

## **Consultation on the potential approach to duty- and tax-free goods arising from the UK's new relationship with the EU**

### **Institute of Alcohol Studies response**

#### **Summary**

1. The Institute of Alcohol Studies is an independent institute bringing together evidence, policy and practice from the UK and elsewhere to promote an informed debate on alcohol's impact on society
2. We believe that any changes to duty- and tax-free structures must have public health at their heart, in line with the Government's COVID-19 recovery strategy
3. In particular, public health measures such as minimum unit pricing must not be undermined
4. Duty- and tax-free reform must be linked to the licensing regimes within the travel environment and in particular in airports. We wish to see:
  - a. Better licensing regimes in airports, including, in the UK, the application of the Licensing Act so that premises after security are required to follow the same legislation as premises in the rest of the country.
  - b. Alcohol consumption at airports to be restricted to bars and restaurants, with alcohol bought at duty-free put in sealed containers and taken directly to the gate for passengers to pick up, or placed directly in the hold of the aircraft.

#### **Introduction**

5. We welcome the opportunity to respond to this consultation, which comes during a public health crisis.
6. The Government's COVID-19 strategy places public health at the centre of the UK's recovery:

7. 'The first consideration is the nation's health. The Government must consider overall health outcomes...the Government will take into account increases in mortality or other ill-health...and the long-term effects of any increase in deprivation arising from economic impacts, as deprivation is strongly linked to ill-health.'<sup>1</sup>
8. To achieve this vision, it is paramount that all preventable causes of ill-health are considered. This includes the harm caused by alcohol – one of the major drivers of premature mortality, health inequalities, physical and mental ill-health:
  - a. Alcohol has become the leading risk factor for death among 15-to-49-year-olds.<sup>2</sup> According to NHS Digital, over 20% of adults are drinking at levels that increase the risk of a range of conditions, including heart disease, stroke, cancer, mental ill health and dementia.
  - b. Liver disease is the only major cause of death which is increasing: in England, liver disease deaths have increased 400% since 1970,<sup>3</sup> and liver disease now kills more people than diabetes and road deaths combined.<sup>4</sup> In 1999, liver disease surpassed lung cancer and breast cancer as a leading cause of years of working life lost and is set to overtake ischaemic heart disease within two-three years.<sup>5</sup>
  - c. With more than 1.1 million alcohol-related hospital admissions every year, alcohol places undue strain on our health services.<sup>6</sup> Unless trends are reversed, it is projected to cost the NHS £17 billion over the next five years.<sup>7</sup>
  - d. Alcohol causes harm disproportionately to poorer communities and excluded groups and exacerbates inequalities in health and the effects of crime:<sup>8</sup> despite consuming less alcohol on average than more affluent groups, men in routine occupations are 3.5 times and women 5.7 times more likely to die of an alcohol-related ailment than those in higher and managerial occupations.<sup>9</sup> Similarly, there are significant regional differences within England on alcohol-related mortality and hospital admissions. The best alcohol health outcomes occur mainly in the south of England and the worst predominantly in the North East and North West.<sup>10</sup>

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<sup>1</sup> HM Government (2020) [Our plan to rebuild: the UK Government's COVID-19 recovery strategy](#). Command paper.

<sup>2</sup> PHE (2016) [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#)

<sup>3</sup> Department of Health, PHE (2017) [Adult substance misuse statistics from the National Drug Treatment Monitoring System](#)

<sup>4</sup> British Liver Trust, [Facts about liver disease](#)

<sup>5</sup> Office for National Statistics (2017) [The 21st century mortality files - deaths dataset, England and Wales](#)

<sup>6</sup> Public Health England (2017) [Health matters](#)

<sup>7</sup> Foundation for Liver Research (2017) [Financial case for action on liver disease](#)

<sup>8</sup> Bryant, L (2020) Inequalities in victimisation: alcohol, violence and anti-social behaviour, Institute of Alcohol Studies, London

<sup>9</sup> Siegler, V et al (2011) [Social inequalities in alcohol-related mortality by National Statistics socio economic classification, England and Wales, 2001-2003](#), ONS Health Statistics Quarterly, 50.

