
Institute of Alcohol Studies

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About the Institute of Alcohol Studies (IAS)

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Consultation Response

The Institute of Alcohol Studies welcomes the Government's decision to review the structure of alcohol duty. We strongly favour introducing a new band of duty to target high-strength ciders, as the Government proposes. Our responses to the specific consultation questions are as follows:

1. Do you agree that there is a case for a new still cider and perry band below 7.5% abv?

There is a very strong case for introducing a new still cider and perry band below 7.5% ABV. Within the constraints of the current duty system, this is likely to be the most effective way of using tax to address the proliferation of cheap, high strength 'white' ciders that are disproportionately associated with harmful and street drinking.

High strength cider has been a source of growing concern in recent years

In recent years, doctors, psychiatrists, outreach teams and charities have expressed increasing concern about cheap, high-strength ciders. Typically, though not always, 'white' (i.e. colourless), these products are generally sold in large 2-3 litre bottles. Leading brands include Aston Manor's Frosty Jacks and Omega, Brookfield Drinks' Diamond White and White Star.

Due to anomalies in the tax system, these drinks are the cheapest products on the market on a per unit basis, with 3 litre bottles containing as much alcohol as 22 shots of vodka available for as little as £3.49. As a result, they are overwhelmingly favoured by those seeking alcohol at the cheapest possible price – often, harmful, street and underage drinkers.

High strength cider is a 'drink of choice' for harmful drinkers

Over the past twenty years, white ciders have gained increasing prominence as a 'drink of choice' for harmful and dependent drinkers. 25% of alcohol treatment

services patients in Glasgow and Edinburgh drink white cider, and of these 45% drink it exclusively.¹ An Alcohol Concern survey has found that 50% of homeless white cider drinkers drink more than 3 litres a day, with 42% of respondents saying they have drunk it for more than 10 years.²

According to Thames Reach, which works with rough sleepers in London, “Super-strength drinks have become one of the biggest causes of premature death of homeless people in the UK, and our figures indicate that super-strength drinks are doing more damage than both heroin and crack cocaine”. 78% of the deaths in Thames Reach hostels are attributed to high strength alcohol.³

High strength cider plays a particularly damaging role in the consumption patterns of heavy drinkers, with many seeing it as a ‘buffer drink’, allowing them to maintain their level of consumption even through financial setbacks.⁴ Increasing the price of high-strength cider would to some extent remove this fall-back, and so encourage harmful drinkers to cut down when their money begins to run out. The size of cider bottles contributes to this harm – as one homeless worker remarks: “It’s very difficult to get an accurate measure of how much white cider some people do drink because after three, three litre bottles they lose count”.⁵

High strength cider is often favoured by underage drinkers

White ciders, particularly Frosty Jacks, have been consistently found to be among the top drinks chosen by young people who are known to have alcohol-related problems.⁶ Young people select these products due to their cheapness, with many able to drink large quantities even with limited funds, and just their pocket money. Indeed, younger underage drinkers appear to particularly favour cider. According to Alcohol Concern:

*“Cider, which is sweet and cheap, is the most frequent type of drink consumed by children under 15 years old”.*⁷

The dangers of white cider to young people were tragically illustrated by the recently reported story of 16-year-old Megan Craig-Wilkinson, who died in her sleep after drinking half a bottle of white cider at a New Year’s Eve party.⁸

¹ Black, H. et al (2014) *White Cider Consumption and Heavy Drinkers: A Low-Cost Option but an Unknown price*. Alcohol and Alcoholism 49:6, pp. 675–80

² Goodall, T. (2011). *White Cider and Street Drinkers: Recommendations to reduce harm*. London: Alcohol Concern.

³ Thames Reach (2017), Calls for high-strength cider duty increase. Available from: <http://www.thamesreach.org.uk/news-and-views/calls-for-high-strength-cider-duty-increase/> [Accessed 23 March 2017]

⁴ Black, H. et al, *op. cit.*

⁵ Goodall, T. *op. cit.*

⁶ See, for example: Alcohol Concern (2015). *Alcohol brands consumed by young people in treatment 2015*. Available at http://www.alcoholconcern.org.uk/wp-content/uploads/2015/06/Alcohol-Brands_Young-People.pdf; Alcohol Concern (2013). *Alcohol brands consumed by under-18s in contact with young people’s drug and alcohol services*; Alcohol Concern (2012). *Alcohol brand consumption by ‘at risk’ underage drinkers: consumptive behaviours of under-18s in contact with Drug and Alcohol Services*

⁷ Alcohol Concern (2015), *op. cit.*, p. 3

There is little evidence of mainstream consumers drinking white cider

Harmful and underage drinkers appear to account for the vast majority of white cider sales. A recent academic analysis applied the rates of strong cider consumption found among drinkers hospitalised with alcohol-related diagnoses and those in alcohol-treatment services to the estimates of the total population of these groups in Scotland, though there is little reason to suspect the results would be different for the rest of the country. It concluded that “most, if not all, customers of the cheap strong cider industry are dependent, and possibly ill, drinkers”.⁹

These results fit with popular perceptions of white cider. White cider is invariably seen as poor quality, and is sought almost exclusively because of its price. It is associated with desperation, and in particular, street drinking, as evidenced by the common nickname ‘tramp juice’,¹⁰ and online reviews of the product:

“Frosty Jacks is indeed the champagne of tramp juice. At 7.5% alcohol content it doesn't rival Tennents and Special Brew but that would be like comparing apples to oranges. This is a cider and ciders don't come anymore special than this! Frosty Jacks seems to be new upon the tramp scene but expect to see this chap in the premier division before long and under the arm of many a discerning tramp.

