

Minimum unit pricing

Overview

It is very important that our most harmful drug in society (i.e. alcohol) is not sold at pocket money prices. Unfortunately, this is not the case as alcohol can be purchased at very low prices from bottle stores, supermarkets, and the internet. In fact, the budget end of the alcohol market in New Zealand has moved very little in price over the past few decades.

The Ministry of Justice found that, in 2011, almost one-quarter (24%) of all products in New Zealand off-licences were sold for less than \$1.20 per standard drink.¹ By far, spirits were more likely to be sold cheaply (72% sold <\$1.20 per standard drink), despite being taxed at the highest rate in the excise tax structure.

By unit of alcohol (i.e. standard drink), cask wine is the cheapest alcohol product in New Zealand, sold for as little as 77c per standard drink. The second cheapest overall is bottled wine (~85c per standard drink), followed by beer and light spirits (91c-98c per standard drink). The cheapest full-strength spirits and Ready-to-Drinks (RTDs) generally retail at around 95c to \$1.14 per standard drink.

New Zealand heavy drinkers and more frequent drinkers, including young heavy drinkers, have been found to buy a greater proportion of alcohol from the cheapest end of the

price range.^{2,3,4} Pasifika drinkers are more likely to purchase cheap alcohol, followed by Māori drinkers.³

The good news is that we can prevent the harm from cheap alcohol sales, by setting a minimum or lowest price that alcohol can be sold. This is called Minimum Unit Pricing (MUP), and is a very targeted policy aimed at drinkers who purchase the cheapest alcohol products in the market.

How Minimum Unit Pricing works

Minimum Unit Pricing specifies the lowest price at which any 12.5mL (or 10g) of pure alcohol in a product can be sold. This amount of alcohol is called a standard drink, and it is usually the amount of alcohol in a standard 330ml can of beer or a small (100ml) glass of wine.

A MUP policy only affects the price of the cheapest alcohol products being sold. These products are commonly sold at off-licence bottle stores and supermarkets. More expensive products at off-licences (i.e. above the minimum price) would not be affected by MUP, nor would the majority of prices at pubs and bars, because they tend to sell alcohol at higher prices.

The following figure shows the effect on retail prices of a minimum unit price of (a hypothetical) \$1.40 per standard drink.

PRICE CHANGES TO VERY CHEAP ALCOHOL PRODUCTS FOLLOWING MUP OF \$1.40



BEER
18-pack, 330ml
5% ABV
23.4 std drinks
98c/std drink

Was \$22.99
Now \$32.81



WINE
750ml,
13.5% ABV
8.0 std drinks
85c/std drink

Was \$6.79
Now \$11.18



CASK WINE
2L cask wine
14% ABV
22.1 std drinks
77c/std drink

Was \$16.99
Now \$30.93



SPIRITS
1L
40% ABV
31.6 std drinks
95c/std drink

Was \$29.99
Now \$44.18



RTD
12-pack, 330ml
7% ABV
21.9 std drinks
\$1.14/std drink

Was \$24.99
Now \$30.62

MUP in other countries / jurisdictions

Many countries that are similar to New Zealand have set a minimum price that alcohol can be sold. This includes Canadian provinces, Scotland (May 2018), Wales (March 2020), and Ireland (January 2022). Australia's Northern Territory implemented MUP in October 2018.

Effects of MUP on drinking and harm

MUP policies are very targeted, towards heavy drinkers that purchase cheap alcohol. Results from MUP in other countries or jurisdictions show reduced alcohol consumption, decreased alcohol-related violent offending, and reduced alcohol-related hospitalisations.⁵⁻⁷

Low income heavy drinkers benefit the most from MUP.

