

Open consultation

Alcohol Structures consultation published on 20 March 2017 and the closing date is 12 June 2017.

Response to the Alcohol Duty Structures Consultation

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 street drinking, dependent drinking and consumption amongst children and young people.

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. 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.

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.

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. Increasing the price of high-strength cider would to some extent remove this fallback, 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"*.

High strength cider is often favoured by underage drinkers

White cider has consistently emerged as one of the top drinks of choice amongst young people. This is a major concern from a North East perspective, where in spite of the overall reduction in drinking amongst young people over recent years, we still have the highest rates of alcohol consumption amongst 11-15 year olds in the country. Most worryingly, white cider consumption is a particular issue amongst young people in treatment. A recent Alcohol Concern brand survey, which relied heavily upon data provided by partners across the North East, found that 'Frosty Jacks' was one of

the top five brands of choice amongst children engaging with treatment services in the region and beyond.

It is clear that cheap, high strength cider can also have a devastating human cost. Balance has recently worked with a North Tyneside mum, Joanne Good, whose daughter Megan Craig-Wilkinson tragically died on January 1st 2014, after drinking 1.5 litres of super-strength white cider at a friend's New Year's Eve party. Joanne decided to speak out after seeing a campaign run by Balance calling on the Government to increase the tax on strong white cider in this year's Budget on March 8th. In her view:

"No matter what we say to our children, they will always want to experiment and this type of cheap, strong cider will always appeal because it can easily be bought from their pocket money, but parents just aren't aware of the risks. I hope that by sharing our story we can highlight just how dangerous this type of strong cider is.

"If it was up to me, I would like to see ciders like these removed from sale. Aside from what happened to Megan, every child that drinks it is doing damage to their bodies.

"If it can't be removed from sale, then I think it should be kept behind the counter where the spirits are and the price should be increased. The price needs to take into account how big the bottles are and how much alcohol is in them. Hopefully this would put children off from drinking it and maybe a life could be saved."

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 per unit on the market, with 3 litre bottles containing as much alcohol as 22 shots of vodka, available for £3.99 in the North East, according to a recent survey carried out by Balance, in partnership with the Alcohol Health Alliance. As a result, they are overwhelmingly favoured by those seeking to buy the cheapest, strongest forms of alcohol – often, harmful, street and underage drinkers.

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"*.

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’, 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

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 affordability. Studies of white cider drinkers have indicated 75-85% favour it for its low price.

Current anomalies in the duty system allow white cider to be sold for so little. Cider of 7.5% ABV attracts the lowest level of duty 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% and below would go some way to reducing these perverse incentives.

There is widespread acknowledgment of the need for action

A new rate of duty targeting white cider should have cross-party support. David Burrowes MP has led a number of Conservative MPs in advocating the reform. The Labour party has previously endorsed the policy, as has Liberal Democrat Health Spokesperson Norman Lamb. 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”.

Furthermore, public health groups, including Balance and the rest of the Alcohol Health Alliance have been calling for action on white cider for a number of years and homeless charities, such as Thames Reach, are also committed to raising tax on white cider. The Institute for Fiscal Studies has recommended action be taken on “the very low levels of duty charged on strong cider”, 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.

Large parts of the alcohol industry appear to have recognised the harms associated with high strength ciders. Heineken executives withdrew White Lightning, then the market leader, from the market after a visit to a Thames Reach hostel. The major supermarkets do not stock the product.

Most interestingly, 50% of white cider drinkers themselves favour the raising the price of the product. 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.

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.

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%. 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.

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. 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. For example, there is little evidence to suggest that the industry pledge to remove "a billion units" from the market (via provision of lower strength products) has had a significant impact on overall alcohol consumption. The lack of impact is particularly clear in the high strength cider market where products continue to be produced at 7.5% ABV, in containers of 22 units, far exceeding the levels anticipated 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.

