

# FARE submission to the Inquiry into measures introduced to restrict personal choice ‘for the individual’s own good’

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## About the Foundation for Alcohol Research and Education

The Foundation for Alcohol Research and Education (FARE) is an independent, not-for-profit organisation working to stop the harm caused by alcohol.

Alcohol harm in Australia is significant. More than 5,500 lives are lost every year and more than 157,000 people are hospitalised making alcohol one of our nation's greatest preventative health challenges.

For over a decade, FARE has been working with communities, governments, health professionals and police across the country to stop alcohol harms by supporting world-leading research, raising public awareness and advocating for changes to alcohol policy.

In that time FARE has helped more than 750 communities and organisations, and backed over 1,400 projects around Australia.

FARE is guided by the World Health Organization's *Global Strategy to Reduce the Harmful Use of Alcohol*<sup>\*</sup> for stopping alcohol harms through population-based strategies, problem directed policies, and direct interventions.

If you would like to contribute to FARE's important work, call us on (02) 6122 8600 or email [info@fare.org.au](mailto:info@fare.org.au).

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<sup>\*</sup> World Health Organization (2010). *Global strategy to reduce the harmful use of alcohol*. Geneva: World Health Organization.

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## “Imagine a country in which...

- *nobody is physically or sexually assaulted because of alcohol*
- *nobody dies in an accident caused by alcohol*
- *no child has to cower in the corner while its mother is beaten by a drunken partner*
- *the streets are welcoming for all on Saturday night*
- *the streets are free of urine and vomit on Sunday morning*
- *people who want to stop drinking or to drink less are guaranteed the support of their peers to do so*
- *nobody has to see their father, husband, sister or daughter die young as a result of drinking too much alcohol.”<sup>1</sup>*

## Introduction

The Foundation for Alcohol Research and Education (FARE) welcomes the opportunity to provide a submission to the Senate Standing Committee on Economics Inquiry into measures introduced to restrict personal choice ‘for the individual’s own good’.

In responding to the Terms of Reference for the Inquiry, FARE has chosen to only address Terms of Reference b: “the sale and service of alcohol, including any impact on crime and the health, enjoyment and finances of drinkers and non-drinkers”.

There is much debate about the role of the state in people’s lives. The libertarian view is that it is the state’s role to uphold individual rights and to care for the welfare of its citizens. This includes citizens being able to have a fair opportunity to a decent life and that inequalities between citizens are evened out so that groups or individuals are not disadvantaged.

The Nuffield Council on Bioethics in England takes the liberal view, further outlining the need for a ‘stewardship’ model of government. Their report *Public health: Ethical issues* explains that:

*The concept of stewardship means that liberal states have responsibilities to look after important needs of people both individually and collectively. Therefore, they are stewards both to individual people, taking account of different needs arising from factors such as age, gender, ethnic background or socio-economic status, and to the population as whole, including both citizens of the state, and those that do not have citizen status, but fall under its jurisdiction.”*

*...The stewardship role of the state also implies, among other things, that it has good reasons to intervene where there is a risk that some agents will free-ride on important goods at the expense of others, or where only regulation can ensure that desirable goods or services are available. At the same time, the stewardship responsibility of the state does not absolve other parties, such as the commercial sector, from their responsibilities.<sup>2</sup>*

Australians are healthier and are living longer than they ever have before.<sup>3</sup> This is significantly due to governments introducing a range of preventive health policies that mean that children are immunised, water supplies are regulated and smoking rates have dramatically fallen. Alcohol policies and the regulation of alcohol by governments are another example of this.

Preventive health policies, introduced by governments, have contributed to the decline in health conditions such as water borne diseases,<sup>4</sup> polio,<sup>5</sup> improved oral health through water fluoridation programs<sup>6</sup> and drink driving deaths.<sup>7</sup> These are all examples of population-wide measures.

Preventive health policies save lives but they also protect people from harms that may incur from others. Alcohol is no exception to this. A groundbreaking study released in 2009 titled *The range and magnitude of alcohol's harm to others* found that 70 per cent of Australians are affected in some way by other people's drinking. The table below, reproduced from Britain's Chief Medical Officer's 2008 annual report *Passive drinking: The collateral damage from alcohol*, compares and contrasts the harms from tobacco to the harms from alcohol on the individual, on others and on society.