<sup>10</sup> Public Health England (2018) [Local Alcohol Profiles for England](#)

9. The negative effects of alcohol have an impact far beyond individual drinkers. The government estimate for the social and economic costs of alcohol was £21 billion in England in 2012,<sup>11</sup> with PHE more recently highlighting estimates between £27 billion to £52 billion in 2016.<sup>12</sup> PHE note that “the financial burden which alcohol-related harm places on society is not reflected in its market price, with taxpayers picking up a larger amount of the overall cost of harm compared to individual drinkers”.<sup>13</sup> At a time of acute pressure on the public purse, it would be a surprising move to widen the gap between the costs caused by alcohol and the excise raised to mitigate against them.
10. The World Health Organization has identified three policies that it regards as particularly effective in reducing the harmful use of alcohol, all of which are salient to this consultation:
  - a. Increase excise taxes on alcoholic beverages
  - b. Enact and enforce bans or comprehensive restrictions on exposure to alcohol advertising (across multiple types of media)
  - c. Enact and enforce restrictions on the physical availability of retailed alcohol (via reduced hours of sale).<sup>14</sup>
11. We will consider these in turn.

### Improving health through excise measures

12. On the central issue of excise taxes, there is evidence and modelling from within the UK that excise policy can be one of the most effective and cost-effective ways to reduce alcohol harm.
  - a. The Alcohol Duty Escalator, which saw alcohol duty rise 2% above inflation each year from 2008-2013, contributed to reversing harmful alcohol trends in the UK.<sup>15</sup> Under the duty escalator, affordability began to fall for the first time in years, as did the number of alcohol-related deaths. When it was scrapped, both measures began to rise again.
  - b. Modelling by the University of Sheffield found that cuts in alcohol duty since 2012 have led to 2,223 additional deaths and almost 66,000 additional hospital admissions in England and Scotland between 2012 and 2019. This has resulted in £341 million additional costs to the NHS.<sup>16</sup>

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<sup>11</sup> Home Office (2012) [A minimum unit price for alcohol – impact assessment](#)

<sup>12</sup> PHE (2018) [PHE Research 2016 to 2017: annual review](#)

<sup>13</sup> PHE (2016) [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#)

<sup>14</sup> World Health Organization (2017) [Best buys and other recommended interventions for the prevention and control of noncommunicable diseases](#). Updated (2017) appendix 3 of the global action plan for the prevention and control of noncommunicable diseases 2013-2020

<sup>15</sup> Sheron, N (2016) [Alcohol-related liver disease: prevention and prediction](#).

<sup>16</sup> Angus, C & Henney, M (2019), [Modelling the impact of alcohol duty policies since 2012 in England & Scotland](#).

- c. The same report also shows that above inflation increases in alcohol duty, starting from the forthcoming Budget could have dramatic benefits: Increasing alcohol duty by 2% above inflation every year between 2020 and 2032 would result in 5,120 fewer alcohol-attributable deaths in England and Scotland.<sup>17</sup>

13. It follows that reductions in excise, either through the extension of duty-free sales or personal allowances, will, if they translate to lower prices for consumers, lead to increases in alcohol harms and undermine public health policies.

### Improving health and wellbeing by reducing alcohol promotion and increasing Information

14. There is extensive evidence that exposure of children and young people to alcohol marketing leads them to drink at an earlier age and to drink more than they otherwise would.<sup>18</sup> The design of duty-free retail environments makes it extremely difficult for young travellers to avoid alcohol retail marketing.

15. We also know that anyone taking action on their own drinking is unable to 'opt out' of alcohol marketing and is bombarded with alcohol marketing everywhere they turn. Some airports (eg. London Stansted<sup>19</sup>) are designed to force passengers to walk through the duty free shop. We regard this as forced exposure to alcohol products.

### Improving health and wellbeing by addressing the availability of alcohol

16. Extended hours of sale of alcohol are linked to increased rates of consumption and harm, both within and outside travel environments. The introduction of 24-hour licensing in England and Wales has been associated with increases in hospital admissions in some areas and a shift in crime and disorder to later in the evening.<sup>20</sup> Emergency service workers also reported a strain on resources.<sup>21</sup>

17. The incidence of drunk and disruptive passengers, particularly during air travel, is much reported on, and has risen significantly since 2013.<sup>22</sup> There are multiple causes, including price, availability, and lax regulations on serving alcohol at airports: 7% of adults in Great Britain who drank alcohol in airports said that they drank alcohol from duty-free. Shops that would not normally serve alcohol are free to do so airside of security, and encourage drinking at abnormal times of day, such as breakfast, encouraging travellers to think of

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<sup>17</sup> Angus, C & Henney, M (2019), Modelling the impact of alcohol duty policies since 2012 in England & Scotland.