This group experiences disproportionately higher levels of harm from their drinking and are more likely to purchase cheap alcohol. For this reason, MUP policies are estimated to be one of the most effective alcohol pricing policies to narrow alcohol-related health inequities (between socio-economic groups).⁸

For example, in British Columbia, Canada, MUP was associated with reductions in alcohol attributable hospitalisations, especially for lower income populations.⁷ Research from Scotland's implementation of MUP in May 2018 found immediate reductions (7.6%) in the amount of alcohol purchased by households, and especially among heavy drinking households in the lowest three quintiles (60%) of income (when compared to England as a control).⁸ Further research has shown a 7.7% reduction at two years' post-implementation (compared to northern England).⁹ Immediate reductions in alcohol purchases in the first four months of MUP in Wales have also been shown (8.6% decrease when compared to western England as a control).⁹ Again, the largest reductions in purchases were among the households that purchase the greatest quantities of alcohol.

A minimum price of ~NZD\$1.40 in the Northern Territory of Australia has been associated with a significant reduction in per capita consumption of cask wine by 50.6% and wine by 21.4%, one year after implementation.¹⁰ In the United Kingdom, a modelling study of MUP estimated that 90% of the lives saved from MUP would be from lower-socioeconomic groups.¹¹

MUP policies should be considered pro-equity: low income heavy drinkers benefit the most



MUP in New Zealand

The Ministry of Justice, in 2014, estimated that a minimum unit price of \$1.20 would reduce overall alcohol consumption by 4.7%, and that a lower MUP (for instance, \$1 per standard drink) would not be as beneficial to society.¹ With regards to inequities in New Zealand, MUP effects among different population groups (e.g. among Māori) remains unknown.

The Ministry of Justice also estimated that a \$1.20 minimum price would result in net cost savings to society of \$86 million in the first year and \$624 million over ten years. The greatest savings would be made through reductions in alcohol-related crime.

Impact of MUP on additional alcohol spend

A common criticism of pricing policies is that they have a 'regressive impact' – that, because those with lower incomes drink more alcohol, making it more expensive would tend to put them into financial hardship.

In New Zealand, the Ministry of Justice estimated that a minimum price of \$1.20 would result in a weekly additional spend of 40c for low-risk drinkers, \$1.04 for increased risk drinkers and \$2.35 for harmful drinkers.¹

ADDITIONAL WEEKLY SPEND UNDER MUP OF \$1.20



40c

Low-risk drinker



\$1.04

Increased risk drinker



\$2.35

Harmful drinker

Whilst research is consistently demonstrating that MUP targets heavy drinkers, we need to understand if there are differential impacts on spending across different income groups. Early evaluation of MUP in Scotland found no significant increase in spending across income groups⁸ and research modelling in Australia of a \$2 MUP found additional alcohol spending was negligible.¹² When Wales and Scotland were combined to examine the impact of MUP, it was found that low income households that generally purchased small amounts of alcohol did not increase their expenditure following MUP, although mixed results were found for spending among the heaviest drinkers in the lowest two quintiles of household income (lowest quintile increased spending, second lowest income quintile showed no change in spending).¹⁰ Clearly, more studies are required to determine differential impacts on spending by income.

All else remaining the same, heavier drinkers would be able to buy less alcohol for the money they currently spend



OTHER POTENTIAL BENEFITS OF MUP

- ✓ reduce the gap in price between pubs and off-licences
- ✓ reduce the large gap in price between supermarkets and bottle stores
- ✓ help shift drinkers to smaller format alcohol products (i.e. from 18-can packages to 12 or 15 cans)

The majority of New Zealand drinkers would be unaffected by MUP. They would, however, benefit from living in safer communities and from extra public resources being available due to cost savings from reduced harm.

What next? The appropriate minimum unit price in New Zealand would need to be determined by Government. Similar to alcohol excise tax, it needs to be adjusted annually in line with inflation.

MUP on its own will not be enough to reduce alcohol-related harm. Firstly, while alcohol-related harms are unfairly and disproportionately borne by lower-income communities, alcohol harm is a problem throughout our country. Secondly, heavy drinkers also include higher-priced alcohol products in their weekly purchases. For these reasons, MUP should be used in combination with alcohol excise tax increases to raise alcohol prices across the board.

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