**Table 1. Like smoking tobacco, drinking alcohol affects both the individual drinker and other people.**

	Smoking tobacco	Drinking alcohol
<i>For the individual</i>		
<b>Cancer</b>	Causes cancers of the lung, lips, tongue, larynx, oesophagus, kidney, pancreas and bladder.	Causes cancers of the liver, bowel, throat, mouth, larynx, breast and oesophagus – there is no safe alcohol limit.
<b>Heart disease and stroke</b>	Doubles the risk of death from heart disease and doubles the risk of stroke.	Above the recommended limits, increases the risk of heart disease and stroke – small amounts of alcohol may offer limited protection.
<b>Bones</b>	Causes osteoporosis.	Causes osteoporosis.
<b>Fertility</b>	Reduces fertility.	Reduces fertility.
<i>For others</i>		
<b>Unborn child</b>	In pregnancy, increases the risk of miscarriage, premature birth and stillbirth.	In pregnancy, increases the risk of miscarriage, premature birth and stillbirth and causes Fetal Alcohol Spectrum Disorders.
<b>Children</b>	Second-hand smoke causes asthma attacks and chest infections.	Second-hand family drinking causes behavioural and emotional problems and underperformance at school.
<b>Society</b>	Produces unpleasant and unhealthy air.	Produces intimidating and dangerous public places.

Source: Chief Medical Officer. (2009). *Passive drinking: The collateral damage from alcohol 2008*. London: Department of Health.

It must be remembered that alcohol is second only to tobacco as the leading cause of preventable drug-related death and hospitalisation in Australia.<sup>8</sup> Australia has a long history as a world leader in health prevention activities. Its commitment to reducing the harmful effects of tobacco through its tobacco control policies for more than 30 years has meant that other countries look to Australia to see what works.

Government involvement in the choices made by individuals in their lives is central to this inquiry, as it is to the prevention of alcohol harms in society. These issues were explored by the Parliamentary Library in 2010 in a research paper which states:

*Examples of paternalism in everyday life are ubiquitous and often enjoy strong community support: motorcyclist are required to wear helmets, workers are required to contribute to a superannuation fund, parents are required to ensure their children attend school, people may not purchase drugs deemed to be helpful.*<sup>9</sup>

The report goes on to say that: “This suggests that the central issue is not so much whether paternalism is legitimate, but rather the particular conditions under which specific paternalistic policies might be legitimate”.<sup>10</sup>

This view also sits with John Stuart Mill’s view in his seminal treaty *On liberty* which states “that the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others”.<sup>11</sup>

Examples of this principle can be seen in policies where the state deems that smoking in public areas is harmful to others. The Parliamentary Library research report notes that “prohibiting this act is justified under the harm principle and not paternalistic”.<sup>12</sup>

These examples demonstrate that focusing on prevention is key to achieving a sustainable health system. Preventive health activities aim to improve the overall health of the population and in return reduce and ameliorate the progression of illnesses and disease. This, therefore is not a time for complacency. Strong government action is required if we are to see significant changes to the current harms being experienced from alcohol. The Australian public agree, community polling found that 75 per cent of Australians think we have a problem with excess drinking or alcohol abuse and the majority of Australians (73 per cent) think that more needs to be done to reduce the harms from alcohol.<sup>13</sup>

## Recommendations

FARE makes the following recommendations:

1. That the Senate Economic Reference Committee acknowledge in its Final Report that alcohol is a product that requires the regulation of its production, supply, sale and use.
2. That the Senate Economics Reference Committee acknowledge in its Final Report that per capita alcohol consumption as a measure of alcohol harms across the community and that this overall level of alcohol consumption should be reduced.
3. That the Senate Economics Reference Committee in its Final Report reconfirm Australia’s commitment to achieving the global target of at least ten per cent relative reduction in the harmful use of alcohol in Australia by the year 2025, in line with the global action plan target set by the World Health Organization.
4. That the Senate Economics Reference Committee acknowledge in its Final Report that the prevention of alcohol harms must be a priority in Australia’s response to reducing the burden of chronic disease.
5. That the Senate Economics Reference Committee recommend in its Final Report that the current alcohol taxation system be reformed to allow alcohol to be priced according to the volume of alcohol within a product and the potential of the product to cause harm.