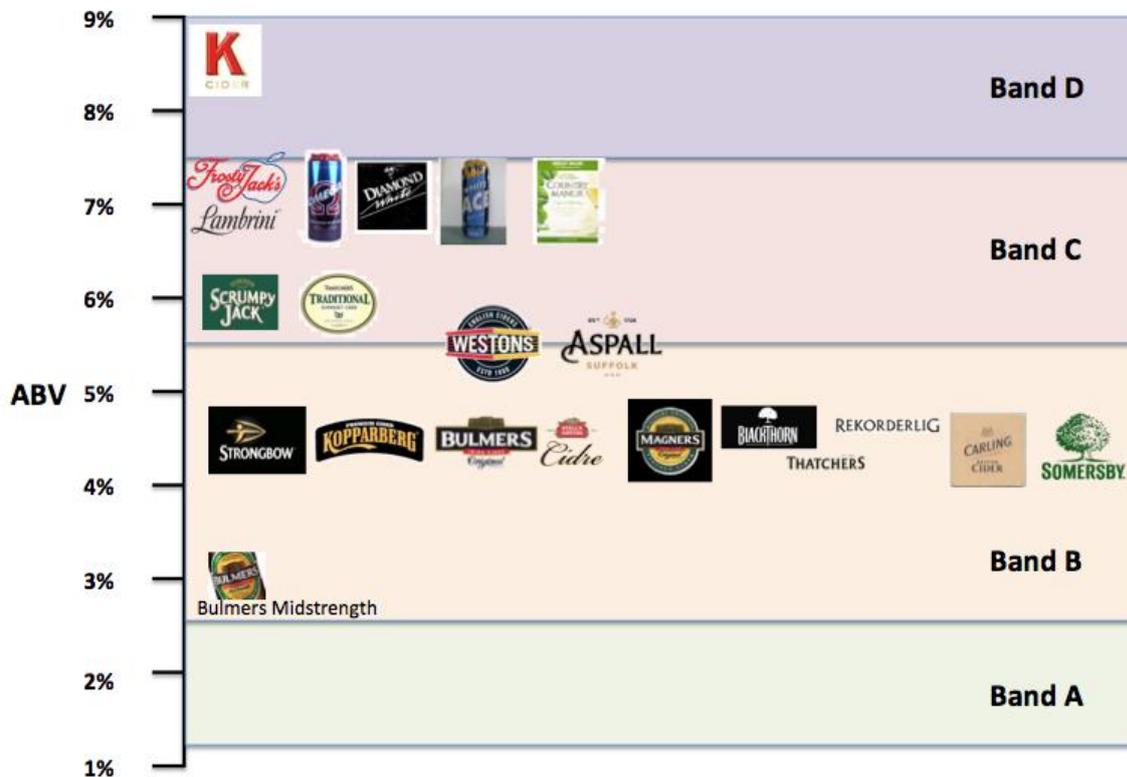
2. Where do you think the lower threshold should be set? Please provide evidence to support your answer. We would also welcome any evidence about reducing the alcohol content of ciders.

The lower threshold of the new duty band should be set at 5.5% ABV. This would capture the products on the market most closely associated with harm, as well as encouraging products close to the band limit to be reformulated to lower strength. This would have minimal effect on mainstream ciders – the vast majority of ciders sold in the UK are in the 4-5% ABV range.

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.

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.



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?

NHS Scotland’s Monitoring and Evaluating Scotland’s Alcohol Strategy (MESAS) project indicates that ‘strong cider’ accounted for 18% of all cider sales in England, and 21% of all sales in Scotland in 2015.

The precise definition of this category is not publicly available, but from context it seems likely to be 7.5% ABV and above. The MESAS data draws on the best available market research sources.

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.

There is a large body of evidence to demonstrate that raising the cost of alcohol is the most effective and evidence-based way of addressing alcohol harm. A new duty rate would increase prices and the best available evidence suggests that white cider drinkers are highly influenced by price. With this in mind, any duty increases would potentially reduce consumption among the most harmful drinkers, and, in turn, reduce death and illness from alcohol and associated social harms.

Harmful alcohol consumption comes at a major cost to public health, but also wider society. It accounts for over a million hospital admissions and 23,000 deaths in England each year, and accounts for 10% of the total UK burden of death and disease. 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. This comes at a social cost that has been estimated between £21 billion and £52 billion, with a cost of almost £1bn to the North East economy alone.

The best available evidence suggests that white cider drinkers are highly influenced by price. Alcohol Concern found that although *“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”*. 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”*.

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 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.

Furthermore, the ‘Reducing the Strength’ scheme, which involved retailers voluntarily removing high strength beers and ciders from sale, offers some indication of the benefits of reducing high strength cider consumption. Evaluations suggest that homeless drinkers who switched to wine and spirits struggled to maintain such high levels of consumption, given the additional expense of buying more heavily taxed products. 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. 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 participate, and there is evidence that drinkers deliberately sought these locations out.

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”*.

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. 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.

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. Moreover, because mainstream 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?

Whilst not relating directly to wine, previous steps to encourage lower strength alcohol through manipulation of 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 2012, 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.

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. This encouraged a thriving market for low and mid-strength beer, which have come to account for 18% of total beer sales.

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.

It is worth emphasising that this evidence base applies almost exclusively to beer, rather than wine, since we have been unable to find analysis of policy measures specifically seeking to promote low alcohol wine. However, one small survey (sample of 120) from 1994 found that 27% of UK consumers were open to low alcohol wine, while 54% rejected it. More recent research suggests 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.

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.

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.

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. 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?

Nothing to add.