

### **Executive Summary**

Context: Canada's National Abhol Strategy (National Abhol Strategy Working Group, 2007) recommends that: (1) alcoholexiomark-ups and taxes be adjusted to create incentives for production another umption of lower strength products, (2) minimum social reference prices reviewed at least anally vis-à-vis inflation to ensure that real value doesn't erode over time, and (3) jurisdictions move toward pricing based on alcohol content withherverage categories. This Strategy is a consensus report developed by a national working group thradluded representatives from liquor monopolies, government and beverage industrying with health, research and medical experts.

In 2006 the BC Ministry of lealth released a strategy dozent on the prevention of problematic substance use that similarly reprended: (1) price incentives be created to promote consumption of lower alcohol corttand non-alcoholic drinks, (2) liquor taxes be linked to CPI. Such policies haveen successfully introduced elsewhere.

Current Situation: Per capita alcohol consumption has increasing steadily in both Canada and British Columbia leading to increases in health and social costs.

The current pricing/taxation gieme in BC creates price incentives for higher strength products and disincentives for lower strengthducts in some beverage categories. The BC Liquor Distribution Branch sets prices in its own storness strongly influences those in private stores throughholesale "mark-ups".

Minimum prices and mark-ups are adjustefide quently - some are not for a decade. There are several products one thanket (beers, coolers, nue and spirits) that can be purchased for less than one dollar standard drink before sales tax.

The real prices of spirits and wine haveeb eroding with inflation which means that, relative to other commodities, these ducts have become cheaper over time.

#### Recommended Actions

- x Mark-ups are needed on reduced **add**content (<4.6%) beers and coolers should be reduced to create incentifier their production and consumption.
- x Moderate increases in mark-ups/taxæsnæreded on beers over 5.5% and more significantly on beers and bolers above 6.5% to discrage their consumption.
- x Minimum prices and mark-ups per "stand**drin**k" need to be reviewed for all beverages to ensure no alcohol can be purchased in BC for excessively low prices.
- x Minimum prices and mark-ups should be used for inflation at least annually.
- x Price per standard drink for all commodities ould be calculated and reviewed at least annually to guard against the emerge of inexpensive sources of alcohol.
- x Consideration should be given to earking a significant proportion of markup revenue (e.g. 5 cents per standard driok) rovide additional ddiction treatment and prevention programs in BC.

If carefully implemented, these changesuld decrease ethanol consumption and related social, health and economic costs while and versely impacting dustry profits or government revenue. A 5% decrease implabl consumption muld reduce alcohol caused deaths by at least 5.3% and hospitalizations by 4.3%.

# A proposal for changes to BC liquo pricing in order to reduce harm from alcohol consumption

This paper presents a case for reforming what mark-ups are applied to the prices of alcohol sold in liquor stores British Columbia in ordero improve public health and safety outcomes. It updates material first resitted both to the Missiter for Finance and the Select Standing Committee on Finance and Government Services in November 2007 by the Provincial Health Officer and therefore for Addictions Research of BC, University of Victoria. The basic proposal was endorsed by the Committee and forwarded to the government of British Columbia as a recommendation though it was not acted on in the 2008/2009 budget. In addition, sinderation has been given to specific changes that would create or provided implications of such changes.

Recent research by a consortium of Britishumbia academics led by the University of Victoria's Centre for Addictions Research BC (CARBC) has shown that alcohol consumption and related hospitalisations haven increasing in recent years in this province (see www.AODmonitoring.ca). Data from the BC Centre for Disease Control estimated that in 2006 there were 18,580 hospital treaterpies odes caused by alcohol abuse compared with 4,864 illictrug related conditions (see

- x "Create opportunities for promoting comsption of lower alcohol content and non-alcoholic drinks throughrice incentives" (p.44)
- x "Increase taxation on liquor and tobaccooptrcts in accordance with current cost of living and supply and demand" (p.45)
- 1. Providing incentives for the manufacture marketing and sale of lower alcohol content products

An analysis of alcohol sales data for the financial year 2007/2008 provided to CARBC by the Liquor Distribution Branckshows that the incentives provided to drinkers in BC currently favour high alcohol content produicts ome beverage categories. Table 2 below assesses market shares and retail spier unit of alcohol for different strength beers. The 'unit of alcohol' used hesel 3.6g of alcohol or 17.2 ml ethanol i.e. a Canadian standard drink (roughly equivalent toottle of beer; a medium glass of wine or a 1.5oz shot of liquor). What is striking is that, firstly, per unit of alcohol prices are highest for the lowest alcohol content bees condly, even when examining price per litre of beverage regards of alcohol content, lowadhol content beers are still slightly more expensive than qualar strength beers.

