



Alcohol Pricing, Public Health and the HST: Recommendations for BC

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Why do we need to be concerned about alcohol use in BC?

- ▶ **Alcohol use is increasing**
- ▶ Average consumption increased from 475 standard drinks per person age 15+ in 2002, to 525 per person in 2008



Why do we need to be concerned about alcohol? (cont.)

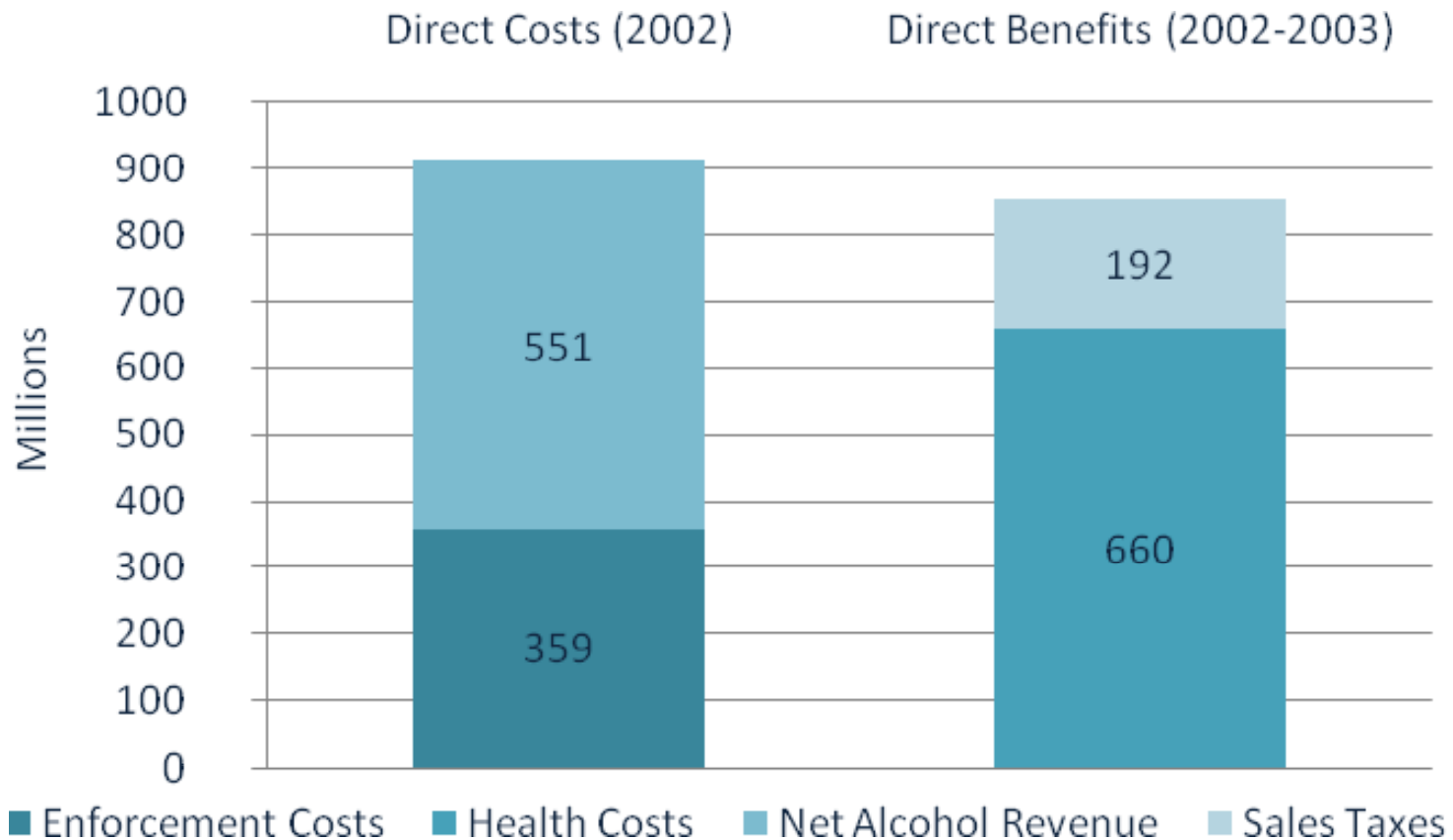
▶ **Some alcohol-related harms are increasing**