-Review of Frosty Jacks on *Tramp Juice*¹¹

*“Ah my go to drink. Hopefully these days will be behind me soon, **it's cheap and I'm poor. It's pretty awful.** Clear light yellow with a small head that dies to nothing. Horrible aroma, slight apple, piss. Hardly any apples in the flavour either, it's not nice at all.*

-Review of White Ace on RateBeer.com¹²

This is a problem created by the duty system

As noted, the existence of a market for white cider is almost exclusively attributable to its cheapness. Studies of white cider drinkers have indicated 75-85% favour it for its low price.¹³

⁸ Smith, M. & Wheatstone, R. (2017), Tragedy of 16-year-old who died after drinking ‘Britain's cheapest booze’ raised in parliament as MP calls for ban, *Mirror* (1 March). Available from:

<<http://www.mirror.co.uk/news/uk-news/tragedy-16-year-old-who-9941011>>. [Accessed 22 March 2017]

⁹ Chick, J. et al (2016), Strong cider sold in Scotland appears to be almost exclusively for dependent drinkers, *Clinical Medicine* 16:4, p. 398

¹⁰ Brown, M. (2012), ‘Tramp juice’ makers Aston Manor reject pricing claims, *Chronicle Live* (27 November). Available from: <<http://www.chroniclelive.co.uk/news/north-east-news/tramp-juice-makers-aston-manor-1375311>>. [Accessed 8 December 2016]

¹¹ <<http://gk007a0336.pwp.blueyonder.co.uk/frosty.htm>>

¹² <<http://www.ratebeer.com/beer/white-ace/6776/>>

¹³ Black et al (2014) op. cit.

It is the idiosyncrasies of the duty system that allow white cider to be sold for so little. Cider of 7.5% ABV attracts the lowest level of duty per unit of any alcohol product at any strength. For example, a 500ml can of cider at this strength generates 19p of duty, less than a third of the duty on a can of beer of equivalent size and strength (69p). It is no surprise, then, that a number of ciders are produced at exactly this ABV to fully exploit the duty structure.

This is in large part a result of cider being taxed according to its volume, rather than its alcohol content. Since the same per litre tax rate is applied to all ciders between 1.2% and 7.5% ABV, this means that duty per unit is actually lower for higher strength products.

A new duty band for high strength ciders between 5.5% and 7.5% would go some way to reducing these perverse incentives.

There is widespread acknowledgment of the need for action

Public health groups, including the Institute of Alcohol Studies, Alcohol Concern and the rest of the Alcohol Health Alliance have been calling for action on white cider for a number of years.¹⁴ However, the need for reform is far more widely recognised. Homeless charity Thames Reach is committed to raising tax on white cider.¹⁵ The Institute for Fiscal Studies has recommended action be taken on “the very low levels of duty charged on strong cider”,¹⁶ and has proposed that the optimal rate of cider duty (averaged across all products, not just high strength) should be 25p per unit – more than five times the current level of 7.5% ABV products.¹⁷

A new rate of duty targeting white cider should have cross-party support. David Burrowes led a number of Conservative MPs in advocating the reform in the last parliament.¹⁸ The Labour party has previously endorsed the policy,¹⁹ as has Liberal Democrat Health Spokesperson Norman Lamb.²⁰ According to First Minister Nicola Sturgeon, the Scottish National Party’s policy of a minimum unit price for alcohol is explicitly intended to “raise the price of the cheap supermarket white ciders”.²¹

Large parts of the alcohol industry appear to have recognised the harms associated with high strength ciders. Heineken executives withdrew White Lightning, then the

¹⁴ Alcohol Health Alliance (2015), Budget 2015: The Alcohol Health Alliance’s position on taxation. Available from: <http://ahauk.org/wp-content/uploads/2015/03/AHA-Policy-Position-Alcohol-Duty.pdf> [Accessed 23 March 2017]; Goodall, T., op. cit.

¹⁵ Thames Reach (2017), op. cit.

¹⁶ Levell, P. et al (2016), Excise duties, *The IFS Green Budget*, p. 201. Available: <http://www.ifs.org.uk/uploads/gb/gb2016/gb2016ch9.pdf>. [Accessed 20 December 2016]

¹⁷ Griffith, R. et al (2017), Design of optimal corrective taxes in the alcohol market. *IFS Working Paper W17/02*, p. 30

¹⁸ Hansard (2016), HC Deb vol 614 col 255-9, 6 Sep. Available from: <https://hansard.parliament.uk/Commons/2016-09-06/debates/16090632000002/FinanceBill>. [Accessed 29 March 2017]

¹⁹ Labour Party (2015). Protecting children, empowering all. Available at http://www.yourbritain.org.uk/uploads/editor/files/Public_Health.pdf

²⁰ Liberal Democrat Voice (2017), Lib Dems react to Budget. Available from: <http://www.libdemvoice.org/lib-dems-react-to-budget-53548.html>. [Accessed 29 March 2017]

²¹ BBC News 1 November 2011 - *Scottish government reintroduces alcohol pricing bill*. Available at <http://www.bbc.co.uk/news/uk-scotland-scotland-politics-15525950>

market leader, as well as Strongbow Black, from the market in response to concerns about their harmful impact.²² The major supermarkets do not stock the product.