Table 2: Market share and price incentives for consumers to drink different strength beers in BC, 2007/2008\*

A relevant comparison here is with the major success of low tostreidgth beers (2.5% to 3.8% alcohol by volume) in Australia. Illne late 1980s tax incentives (both federal and state) encouraged the pluction of these products dexcise tax rates are now updated quarterly in line with CPI. The markshare of these beveges in terms of value reached 40% of the total Australian benearket by the late 1990s. These products are also widely used at large-scale sportinegnues as a way of reducing problems with alcohol-related violence. Its noteworthy that BC has one of the few Canadian brewers that manufactures beer withstrength of less than 4% - Spinnakers Brewpub in Victoria. A recently released study from CARBC fouthalt young male beer drinkers could not reliably tell the difference between a Spinnakers 3.8% breether similar 5.3% beer in a simulated group drinking situation. Furtherma, they enjoyed the social situation equally and felt equally intoxidad whether drinking low or galar strength beer despite having significantly higher BACs with the galar strength beer (Gal and Stockwell, 2007). It is also relevant to note that the Manitoba Liquamtrol Commission applies a surtax for higher strength beers discourage excessive consumption.

2. Ensuring alcoholic products are not sold for less than soft drinks In Table 4 we show mean, minimum and maum pre-sales tax retail prices for different strength beverages including wined apirits as well as beers and coolers. These prices are expressed in terms of doplars itre of beverage

Table 4: Mean, minimum and maximum presales tax retail prices in dollars per litre and per standard drink (SD)

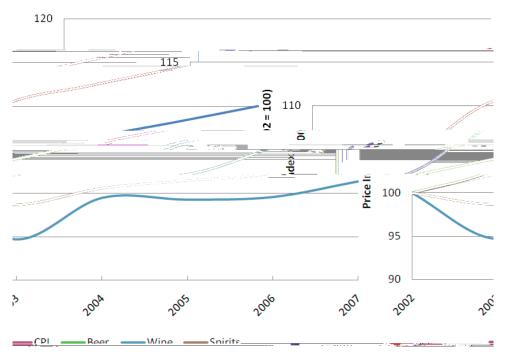
been growing at a healthyace particularly in the lastecade on the back of the commodity boom. In contrast to Canablawever, estimates of per capita consumption of alcohol have been stable apart frankrief fluctuation in 2000 and 2001 (McCarthy, 2007) which was an artificial response to throduction for the first time of a 10% Goods and Services Tax as part of a majo

Table 6: Summary of recent status of updates in British Columbia of minimum prices and minimum mark-ups of alcoholic beverages

Minimum Prices	Last Update	Minimum Mark- ups	Last Update
Spirits	September 24, 2006	Spirits	1998
Beer	April 30, 2006	Beer	1994
Cider/Coolers	April 1, 2003		
Wine	January 1, 1995	Wine	1995
Liqueurs	April 1, 1993		

It is important to note that both wine aspirit prices in BC are not keeping pace with inflation (see Figure 1 below) rom a public health and safety respective it is important for the mark-ups to not fall behind CPI and the is a case for introducing an adjustment at least annually. More genery in the current mixed public and private retail system it is important to note that minimum mark-ups the only lever available to government to influence prices across the whole alcohological button system including both private and government liquor stores. These minimum rark-ups have not been updated, however, for 10 or more years for any of the main beverage varieties.

Figure 1: Retail Prices for Alcohol Products Sold in Liquor Stores compared with the Consumer Price Index (CPI), BC, 2002-2007



Source: Statistics Canada (undated)

4. The creation of a "nickel a drink" harm reduction levy to fund new addiction treatment and prevention programs

The Senate report on mental health and addiction "Out Of the Shadows at Last" by the Kirby commission recommended an additional ficents standard drink on alcoholic beverages with a strength of 4% or make ohol by volume in order to raise much-

needed funds for the overstretched meneralith and addictions eatment system in Canada. Such "hypothecated taker special levies have en applied on alcohol in many jurisdictions in order to raise exampled funds for prevention and treatment purposes. In Quebec a small tax rafises for prevention and public awareness programs. In Australia a five cents presented drink tax on higher alcohol content drinks was shown to save the tiny jurisdictiof the Northern Territory over \$124 million in health care and policing costs over arfine ar period. While raising taxes on alcohol is not usually popular according to public opinipolls, when these funds are earmarked for areas of high need directly relevant to take they tend to be extremely well received.