<sup>18</sup> PHE (2016) [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#)

<sup>19</sup> See map at <https://www.stanstedairport.com/at-the-airport/at-the-terminal/>

<sup>20</sup> PHE (2016) [The public health burden of alcohol and the effectiveness and cost-effectiveness of alcohol control policies](#)

<sup>21</sup> Institute of Alcohol Studies (2015) [Alcohol's impact on emergency services](#)

<sup>22</sup> Civil Aviation Authority (2018) [CAA calls for more prosecutions to crack down on violent and drunken airline passengers](#)

drinking more than usual as part of their holiday routine.<sup>23</sup> However, there are limits on alcohol consumption on Eurostar trains, with total bans on night trains and those serving sports events following 'some incidents on these services'.<sup>24</sup>

## Issues arising from specific consultation questions

### *Impacts of reintroducing duty-free and tax-free personal allowances to passengers travelling from the EU to the UK (questions 1 and 2)*

18. Personal allowances cause anomalies in the excise system. By encouraging consumers to buy goods where purchase taxes are lower (or suspended) they give competitive advantage to certain types of tax regime: the UK's mix of a relatively low income tax balanced by relatively high alcohol duty is placed at a disadvantage. The higher the personal allowance, the higher the potential adverse impact on the UK Exchequer. In addition, high allowances make UK health outcomes and revenue dependent on excise decisions made in EU countries.
19. Personal allowances (and duty- and tax-free purchases) have a bearing wider than the excise system. For example, in Scotland and Wales, minimum unit pricing (MUP) is in operation as part of a package of measures to improve public health by reducing alcohol harms. Personal allowances undermine the ability of national politicians to implement health-related measures.
20. This issue would become particularly acute if the personal allowance was increased from the current Rest of World (RoW) rates closer to the current EU rate. For the reasons set out above, and to support public health, UK retail businesses and the Exchequer (as listed in paragraph 3.5 of the consultation document), we recommend that the existing RoW allowances for non-EU countries should apply to EU countries after transition. Any increase from the RoW limits would have an adverse effect on public health, UK retail businesses and on the Exchequer.
21. Personal allowances are a regressive measure: they favour those who are able to afford to travel. For example, paragraph 3.2 of the consultation document notes that proposals to adopt non-EU personal allowances would disadvantage passengers who currently buy volumes of excise and non-excise goods. To prioritise these passengers for an effective duty cut, at a time of pressures on the public purse, would be surprising. It would also contradict the WTO rule, cited in paragraph 2.1, that VAT and excise in goods should be paid in the country of consumption.
22. We also note that cross-border shopping either causes consumption to rise or replaces part of domestic retail sales. When Estonia joined the EU in 2004, the Finnish government felt forced to respond to the potential for their

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<sup>23</sup> YouGov survey. Total sample size was 2016 adults, of which 1,792 have travelled by air. Fieldwork was undertaken on 13-16 July 2018

<sup>24</sup> Eurostar onboard alcohol policy <https://www.eurostar.com/uk-en/travel-info/travel-planning/luggage/prohibited-items>

domestic market to be flooded by cheap imports. The resulting tax cuts led to a 'dramatic increase in deaths from alcohol-attributable diseases and poisonings in both men and women. The increase was 19% in one year and 31% from 2001-2003 to 2004-2006', and alcohol harms rose particularly among the middle-aged and older segments of the population.<sup>25</sup>

*Duty-free sales for passengers travelling from the UK to the EU (questions 3 and 4)*

23. We are not convinced that the financial benefits of duty-free sales to the consumer are anywhere close to the disbenefits to the Exchequer. A survey of current duty-free prices<sup>26</sup> of whisky shows a range of prices from £12 per litre (non-EU destination) to £3,500 for the most expensive product. This latter price is charged to both EU- and non-EU-bound passengers and it is not clear how implementing EU duty-free would work in practice. In any case, the UK Travel Retail Forum states that 'the travel retail market is a channel characterised by quality rather than quantity'<sup>27</sup> which would suggest that they are competing on brand strength rather than purely on price.
24. Although travel retailers argue that reducing duty will lower prices for consumers, tax is only one of many influences on pricing. Consumer websites have found discrepancies between different terminals even within the same airport.<sup>28</sup>
25. The point made above about undermining public health policies applies here too: MUP or other minimum pricing schemes are in operation in parts of Australia, Belarus, Canada, Kyrgyzstan, Russia, Ukraine and Uzbekistan. Closer to home, the Republic of Ireland Government has a policy to implement minimum unit pricing as part of the Public Health (Alcohol) Act 2018.