Most interestingly, 50% of white cider drinkers themselves favour the raising the price of the product.²³ Further, of those who believe that it should be cheaper, a number believe it should be provided on prescription, suggesting a relationship with the product akin to illegal drug dependency.

Finally, the new duty band would be popular with the general public, with 66% of British people agreeing that taxes should be increased on high strength ciders.²⁴

Existing initiatives have failed to reduce sales of white cider

As noted in the consultation document, in 2010 the Government required ciders to contain at least 35% fruit juice in an attempt to raise the price of high-strength ciders. This has not worked. The market leader, Frosty Jack's, already complied with the legislation as it had a juice content of 40%. Other products appear to have been able to meet the standard without adding much extra juice.²⁵

The effect on price appears to have been minimal. In 2010, 74% of strong ciders were sold for less than 20p per unit. In 2011, after the implementation of the regulation, that had fallen only 2% to 72%.²⁶

Given that most mainstream ciders have been estimated to have a juice content of less than 50%, it is unlikely that raising this requirement would effectively target white ciders.²⁷

The Government's ban on the sale of alcohol for less than the cost of duty plus VAT has also had minimal effect on the sale of high strength ciders. At the moment this regulation prohibits the sale of 7.5% ABV cider for less than 6.5p per unit. In 2013, the year before it came into force, 0.14% of all strong ciders sold in England and Wales retailed for less than 10p per unit.²⁸ Thus only a very small proportion of the market has been affected.

Finally, there is no indication that the Responsibility Deal has helped address the problem. Many Responsibility Deal participants pledged to remove a billion units of

²² McKenna, G. (2009), Heineken UK delists White Lightning, *The Morning Advertiser* (17 December). Available from: <<http://www.morningadvertiser.co.uk/Drinks/Beer/Heineken-UK-delists-White-Lightning>>. [Accessed 11 June 2017]

Goodall, T. op.cit., p. 8

²³ Goodall, T. op.cit., p. 16

²⁴ AHA Opinion Polling 2016

²⁵ Goodall, T. op.cit., p. 10

²⁶ NHS Health Scotland (2016), Off-trade alcohol sales price distribution 2009–15. Available from: <<http://www.healthscotland.scot/publications/mesas-alcohol-sales-and-price-update-may-2016>>. [Accessed 12 December 2016]

²⁷ Thomas, S. (2004), An Assessment of chemical markets for the establishment of juice content in ciders. FSA Project Q01057

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²⁸ NHS Scotland (2016), op. cit.

alcohol from the market by providing more low strength products and ending the sale of products with more than four units in a single can. There is little evidence to suggest this has had a significant impact on overall alcohol consumption.²⁹ However, the lack of impact is particularly clear in the high strength cider market where products continue to be produced at 7.5% ABV, and in containers of 22 units, far exceeding the four prescribed in the Responsibility Deal pledge. This is unsurprising, since leading white cider sellers, such as Aston Manor and Brookfield Drinks are not signatories to the relevant pledges.

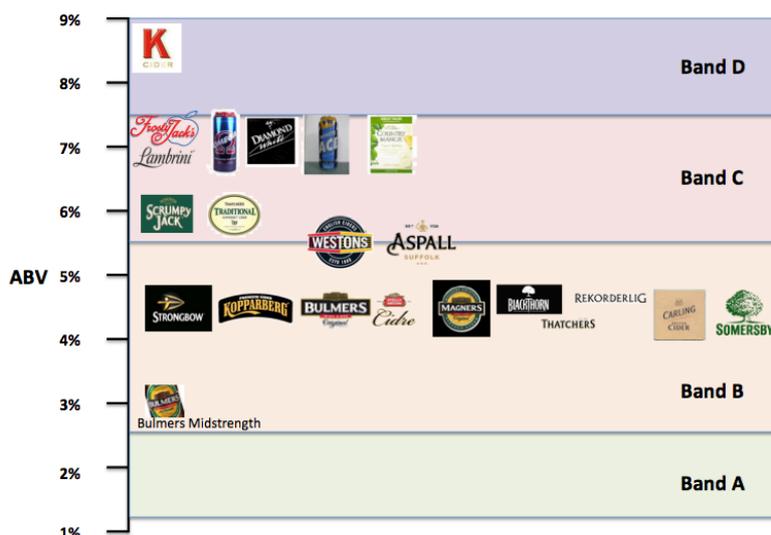
2. Where do you think the lower threshold should be set? Please provide evidence to support your answer. We would also welcome any evidence about reducing the alcohol content of ciders.

We believe that the lower threshold of the new duty band should be set at 5.5% ABV. More generally, in terms of the different approaches proposed in the consultation, we believe that the new duty rate should be wide. It should *primarily* aim to raise the price of strong white cider, rather than to encourage strong cider producers to reformulate. However, it is worth emphasising that the two objectives are not necessarily mutually exclusive – a new band of duty could simultaneously raise the price of some products, and encourage others to be reformulated. Indeed, if this is the case, a wide band would increase the magnitude of reformulation, and so deliver greater benefits.

