

Social Reference Pricing for Alcohol FAQs

In 2015, the National Alcohol Strategy Advisory Committee (NASAC) released a report, *Social Reference Prices for Alcohol: A Tool for Canadian Governments to Promote a Culture of Moderation*, which provides a comprehensive set of recommendations for social reference pricing (SRP) for alcohol sold from off-premise retail outlets (i.e., liquor stores). SRP is an important part of building a culture of moderation, but is a complex and nuanced policy that can be difficult to understand. The frequently asked questions (FAQs) addressed in this document expand on some of the concepts introduced in the SRP report and provide a more detailed explanation of SRP in relation to its implementation in Canada.

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What is Social Reference Pricing?

SRP definition

Social reference pricing (SRP) is a term used to describe a minimum price, often set by government through regulation, for the sale of alcohol in Canada. The social reference price (also SRP) is the price below which alcohol cannot be sold to consumers. SRPs can be applied to alcohol sold from off-premise outlets (i.e., liquor stores) or on-premise outlets (i.e., restaurants, bars, nightclubs, arenas, etc.). This document refers only to SRPs for alcohol sold from off-premise outlets.

Why implement SRP?

SRP is a targeted policy that helps to prevent the availability of inexpensive sources of alcohol that are typically consumed by high-risk drinkers.

What are the best practices for SRP?

Based on existing Canadian examples of best practice, the [Social Reference Prices for Alcohol](#) report recommends that liquor boards and commissions:

- Apply SRPs to all types of alcoholic beverages;
- Ensure SRPs reflect the alcohol content of drinks within each major beverage class;
- Regularly review, maintain and update the value of SRPs relative to provincial consumer price indices; and
- Close loopholes that allow the sale of alcohol below SRPs.

Who sets the SRPs in each jurisdiction?

In Canada, SRPs are set by the provincial or territorial government by ministries that vary according to province and territory. Usually, the ministry of finance or the ministry responsible for the control and sale of alcohol is responsible for setting SRPs.

How are SRPs derived?

Do SRPs apply to all products?

The National Alcohol Strategy Advisory Committee (NASAC) recommends that SRPs be applied to all products, but this practice differs by province and territory. Information on which jurisdictions have SRPs by beverage type is provided in [Social Reference Pricing for Alcohol](#).

What does pricing on alcohol content entail?

The practice of pricing alcoholic drinks according to their alcohol content ensures that the SRP reflects the strength of the product: as the alcoholic strength of a beverage increases, so does the SRP. By aligning the SRP with the alcohol content, price incentives for purchasing inexpensive high-alcohol content products are removed. As illustrated by the following subsections, there are varying degrees to which SRPs can be tied to alcohol content, see Tables 1–3.

Pricing by volume of beverage

In Canada, many jurisdictions do **not** set the SRP to reflect the alcohol content within a beverage type, but rather SRPs are commonly set by volume of beverage. This method means that the SRP is



the same across products of different alcoholic strengths within a beverage category (e.g., strong beers cost the same as light beers). This method creates a price incentive to purchase **higher** alcohol content products within that beverage category. As the alcohol content increases, the price per standard drink decreases.¹

Example: An SRP of \$12.30 per litre of table wine means that, regardless of the strength of the wine, the price per bottle remains the same. As a result, a bottle of wine with 14% alcohol content costs the same as a bottle of wine with 11%; see Table 1

Table 1: Example of SRP by volume of beverage

Strength range	Price per L of wine	Product strength	Price per standard drink	Range of price per standard drink
all wine	\$12.30	6%	\$3.50	\$1.05 to \$3.50
all wine	\$12.30	7%	\$3.00	
all wine	\$12.30	8%	\$2.62	
all wine	\$12.30	9%	\$2.33	
all wine	\$12.30	10%	\$2.10	
all wine	\$12.30	11%	\$1.91	
all wine	\$12.30	12%	\$1.75	
all wine	\$12.30	13%	\$1.61	
all wine	\$12.30	14%	\$1.50	
all wine	\$12.30	15%	\$1.40	
all wine	\$12.30	16%	\$1.31	
all wine	\$12.30	17%	\$1.23	
all wine	\$12.30	18%	\$1.17	
all wine	\$12.30	19%	\$1.10	
all wine	\$12.30	20%	\$1.05	

Graduated pricing

Some jurisdictions set SRPs to partially reflect alcohol content by setting SRP by volume of beverage and graduating the SRP based on percentage alcohol content for broad ranges of products within a beverage category. The more SRP graduations there are, the closer the SRP will reflect the alcohol content of the beverage. This SRP structure decreases but does not eliminate the price incentives to purchase higher alcohol content beverages because as the alcohol content of the beverage increases so does the SRP.