Year	Total Deaths All Causes	Total Alcohol-related Deaths	Deaths from Liver Cirrhosis
2002	28,686	1,818	271
2003	29,108	1,789	302
2004	29,652	1,860	272
2005	30,033	1,878	293
2006	30,513	1,986	314
2007	31,105	1,993	376
% Change	+ 8.4%	+ 9.6%	+ 38.7%



Why do we need to be concerned about alcohol? (cont.)

- ▶ **There is an imbalance between costs and benefits**



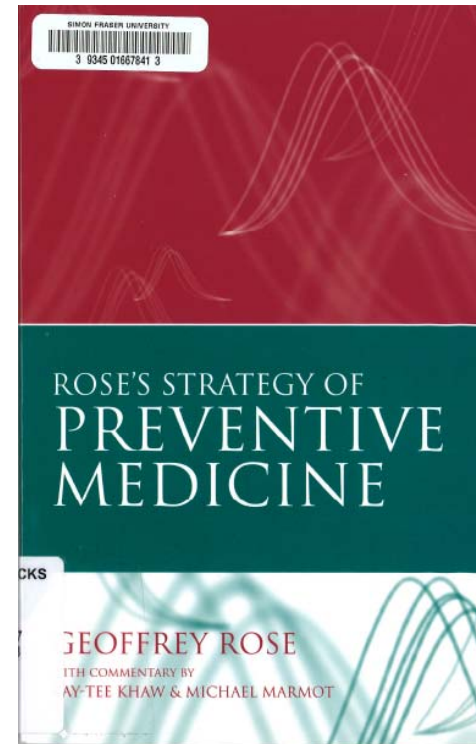
Why are pricing interventions a good idea?

- ▶ **Pricing policies are among the most effective ways of controlling alcohol-related harms**
- ▶ Strong empirical evidence linking increases in price with decreases in many types of harm:
 - ▶ deaths from liver cirrhosis, overdose and other causes
 - ▶ violence
 - ▶ fatal traffic accidents
 - ▶ other consequences including non-fatal workplace accidents, teenage pregnancy, and the incidence of STD's