We do not believe that encouraging reformulation of strong white ciders should be the main policy objective because this is likely to result only in modest changes to products and to levels of alcohol consumption. By contrast, raising the price of high strength cider, particularly if the increase were substantial, has the potential to radically alter the structure of the alcohol market. Since high strength cider is the cheapest product on the market by some distance, a meaningful increase in its price would significantly reduce the amount of alcohol that is affordable to harmful drinkers, and so reduce their consumption. Another consideration is that a ‘wide’ duty band is more amenable to incrementally monitoring and adjusting policy over successive Budgets, since it is easier to adjust duty rates than duty bands. Finally, a wider duty band would have the double benefit of tackling white cider, but also encouraging the reformulation of certain mainstream products.

A wider duty band would effectively target the most harmful products on the market with minimal effects on more mainstream products. As the chart below shows, the most popular ciders are typically 4-5% ABV. While there are a small number of mainstream products that are in the 5-6% range, these should be close enough to the boundary to be encouraged to reformulate to lower strength by a wide band.

²⁹ Holmes J., Angus C. & Meier, P. (2015) UK alcohol industry’s “billion units pledge”: interim evaluation flawed. *BMJ* 350



As important as setting the right threshold is ensuring that the duty rate is set appropriately. To significantly reduce white cider consumption, the duty rate must be significantly increased. A guide for setting a new white cider duty rate could be the current rate applied to beer of similar strength (as noted, 7.5% ABV cider duty is currently a third of beer duty).

As a general principle, we hope that the government will seek to ensure that products in higher strength duty bands are always charged a higher rate of duty than those in lower strength duty bands.

This principle has implications for the 7.5-8.5% duty band as well. 8.5% cider is currently taxed at 7.2p per unit. Should the new proposed rate of duty on 7.5% cider exceed this level, we would expect the duty on 8.5% cider also to rise, so as to ensure the top rate of duty remains the highest. It would clearly be counterproductive if the new band were to encourage the production of ciders over 7.5% ABV because increases in duty in this category did not keep up with reforms elsewhere.

3. In volume terms, how does the still cider market breakdown by strength in 0.1% ABV increments?

While we do not have access to such a detailed market breakdown, we do know from NHS Scotland's Monitoring and Evaluating Scotland's Alcohol Strategy (MESAS) project that 'strong cider' (defined as 7.5% ABV and above) accounted for 18% of all cider sales in England, and 21% of all sales in Scotland in 2015.³⁰ The MESAS data draws on the best available market research sources.

Our dependence on the fragments of private sector data that are made publicly available draws attention to a broader issue. Alcohol manufacturers and retailers hold large amounts of information that could significantly enhance the evidence base

³⁰ NHS Health Scotland (2016), op. cit.

for policymakers regulating alcohol. We would like to take this opportunity to call for greater sharing of data between the industry and policymakers (on a confidential basis, anonymising specific companies where necessary). For example, it could greatly benefit licensing boards in their decisions to have data on the volume of alcohol sold by different premises.³¹

4. We would welcome evidence on the impacts a new still cider and perry band could have. This includes, but is not limited to, the impacts on: (1) businesses, (2) consumers, and on (3) public health.

Harmful alcohol consumption comes at a major cost to public health, but also wider society. It accounts for over a million hospital admissions³² and 23,000 deaths³³ in England each year, and accounts for 10% of the total UK burden of death and disease.³⁴ Tasked with reviewing the burden of alcohol on wider society, Public Health England recently found that 167,000 years of working life were lost to alcohol in 2015, more than the ten most frequent types of cancer combined.³⁵ This comes at a social cost that has been estimated between £21 billion and £52 billion.³⁶

Raising the price of alcohol is widely recognised as one of the most effective ways to address alcohol harm.³⁷ High strength cider is no different. The new duty rate should push up the price of the cheapest products on the market, with the consequence that the most harmful drinkers will be able to purchase and consume less for their money. This, in turn, should reduce death and illness from alcohol and associated social harms.

The best available evidence suggests that white cider drinkers are highly influenced by price. Alcohol Concern have found that though “It is often argued that raising prices would not change the drinking habits of this group. It was very apparent during interviews that most of them have a very detailed knowledge of price variations”.³⁸ Similarly, the psychiatrist Peter Rice, concludes from his experience of treating dependent drinkers that “they are highly price aware and change their drinking behaviour in relation to price”.³⁹

Rice notes that in the 1990s drinkers shifted to white cider in response to its arrival as the cheapest product on the market – if this were to be disrupted, we can assume

³¹ Alcohol Focus Scotland, BMA Scotland, Scottish Families Affected by Alcohol and Drugs & SHAAP (2017), *Changing Scotland's relationship with alcohol: Recommendations for further action*. Glasgow: Alcohol Focus Scotland, p. 19.