Example: The SRP for wine with an alcohol content of less than 10% alcohol by volume is \$7.90 per litre. Wine with an alcohol content equal to or greater than

- 10% and less than 15% alcohol by volume is \$12.30 per litre;
- 15% and less than 20% alcohol by volume is \$16.75 per litre; and
- 20% alcohol by volume is \$17.60 per litre.

¹ A Canadian standard drink contains 17.05 mL of pure alcohol and is equal to 341 mL of 5% strength beer, cider or cooler; 142 mL of 12% strength wine; or 43 mL of 40% strength spirits.



Graduations like these in SRP by strength lessen the price incentives for consumers to choose higher alcohol content beverages. However, if the price graduations are not significant enough or there are too few graduations, then price incentives to select higher alcohol content beverages will remain; see Table 2.

Table 2: Example of SRP by volume of beverage with price graduations by strength of beverage

Strength range	Price per L of beverage	Product strength	Price per standard drink	Range of price per standard drink
<10%	\$7.90	6%	\$2.24	\$1.50 to \$2.24
<10%	\$7.90	7%	\$1.92	
<10%	\$7.90	8%	\$1.68	
<10%	\$7.90	9%	\$1.50	
≥10% to <15%	\$12.30	10%	\$2.10	
≥10% to <15%	\$12.30	11%	\$1.91	
≥10% to <15%	\$12.30	12%	\$1.75	
≥10% to <15%	\$12.30	13%	\$1.61	
≥10% to <15%	\$12.30	14%	\$1.50	
≥15% to <20%	\$16.75	15%	\$1.90	
≥15% to <20%	\$16.75	16%	\$1.78	
≥15% to <20%	\$16.75	17%	\$1.68	
≥15% to <20%	\$16.75	18%	\$1.59	
≥15% to <20%	\$16.75	19%	\$1.50	
≥20%	\$17.60	20%	\$1.50	

Pricing by volume of ethanol

Some Canadian jurisdictions set SRPs to directly reflect alcohol content for some products by tying it to litre of ethanol or absolute alcohol. This method can also be expressed in terms of price per standard drink and is also known as minimum unit pricing (MUP). By setting the SRP per litre of ethanol, the SRP is tied directly to alcohol content, **removing** the price incentive to purchase **higher** alcohol content beverages.

Example: The SRP for all wine is set at \$88.00 per litre of **ethanol** or \$1.50 per standard drink. No matter what the alcohol content of the product is, the cost per a standard drink remains the same; see Table 3.

Table 3: Example of SRP by volume of ethanol

Strength ranges	Price per L of ethanol	Product strength	Price per standard drink	Range of price per standard drink
all wine	\$88.00	6%	\$1.50	\$1.50 to \$1.50
all wine	\$88.00	7%	\$1.50	
all wine	\$88.00	8%	\$1.50	
all wine	\$88.00	9%	\$1.50	
all wine	\$88.00	10%	\$1.50	
all wine	\$88.00	11%	\$1.50	



all wine	\$88.00	12%	\$1.50
all wine	\$88.00	13%	\$1.50
all wine	\$88.00	14%	\$1.50
all wine	\$88.00	15%	\$1.50
all wine	\$88.00	16%	\$1.50
all wine	\$88.00	17%	\$1.50
all wine	\$88.00	18%	\$1.50
all wine	\$88.00	19%	\$1.50
all wine	\$88.00	20%	\$1.50

What does it mean to update SRPs relative to provincial consumer price indices?