In British Columbia, a 5 cent increase in **knaps** per standard drink for beers and coolers with a strength of 4% or me, wines greater than 11% afood all liquor would generate additional revenue of \$95.7m in 2005/6 prices need for improved resources for the addiction treatment system and for preventorograms is widely accepted in British Columbia and it can be expected that such a small increase in 'taxation' would be well received by the general public. Another mcdeconsider would be a smaller alcohol markup increase combined with similar levies on tobacco products and on gambling.

### References

Babor, T., Caetano, R., Casswell, S., Edwards Giesbrecht, N., Hill, L., Holder, H., Homel, R., Osterberg, E., Rehm, J., Room, R. & Rossow, I. (2802) hol: No ordinary commodity- researched public policy Oxford: Oxford University Press.

BC Ministry of Health (2006) Following the evidence: Preventing harms from substance use in BC Government of British Columbia, Victoria, BC, 2006.

Gallet, C. A. 2007, "The Demand for Alcohol: A Meta-analysis of Elasticities", Australian Journal of Agrichtural and Resource Economiosol. 51, no. 2, pp. 121-135.

McCarthy, P. (2007) Alcohol consumption in Australia. DrinkWise Australia Ltd, New South Wales, April 2007.

National Alcohol Stratey Working Group (2007) oward a Culture of Moderation: Recommendations towards a national alcohol strated value Canada, Ottawa, Ontario.

Rehm, J., Baliunas, D., Brochu, S., Fischer, Gnam, W., Patra, J., Popova, S., Sarnocinska-Hart, A. & Taylor, B. in collabolican with Adlaf, E., Recel, M., Single, E. (2006). The Costs of Substance Abuse in Canada 2002awa, ON: Canadian Centre on Substance Abuse.

Segal, D. and Stockwell, T. (200\(\mathbb{I}\)) w alcohol alternatives promising strategy for reducing alcohol-related harmCARBC Technical report, Vancouver, BC.

Statistics Canada (2001) Thentrol and sale of alcoholloeverages in Canada: Fiscal year ending March 3<sup>t</sup>12000. Statistics Canada, Ottawa.

Statistics Canada (2005) Thentrol and sale of alcoholloeverages in Canada: Fiscal year ending March 3<sup>t</sup>12004. Statistics Canada, Ottawa.

Statistics Canada (2007) Thentrol and sale of alcoholleverages in Canada: Fiscal year ending March 3<sup>t</sup>12006. Statistics Canada, Ottawa.

Statistics Canada (n.d. b). Table 326-00200, Timer price index (CPI), 2005 basket, monthly (2002=100). BC and Canadian data downloaded on July 31, 2008 from <a href="http://cansim2.statcan.ca/cgi-">http://cansim2.statcan.ca/cgi-</a>

win/cnsmcgi.pgm?regtkt=&C2Su**&**ARRAYID=3260020&C2DB=PRD&VEC=&LAN G=E&SrchVer=2&ChunkSize=50&SDD**&**OC=&ROOTDIR=CII/&RESULTTEMPLA TE=CII/CII\_PICK&ARRAY\_PICK=1&SDDSID=&SDDSDES€

Stockwell, T., Pakula, B., Macdonald, S., Borx, J., Zhao, J., Tu, A., Reist, D., Thomas, G., Puri, A., & Duff, C. (2007) Alcohol in British Columbia and Canada: A Case for Liquor Taxes that Reduce Harm. Centre Addictions Research of BC Statistical Bulletin 3, University of Victoria, Victoria, BC.

Toumbourou, J.W, Stockwell, T., Neighbors, Marlatt, G.A., Sturge, J., & Rehm, J. (2007) Interventions to reduce harm assæclavith adolescent substance use: an international reviewThe LancetAdolescent Health Sessi No.4, March 27, pp. 41-51.

Wagenaar, A., Salois, M. & Komro, K. (in pressificate of Beverage Alcohol Taxes and Prices on Consumption: A Meta-ansity of 1003 Estimates from 139 Studies diction.

## Appendix

Price incentives for BC consumers for all main beverage varieties according to level of alcohol content (pre-salesax data as of August 2007)

Market share and pre-sales tax price incentives for