³² HSCIC (2016), *Statistics on Alcohol England, 2016*

³³ Institute of Alcohol Studies (2016), *The health impacts of alcohol*. Available from:

<http://www.ias.org.uk/Alcohol-knowledge-centre/Health-impacts.aspx>. [Accessed 23 November 2016]

³⁴ Balakrishnan R et al (2009): the burden of alcohol-related ill health in the United Kingdom, *Journal of Public Health* 31:3, pp. 366–373

³⁵ Public Health England (2016), *The Public Health Burden of Alcohol and the Effectiveness and Cost-Effectiveness of Alcohol Control Policies: An evidence review*, p. 40

³⁶ Burton, R. et al (2016), A rapid evidence review of the effectiveness and cost-effectiveness of alcohol control policies: an English perspective, *The Lancet* <[http://dx.doi.org/10.1016/S0140-6736\(16\)32420-5](http://dx.doi.org/10.1016/S0140-6736(16)32420-5)>

³⁷ World Health Organization (2013), *Global Action Plan for the prevention and control of noncommunicable diseases 2013-2020*

³⁸ Goodall, T. op.cit.

³⁹ Peter Rice statement to Alcohol Health Alliance

that drinkers would cut back or shift to more expensive drinks, which they can only afford to consume in smaller quantities. In particular, raising the price of high strength cider would reduce heavy drinkers' ability to use it as a buffer drink, leaving them less able to sustain their drinking when they can no longer afford it.

The voluntary 'Reducing the Strength' scheme, whereby local authorities encourage retailers not to stock high strength beers and ciders (typically over 6.5% ABV) may offer some indication of the effects of reducing high strength cider consumption. While the scheme's overall impact on alcohol consumption and harm has not been evaluated, one study of homeless drinkers found that those who switched to wine and spirits struggled to budget to maintain their consumption at such high levels, since such products are more expensive. At the same time, they were resistant to drinking "normal" strength beers and ciders, which were seen as "a waste of time". This implies that overall alcohol consumption is likely to have declined.⁴⁰ However, it is important to note that Reducing the Strength is likely to have been undermined by non-compliance: some retailers in participating local authorities refused to participate⁴¹, and there is evidence that drinkers deliberately sought these locations out.⁴²

It is sometimes feared that reducing the availability or affordability of cheap alcohol will encourage the use illicit alcohol or alcohol substitutes (e.g. hand sanitiser). Interviews with heavy drinkers suggest that this is unlikely to occur. The view of one drinker interviewed by Chick & Gill appears to be representative of a wider suspicion of products of unclear provenance: "I know it sounds funny, but em, I'm scared of what I put in my body. I know if it's on sale in a supermarket, then it's relatively safe. I wouldn't know what I'd be buying, and I wouldn't know what was in it, and that would scare me".⁴³

Critically, targeting higher bands of duty on the strongest alcohol has worked in the past. The current top band for ciders is credited with shrinking the market for products above 7.5% from 20% in 1996 to less than 2% today.⁴⁴ Similarly, the market for super-strength beer and lager in England and Wales declined by 23% in the two years following the introduction of a new, higher duty band for such products in 2011.⁴⁵

While a new band of cider duty could significantly reduce harmful drinking, it would be unlikely to have much effect on the vast majority of consumers. As noted above, relatively few mainstream ciders are stronger than 5.5% ABV – over 80% of the cider sold in the UK would be completely unaffected.⁴⁶ Moreover, because mainstream

⁴⁰ McGill, E. et al (2016), Consequences of removing cheap, super-strength beer and cider: a qualitative study of a UK local alcohol availability intervention, *BMJ Open* 6:9

⁴¹ Sumpter, C. et al (2016), Reducing the Strength: a mixed methods evaluation of alcohol retailers' willingness to voluntarily reduce the availability of low cost, high strength beers and ciders in two UK local authorities, *BMC Public Health* 16:448

⁴² McGill, E. et al (2016), Consequences of removing cheap, super-strength beer and cider: a qualitative study of a UK local alcohol availability intervention, *BMJ Open* 6:9

⁴³ Chick, J. & Gill, J. (2015), *Alcohol pricing and purchasing among heavy drinkers in Edinburgh and Glasgow: Current trends and implications for pricing policies*. London: Alcohol Research UK

⁴⁴ National Association of Cidermakers (2010) *A Response to the Alcohol Taxation Review*

⁴⁵ NHS Health Scotland (2016), op. cit.

⁴⁶ Ibid.

high strength ciders are much more expensive than white ciders, a duty increase would have a smaller impact on the final retail price, since duty comprises a much smaller proportion of the total price.

5. Would a new band for still wine above 5.5% up to 8.5% ABV encourage innovation in the lower strength wine market?

We cannot claim to have any expertise about wine production and retail. However, we do note that previous steps to encourage lower strength alcohol through the duty system have met with modest success. For example, sales of low and no alcohol beer rose by 33% in England and Wales between 2010 and 2012⁴⁷, with further growth predicted⁴⁸, apparently driven by the introduction of a lower rate of duty for beers between 1.2% and 2.8% ABV in October 2011. However, as of 2015, they still accounted for only 0.1% of the market.⁴⁹

Some Australian states have been extremely successful at using tax incentives to promote lower strength beer, with regular strength (>3.8% ABV) beers levied additional wholesale taxes of over 10% of retail price since the 1980s.⁵⁰ This encouraged a thriving market for low and mid-strength beer, which have come to account for 18% of total beer sales.⁵¹

One recent evidence review found that attempts to encourage substitution of lower for higher strength alcohol have been most successful when incentives for lower strength drinks have been combined with restrictions on the availability of higher strength products. For example, abolition of the sale of medium strength beer in Swedish grocery stores in 1977 led to lower alcohol consumption and alcohol-related harm.⁵²

It is worth emphasising that this evidence base applies almost exclusively to beer, rather than wine, since we have been only limited analysis of policy measures specifically seeking to promote low alcohol wine. Research suggests a variety of reasons why consumers might choose lower strength wine, including health concerns and avoiding intoxication,⁵³ though there remain a number of consumer barriers to trying lower alcohol wine, including perceptions of lower quality and taste, low awareness and a lack of direct concern regarding alcohol content.⁵⁴

⁴⁷ Ibid.