The provincial Consumer Price Index (CPI) measures changes in the cost of a fixed basket of goods over time and provides a broad measure of the cost of living in a specified jurisdiction. Changes in this cost are referred to as inflation (a cost increase) or deflation (a cost decrease). Applying inflation rates to SRPs helps to ensure the cost of alcohol maintains its value relative to other goods over time. Local economic and cultural factors can affect the purchasing of alcohol, so [Social Reference Pricing for Alcohol](#) recommends that provincial/territorial CPIs are used to update SRPs and ensure SRPs keep pace with the cost of living in each jurisdiction.

Example: If the SRP was \$1.50 per Canadian standard drink in 2009, after [applying national inflation rates](#), the cost would be \$1.69 per standard drink in 2016. If the SRP set in 2009 is not updated with inflation, then the affordability of these products becomes greater relative to other goods as the cost of living goes up over time.

What is the evidence on specific SRP price points?

The impact of SRP depends partly on the price point at which it is set. While higher rates of SRP can be associated with reduced alcohol misuse and related harms, consideration must be given to local economic and cultural factors that might influence the drinking environment. The following points summarize research evidence that has examined different SRP price points in the Canadian context and beyond. The research is up to 10 years old, and does not reflect changes in inflation.

- In 2009, based on an [analysis](#) of prices and emerging evidence (Kendall, 2008), Canadian public health authorities [recommended](#) an SRP of at least CAD \$1.50 per standard drink for alcohol sold in off-premise establishments (Thomas, Stockwell, & Reist, 2009).
- A 2006 U.S. [study](#) documenting individuals' self-reported alcohol consumption across a range of price points suggests that young adult drinkers begin to significantly decrease their alcohol consumption when it is priced above USD \$1.50 per standard drink (Murphy & MacKillop, 2006).
- [Modelling studies](#) using Canadian data examined the impact of SRPs from CAD \$1 to CAD \$3 per standard drink. The results suggest that an SRP of CAD \$1.50 per standard drink is the price point at which significant reductions in alcohol consumption and related harms start to occur, with particularly benefits for those with the most harmful drinking patterns (Hill-McManus et al, 2012).



- A \$1.50 SRP is comparable to the minimum unit² price of £0.50 [legislated](#) by the Scottish Parliament (*Scotch Whisky Association and Others v. Lord Advocate and Advocate General*, 2016) and [recommended](#) by the United Kingdom Royal College of Physicians in 2012. It is also comparable to the NZD \$1.00 to NZD \$1.20 [recommended](#) as a minimum price for a New Zealand standard drink (The Treasury, New Zealand Government, 2015).³

How are SRPs implemented?

Why implement SRPs as opposed to an across the board tax increase?

Although general tax increases are an effective alcohol policy tool, SRP is a specific form of price increase that targets the price of the relatively inexpensive alcohol that is disproportionately purchased by those drinking at higher levels. SRPs result in significant reductions in high-risk alcohol consumption and related health harms. General tax increases might not impact the final retail price paid by the consumer, as retailers are not obligated to pass along that additional cost to the consumer. Retailers can absorb all or a portion of the increase in taxes by taking a lower profit or can distribute the tax increase unevenly among cheaper and more expensive products, rendering the change less effective in reducing alcohol-related harms.

Why implement SRPs if alcohol prices are already high in my province or territory?

The public health and safety benefits associated with SRPs come from their ability to ensure cheap products do not emerge in the market. A province can have high alcohol prices on average, but a wide range of prices, which still includes inexpensive products. SRPs can be beneficial even in a jurisdiction where prices are high because, regardless of the average price of alcohol, there is [evidence](#) that higher risk drinkers seek out the cheapest available alcohol (Kerr & Greenfield, 2007).

Will SRPs encourage cross-border shopping?

In Canada, alcohol prices including SRPs are controlled at the provincial/territorial level, which means that different provinces/territories can have different levels of pricing. Applying SRPs consistently across Canada's provinces/territories would help reduce price discrepancies across provincial and territorial borders and ensure the integrity of SRPs is not lost.

What is an SRP loophole?

Even when SRPs are set in regulation there are sometimes conflicting regulations or gaps in regulations that allow the sale of alcohol products below the set SRP. Such SRP loopholes can undermine the value of SRPs, even if they only have an impact on a small number of products, by allowing the availability of inexpensive sources of alcohol. The impact of SRPs in reducing the harmful consumption of alcohol comes from their ability to ensure that **no** sources of inexpensive alcohol emerge in the market. Exceptions to this rule reduce the potential impact of SRPs.