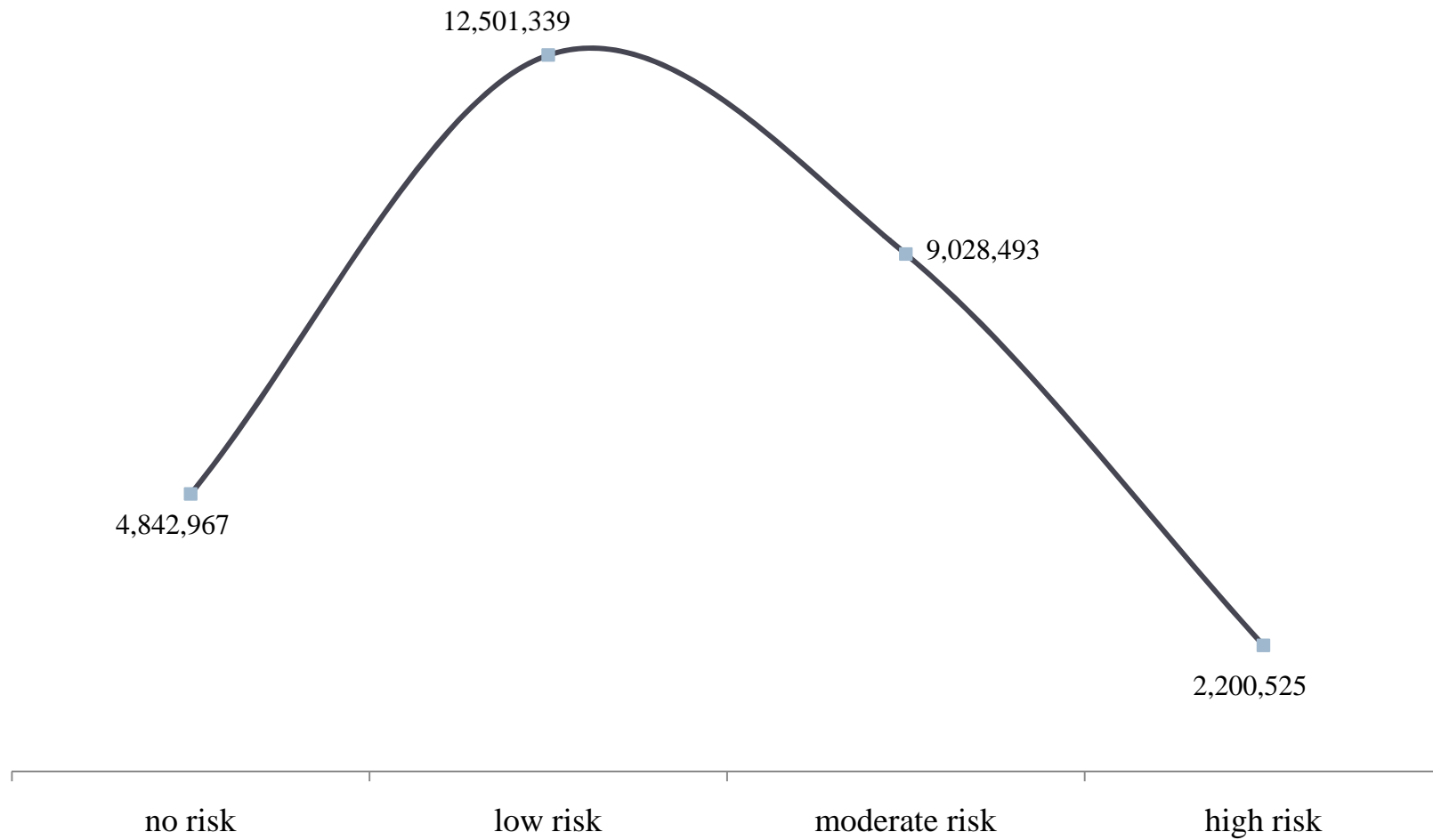


Why are pricing interventions a good idea? (cont.)

- ▶ **The prevention paradox**
- ▶ “A large number of people exposed to a small risk may generate many more cases [of harm] than a small number exposed to a large risk” (Rose, 2008:59).
- ▶ Rose labeled situations where risk was spread over large portions of the population as “public health disasters.”



Distribution of alcohol-related risk, general population age 15+, Canada, 2004



Implications for policy

- ▶ Direct and indirect costs of alcohol in Canada totaled an estimated \$14.6B in 2002. (Does this constitute a public health disaster?)
- ▶ The key question for public health policy becomes:
 - ▶ *How do we get people who are at very low-risk of alcohol-related harm to change their behaviour if their individual risk is so low that they have little personal incentive to do so?*
- ▶ One answer: population-level controls on economic availability (prices).



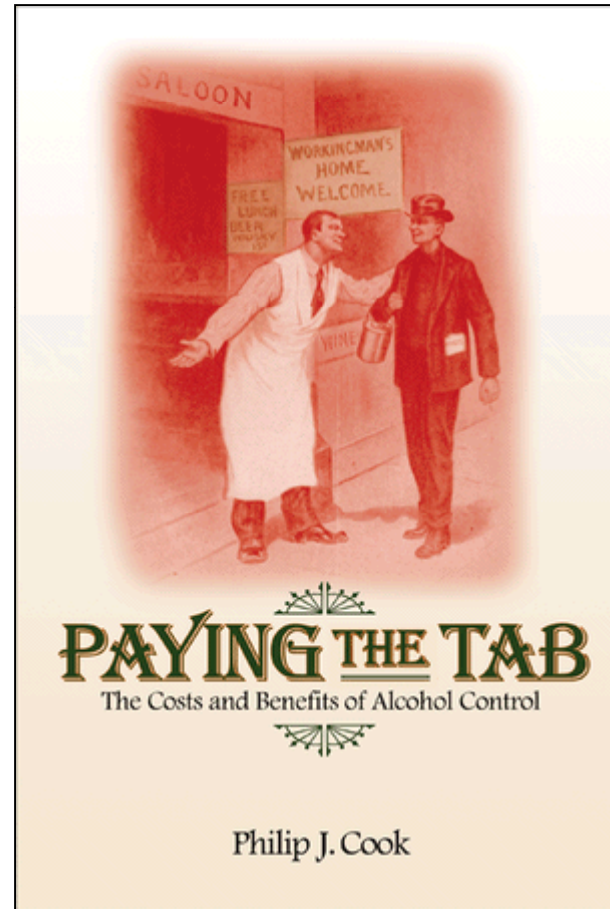
Why are pricing interventions so unpopular?