⁴⁸ Hook, S. (2016), Tesco aims to be top for no/low alcohol, *Off-Licence News* (13 December). Available from: http://offlicencenews.co.uk/news/fullstory.php/aid/16239/Tesco_aims_to_be_top_for_no_low_alcohol.html [Accessed 4 May 2017]

⁴⁹ Ibid.

⁵⁰ Stockwell, T. & Crosbie, D. (2001), Supply and demand for alcohol in Australia: relationships between industry structures, regulation and the marketplace, *International Journal of Drug Policy* 12:2, pp. 139–52

⁵¹ Australian Bureau of Statistics (2015), Apparent Consumption of Alcohol, Australia, 2013–14. Available from: <http://bit.ly/2s2UFvp>. [Accessed 29 March 2017]

⁵² Jones, L. & Bellis, M.A. (2012), Can promotion of lower alcohol products help reduce alcohol consumption? A rapid literature review. Liverpool: North West Public Health Observatory

⁵³ Saliba, A.J. et al (2013), Consumer demand for low-alcohol wine in an Australian sample, *International Journal of Wine Research* 5, pp. 1–8

⁵⁴ Bruwer, J. et al (2013), Lower alcohol wines in the UK market: some baseline consumer behaviour metrics, *British Food Journal* 116:7, pp. 1143–61

Nevertheless, there does appear to be a growing appetite amongst consumers for lower alcoholic drinks more generally. Mintel reports that in the UK 39% of consumers believe there are insufficient lower (and non-alcoholic) drinks available to buy in shops and pubs.⁵⁵ They also find that that 44% of drinkers would be interested in lower alcoholic drinks if they were noticeably cheaper than standard strength variants. Given that low alcohol wine is thought to be expensive to make,⁵⁶ it is possible that the proposed new tax band could facilitate such a price differential between higher and lower strength wines, encouraging consumers to switch to the latter.

6. We would welcome evidence on non-tax barriers to the growth of the lower-strength wine market.

Nothing to add.

7. We would welcome evidence on the current and future performance of the lower-strength wine and made-wine markets, including information on volumes sold.

MESAS data indicates that 0.5% of all wine sold in England and Wales (0.4% in Scotland) in 2015 was 'low alcohol', though the precise definition of this category is unclear.⁵⁷

We note that the volume of made wine between 1.2% and 5.5% sold has increased sharply in recent years, with the market growing by 117% between 2011/12 and 2015/16, compared to 18% for wine as a whole.⁵⁸ This segment is increasingly significant, with made wine sales amounting to 2.5 million hectolitres a year, compared to 12.9 million for grape wine.⁵⁹

8. We would also welcome evidence on the practicalities of reformulation for wine and made-wine producers.

Nothing to add.

9. The government would welcome evidence on the impacts of introducing a new band on: (1) businesses, (2) consumers, and (3) public health.

⁵⁵ Mintel (2015), Attitudes to Low- and Non-alcoholic Drink – UK – April 2015. Available from:

<<http://store.mintel.com/attitudes-towards-low-and-non-alcoholic-drink-uk-april-2015>>. [Accessed 4 May 2017]

⁵⁶ Wine Intelligence (2012), Lower Alcohol Wine in the UK Market, p3. Available from: <<http://bit.ly/2rixRug>>. [Accessed 4 May 2017]

⁵⁷ NHS Health Scotland (2016), op. cit.

⁵⁸ HM Revenue & Customs (2017), Alcohol Bulletin January 2017. Available from:

<<https://www.uktradeinfo.com/Statistics/Pages/TaxAndDutybulletins.aspx>>. [Accessed 8 May 2017]

⁵⁹ Ibid.

The effectiveness of encouraging lower strength alcohol as a policy for reducing alcohol-related harms is unproven, but worth exploring. Its success depends, first, on consumers who switch from higher to lower strength products not increasing their volume consumption, though one recent academic review suggested that this phenomenon is “implausible and largely theoretical”, with little evidence of it in randomised trials.⁶⁰ However, it also depends on lighter drinkers not increasing their consumption. There is also a danger that consumption of lower strength products is additive rather than substituting for higher strength products. Thus the net health effects of a new band of duty on lower strength wine are ambiguous, but potentially positive.

10. If the government decides to introduce a new still wine band, should the new duty band also be applied to still made-wines?

Nothing to add.

11. What impacts would a new still made-wine band have?

Nothing to add.

12. Do you think introducing a new still wine and made-wine band could create adverse incentives for producers to increase their alcohol strength of some of their drinks? If so, how large an effect would you expect this to be?

Nothing to add.

13. Are there any other factors that the government should consider in relation to a new duty band for wine and made-wine?