SRP loopholes include discounted gift certificates that can be used to purchase alcohol products, discounts based on the overall volume of product purchased, discounts below the SRP on discontinued products (sometimes called delisted products) and poor or no enforcement of SRPs.

² A United Kingdom unit contains 10 mL of pure alcohol.

³ A New Zealand standard drink contains 12.67 mL of pure alcohol.



Are there known unintended consequences of SRPs?

Pricing policies can disproportionately impact lower-income drinkers by making alcohol less affordable. Higher-risk drinkers consume more low-cost alcohol, often at \$1 or less per standard drink, and so they may be disproportionately impacted by the implementation of or increase in SRPs. Very high prices for alcohol products can lead to a decrease in product choice, increased illegal supply (e.g., smuggling), in-home production and use of ferment-on-premise facilities, so there is a limit on price increases above which unintended negative consequences may result.

Research from [British Columbia](#) (Stockwell, Williams, & Pauly, 2012) and [New Zealand](#) (Falkner, Christie, Zhou, & King, 2015) indicates that when faced with an increase in price, common coping strategies amongst dependent drinkers include seeking treatment, switching to a cheaper brand, reducing consumption or spending less on other products. These findings generally suggest that coping strategies in response to a decrease in affordability of alcohol are positive from a public health perspective. The findings have been supported by modelling research in the [United Kingdom](#) (Holmes et al, 2014) and [Canada](#) (Zhao & Stockwell, 2016) that indicates that SRP has a more substantial impact on lower-income harmful drinkers. Lower socioeconomic groups may have a [higher burden of alcohol-attributable disease](#) due to such factors as patterns of consumption, education, stigma and co-morbidities (Bellis et al, 2016). As a result, larger reductions in consumption among this group coincide with greater health benefits and decreased harms.

To insure against unintended negative consequences, no alcohol control policy should be implemented in isolation. Policy change is most effective when it accompanies a shift in drinking culture. This connection can mean that ongoing public health efforts to shift societal drinking norms and to decrease stigmatization can be an important component of a policy's success. Pricing policies may be most effective if they support a gradual change in consumption. Revenue generated from SRPs might also be used to support research and programming that target low socioeconomic groups and higher-risk drinkers. Further, programs such as Managed Alcohol Programs can help severely dependent drinkers reduce their harms from drinking even when faced with higher alcohol prices.

What is happening in Canada and globally with regard to SRP?

Where can I find information on the off-premise SRPs in my jurisdiction?

For a summary of provincial SRP practices as of December 2014, see Table 1 in [Social Reference Prices for Alcohol](#). Additional SRP information can be found on the websites listed below.

B.C.: See the BC Ministry of Justice [Policy Directives](#)

Alta.: SRP does not apply to off-premise outlets

Sask.: Inquires can be directed to the [Saskatchewan Liquor and Gaming Authority](#)

Man.: Inquires can be directed to the [Manitoba Liquor and Lotteries](#)

Ont.: See [LCBO pricing examples](#)

Que.: See [Prix minimums de la bière](#)

N.B.: Inquires can be directed to the [New Brunswick Liquor Corporation](#)

N.S.: Inquires can be directed to the [Nova Scotia Liquor Corporation](#)



P.E.I.: Inquires can be directed to the [P.E.I. Liquor Control Commission](#)

N.L.: Inquires can be directed to the [Newfoundland and Labrador Liquor Corporation](#)

Nvt.: SRP does not apply to off-premise outlets

N.W.T.: SRP does not apply to off-premise outlets

Y.T.: SRP does not apply to off-premise outlets

What other countries have social reference pricing?

Canada is among five countries to have implemented some form of minimum alcohol pricing, the others being Russia, the Republic of Moldova, Uzbekistan (2010) and the Ukraine (2008) (Carragher & Chalmers, 2011). In 2012 the United Kingdom committed to introducing SRP for alcohol, but the policy was challenged by the Scotch Whiskey Association as a breach of European law. In October 2016, [the Scottish courts ruled](#) in support of SRP although appeals are still possible at this time (*Scotch Whisky Association and Others v. Lord Advocate and Advocate General*).





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