- ▶ They are seen as paternalistic
- ▶ People feel they already pay enough in taxes
- ▶ People don't like the government taking away their freedom of choice



Why are pricing interventions so unpopular? (cont.)

- ▶ Price controls are seen as “blunt instruments”
- ▶ However, this argument is probably not as valid as popularly believed



Take Home Message

- ▶ The way forward: shift to pricing policies that better target risky alcohol use
- ▶ *The recommendations made in this paper have the potential to preserve the economic and social benefits of alcohol while at the same time reducing health and social costs.*



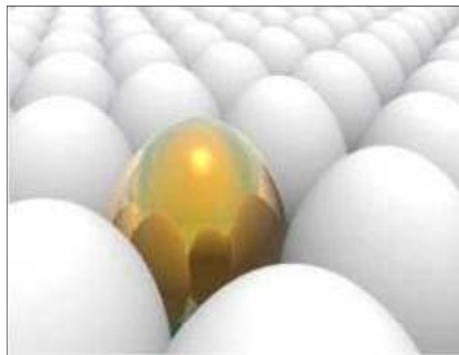
Why enhance BC's pricing policies NOW?

- ▶ BC moving to the Harmonized Sales Tax (HST) in July 2010
- ▶ Currently sales taxes on alcohol are 15% (5% GST + 7% PST + 3% special alcohol tax)
- ▶ If no adjustment are made, alcohol prices will fall by 3% across the board when the HST is implemented



Why enhance BC's pricing policies NOW?

- ▶ The province has indicated that it will adjust prices to retain revenue from alcohol
- ▶ The shift to the HST provides a golden opportunity to enhance BC's alcohol pricing policies rather than just maintain the status quo



Guiding principles for enhancing BC's pricing policies

- ▶ **Focus on minimum prices rather than overall prices** to remove cheap sources of alcohol favoured by many who drink hazardous amounts
- ▶ **Base prices on alcohol content** creating price incentives for lower strength (less hazardous) products and price disincentives for higher strength (more hazardous) products.
- ▶ **Regularly review prices vis-à-vis inflation** and adjust to ensure that alcohol does not become cheaper over time relative to other commodities.



Specific policy recommendations

- ▶ Determine a socially relevant minimum price per standard drink (e.g., \$1.50 for alcohol sold in liquor stores and \$3.00 for drinks in bars and restaurants) and adjust mark-ups/prices so that no product delivers a standard drink for less than this price in BC.
- ▶ The agreed upon price per standard drink should be reviewed annually and updated according to the rate of inflation (CPI).



Specific recommendations (cont.)

- ▶ Adjust the mark-up schedule for all product classes to create price disincentives for higher strength products and price incentives for lower strength products and update at least annually to correct for inflation

Suggested initial adjustments to mark-up schedule for each product class in BC coinciding with the introduction of the HST in July 2010

Alcohol Content Band	Policy
Low Strength	No increase in mark-up (3% decrease in price after the HST)
Moderate Strength	3% increase in mark-up (no price change after the HST)
High Strength	6% increase in mark-up (3% price increase after the HST)



Specific recommendations (cont.)

- ▶ If these pricing changes increase revenue, a portion of this increase should be set aside to fund effective programs for addressing alcohol-related problems in the province
- ▶ Thank You!

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