Care would need to be taken around the labelling of wines within this duty band. Labelling of these products as “low” alcohol wines, rather than “lower” alcohol wines, would be potentially misleading to consumers who may mistakenly believe that they are drinking lower amounts of alcohol than the reality, and which could result in adverse health consequences, drink driving and so on. This is particularly relevant given that nearly 30% of regular wine drinkers in the UK are not aware of the alcohol level in their typical bottle of wine.⁶¹

⁶⁰ Rehm, J. et al (2016), Evidence of reducing ethanol content in beverages to reduce harmful use of alcohol, *Lancet Gastroenterology & Hepatology* 1:1, pp. 78–83

⁶¹ Wine Intelligence (2012), op. cit.

Appendix – Cider Duty in the Republic of Ireland

Summary

- The Republic of Ireland’s tax system ensures that white cider cannot be sold at extremely low prices
- There, cider above 6.0% ABV is taxed at a much higher rate, and overall, cider is taxed at a similar rate to beer
- As a result, cider is less associated with harmful drinking in the Republic of Ireland than in the UK

As the UK Government re-assesses the structure of cider duty in this country, there may be lessons to take from the Republic of Ireland, where taxes on strong cider are much higher, and as a result there is no market for the cheap ‘white ciders’ that cause such concern here. Moreover, these taxes have not undermined Ireland’s thriving mainstream cider industry. Cross-national comparisons of alcohol policy are often problematic, because there are such substantial differences in culture and context. Yet if there is any country that can be plausibly compared to the UK, it is surely the Republic of Ireland, which we believe offers a positive model of how to tax cider.

The structure of cider tax in the UK and Republic of Ireland

Like the UK, the Republic of Ireland is bound by EU Directives that mean it can only tax cider and perry by volume rather than alcohol content. However, it avoids the perverse incentives of the UK system in three ways, as figure 1 shows.

Figure 1: Structure of UK and Irish cider duties⁶²

Republic of Ireland		UK	
ABV	Rate per hectolitre)	ABV	Rate (£ per hectolitre)
<2.8%	€47.23	1.2-7.5%	£40.38
2.8-6.0%	€94.46	7.5-8.5%	£61.04
6.0%-8.5%	€218.44		

Firstly, it has narrower bands of duty. Whereas the UK charges a single rate of tax on all cider between 1.2% and 7.5% ABV, the Republic of Ireland has one rate for cider under 2.8%, another for cider between 2.8% and 6.0%, and a third between

⁶² Irish Tax & Customs, Excise Duty Rates. Available from: <http://www.revenue.ie/en/tax/excise/duties/excise-duty-rates.html>. HM Revenue & Customs, Alcohol Duty rates from 13 March 2017. Available from: <http://bit.ly/1CpaOff>. [Accessed 27 April 2017]

6.0% and 8.5%. Secondly, it levies a substantially higher rate of tax on products in higher duty bands – the rate of tax on cider above 6.0% ABV is more than double the rate on cider below that threshold. By contrast, the UK duty rate on ciders above 7.5% ABV is just over 50% more than cider below that threshold. Thirdly, the rate of duty on cider is much higher in the Republic of Ireland, and much more comparable to other products, unlike the UK, where cider is taxed at a much lower rate than all other drinks.