*Duty-free sales for passengers at ports, airports and international train stations, on-board trains and, planes and ships (questions 5, 6 and 7). Airside tax-free shopping (questions 12-16)*

26. Duty-free sales cannot be considered solely from the perspective of trade. A roundtable of industry, policy and research experts discussed the increasingly problematic issue of intoxicated airline passengers, and considered public opinion polling from a survey of adults (aged 18+) in Great Britain who travel by air.<sup>29</sup> We have already noted (para. 11) that 7% of adults in Great Britain who drank alcohol in airports said that they drank alcohol from duty-free. The European Travel Retail Association believe that disruptive passengers are a minority but that they have a disproportionate impact due to the risks they

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<sup>25</sup> Mäkelä, P & Osterberg, E (2009) Weakening of one more alcohol control pillar: a review of the effects of the alcohol tax cuts in Finland in 2004. *Addiction (Abingdon, England)*, 104(4), 554–563.  
<https://doi.org/10.1111/j.1360-0443.2009.02517.x>

<sup>26</sup> For example, at [uk.worlddutyfree.com](http://uk.worlddutyfree.com)

<sup>27</sup> For example, at <http://www.uktrf.co.uk/current-issues/duty-and-tax-free/wines-and-spirits/> Accessed 19 May 2020

<sup>28</sup> For example, at <https://thepointsguy.co.uk/guide/duty-free-comparison/>

<sup>29</sup> Institute of Alcohol Studies/Eurocare (2018) Fit to fly: Summary report of the policy debate on alcohol and air travel

post to safety, to other passengers and to cabin crew. According to Ryanair, the UK and Ireland are ‘particularly problematic areas for incoming and outgoing flights’ for drink and disruptive passengers.<sup>30</sup> The two recommendations from that roundtable relevant to this consultation are:

- a. Better licensing regimes in airports, including, in the UK, the application of the Licensing Act so that premises after security are required to follow the same legislation as premises in the rest of the country. This measure received the support of 86% in the public survey and was opposed by 4%. It is supported by the UK House of Lords Licensing Act Committee, local government bodies, the National Police Chiefs’ Council, Airlines UK and the Association of Licensed Multiple Retailers.
- b. Alcohol consumption at airports to be restricted to bars and restaurants, with alcohol bought at duty-free put in sealed containers and taken directly to the gate for passengers to pick up, or placed directly in the hold of the aircraft. This practice is already undertaken in some airports such as in South Africa. Restricting consumption of alcohol to bars and restaurants in the airport received the support of 74% in the survey and was opposed by only 10%.

27. There are relatively few international rail services departing the UK, and so they can be considered individually. Eurotunnel ‘Le Shuttle’ services last 35 minutes and so the provision of duty free services to drink on the train would seem a low priority, especially since a proportion of passengers are driving.

28. Similarly, it seems strange to change policies with regard to Eurostar services, since this would undermine the company’s own efforts. The company states in its alcohol code that it has had problems with intoxicated passengers; it tried to impose alcohol carry-on limits and increased duty-free allowances for passengers would contradict this.

29. We note that consultation paragraph 4.5 refers specifically to the Northern Ireland-Ireland border and that a separate analysis will be made. However, we observe that this would undermine MUP both in the Republic of Ireland and in Northern Ireland (the Assembly is considering MUP). We also note that incentives for frequent border crossers to purchase alcohol duty free, increasing the risk of smuggling and fraud, would cause difficulties given the nature of the Northern Ireland-Ireland border.

### **About the Institute of Alcohol Studies**

The Institute of Alcohol Studies is an independent institute bringing together evidence, policy and practice from the UK and elsewhere to promote an informed debate on alcohol’s impact on society. Our purpose is to advance the use of the best available evidence in public policy decisions on alcohol. For more information, please contact Richard Fernandez, Head of Policy, at [rfernandez@ias.org.uk](mailto:rfernandez@ias.org.uk) (from 1 June 2020: Jennifer Keen at [jkeen@ias.org.uk](mailto:jkeen@ias.org.uk)).

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<sup>30</sup> *ibid*