Figure 2: Duty rate per unit – beer and cider, UK and Republic of Ireland⁶³

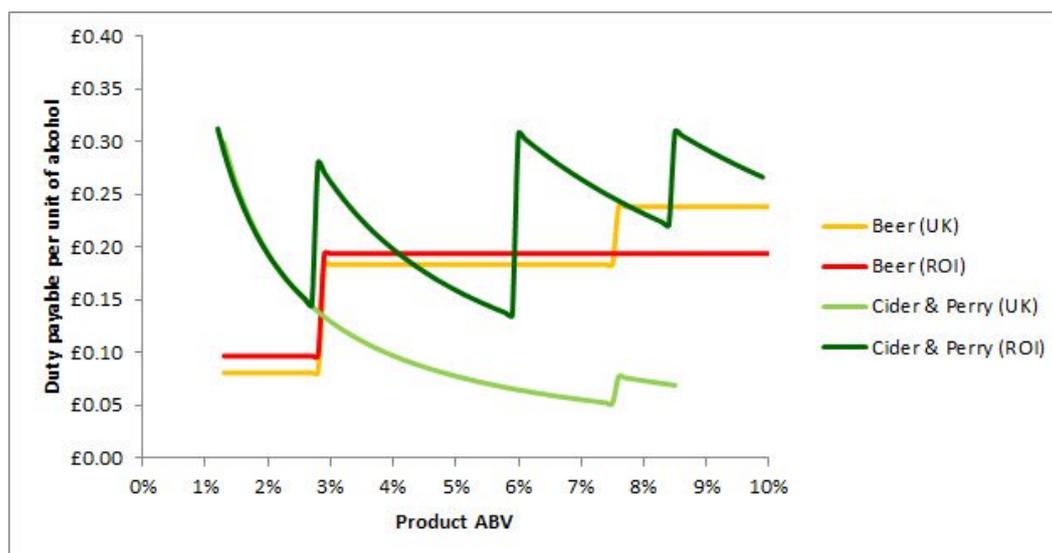


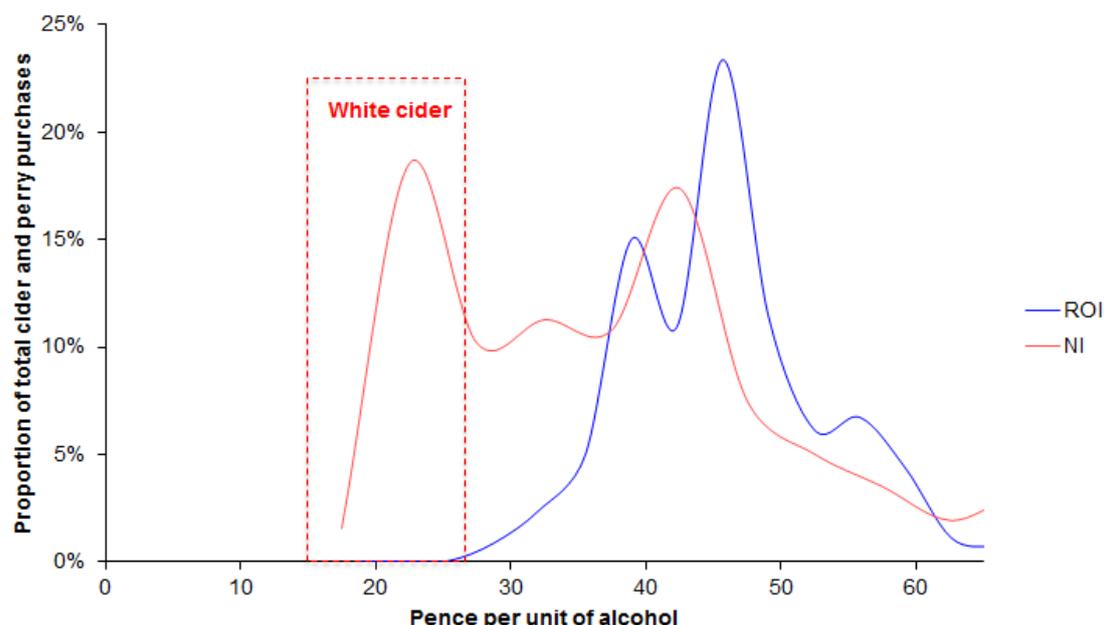
Figure 2 summarises how this translates to incentives for retailers in the UK and Republic of Ireland. The key point is that in the UK, 7.5% ABV cider attracts less duty per unit than any other alcoholic product, and a third of the rate of equivalent strength beer. By contrast, in the Republic of Ireland, cider duty per unit is lowest on products of 6.0% ABV. Moreover, this rate is not substantially lower than the one imposed on beer of similar strength.

The consequences of Republic of Ireland’s cider tax regime

Given the cultural similarities between the Republic of Ireland and Northern Ireland, these tax differences can be treated as a sort of ‘natural experiment’. Comparison of the cider markets of the two countries is striking – showing how the Republic of Ireland’s tax regime prevents the development of a market for white cider.

⁶³ Holmes, J. (2017), Cheap cider and an alcohol duty system that incentivised harmful practice. Available from: <http://bit.ly/2raL04A>. [Accessed 27 April 2017]

Figure 3: Proportion of cider and perry sold by unit price – Northern Ireland and Republic of Ireland⁶⁴



As figure 3 shows, extremely cheap cider accounts for a significant proportion of Northern Irish cider sales, but almost none of the market south of the border. Products sold for less than 25 pence per unit account for around 20% of all cider sales in Northern Ireland, but 0% in the Republic of Ireland.

The consequence of this is that there is a weaker association between cider and harmful drinking in the Republic of Ireland than in Northern Ireland. In the Republic of Ireland, harmful drinkers⁶⁵ consume 22 times more cider on average than moderate drinkers⁶⁶. By contrast, in Northern Ireland, harmful drinkers consume 36 times more cider than moderate drinkers.⁶⁷

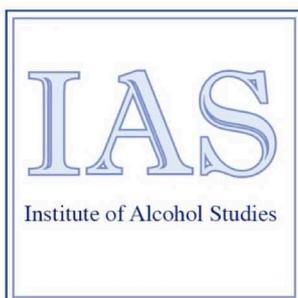
It is worth noting that these tax measures have not impeded the Republic of Ireland's highly successful mainstream cider industry. Indeed, moderate drinkers are more likely to drink cider south of the border – it accounts for 9% of their alcohol consumption, compared to 2% in Northern Ireland.

⁶⁴ Unpublished analysis by Colin Angus, University of Sheffield of data from Health Survey for North Ireland 2010/11-2011/12; Living Costs and Food Survey 2001-09 (NI subsample); National Alcohol Diary Survey 2013; Nielsen off-trade price data. For methodological details see Angus, C. et al (2014), Model-based appraisal of minimum unit pricing for alcohol in Northern Ireland: An adaptation of the Sheffield Alcohol Policy model version 3. Sheffield: ScHARR, University of Sheffield; Angus, C. et al (2014), Model-based appraisal of minimum unit pricing for alcohol in the Republic of Ireland: An adaptation of the Sheffield Alcohol Policy model version 3. Sheffield: ScHARR, University of Sheffield

⁶⁵ Men consuming over 50 UK units per week, or women consuming over 35 UK units per week

⁶⁶ Men consuming over 21 UK units per week; women consuming 14 UK units per week

⁶⁷ Analysis by Colin Angus, op. cit.



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