6. That the Senate Economics Reference Committee recommend in its Final Report that a proportion of the revenue collected through alcohol taxation be used to address the social harms caused by alcohol consumption in order to modify health behaviours and maximise the benefits to the community.
7. That the Senate Economics Reference Committee recognise that the social harms caused by alcohol far outweigh the revenue that is currently collected by the Australian Government, through alcohol taxation.
8. That the Senate Economics Reference Committee recognise that the Australian drinking culture is not the same as European countries, and the Final Report acknowledge that governments have a role to play in reducing alcohol harms.

## Alcohol is no ordinary commodity

Alcohol is sold and promoted in Australia in ways similar to other commodities and products. However, alcohol is not the same as these products, it is not similar to cornflakes or magazines but it is increasingly sold and promoted in similar ways to these products without due consideration to the harms that it causes.<sup>14</sup> Most critically when the availability of alcohol increases, so do the harms. In this way alcohol can never be an ordinary commodity such as cornflakes or magazines. Significant increases in these would result in people eating more fibre and increased reading skills, not in increased rates of illness and disease.

Centrally it must be remembered that alcohol is a drug. It has a depressive effect on the central nervous system; it is an addictive substance; it is a known carcinogen, it is a known cause of birth defects and is second only to tobacco as a preventable cause of death and hospitalisations in Australia.<sup>15,16</sup> Alongside harms to the individual drinker, alcohol also results in harms to others including acts of violence, road traffic accidents, child maltreatment and neglect. As a result of these harm to others, over 360 people die, 14,000 are hospitalised and over 70,000 are victims of alcohol-related assault due to others drinking per year.<sup>17</sup>

Alcohol and its consumption is entrenched in Australian culture, beginning with colonisation and continuing today. Much of how and why we consume alcohol is influenced and shaped by the alcohol industry. Over the last two centuries the alcohol industry has increased their range of products, increased the amount of alcohol being produced and increased and diversified their advertising strategies (including sponsorship of individuals, teams and events).<sup>18</sup> The alcohol industry has also promoted alcohol as a normal, everyday product by linking it to sporting events and sporting personalities, through sponsorship of cultural events and festivals, promoting alcohol as part of national celebrations such as ANZAC Day and Australia Day, and promoting the idea that alcohol should be consumed every day as a reward, as relaxation and for no reason in particular.<sup>19,20</sup>

However, society does not consider alcohol to be an ordinary product. Society determines that alcohol requires special laws and regulations that govern how and when it can be sold as well as who can consume it (for instance, by determining a legal drinking age). Societies deem these restrictions to be appropriate due to the harms that alcohol causes.<sup>21</sup>

The view that alcohol requires regulation and/or restrictions around its purchase and sale are not new. *Stemming the tide of alcohol: Liquor licensing and the public interest* ('Stemming the tide') describes that requirement for a licence to sell alcohol was first established in England in 1552 and that when Australia was colonised the "...British licensing approaches and laws were carried over into the Australian colonies, becoming the forerunners of the licensing systems in effect today."<sup>22</sup>

Across Australia, legislation restricts the times when alcohol can be sold, where alcohol can be sold and the types of premise that can sell alcohol (including off-licence premises like takeaway bottle shops, or on-licence premises such as restaurants, pubs, bars, club and nightclubs). These regulations are not static. *Stemming the tide* notes that there have been two waves of liquor licensing in Australia since the 1930s. The first was as a reaction to the temperance movement which "...provided a rationale for putting alcohol in much the same class as any other commodity in the push for unfettered markets and competition, which culminated in the National Competition Policy era after 1995."<sup>23</sup>

The second wave was the:

*...adoption of the public health-oriented objective of harm minimisation in today's liquor licensing laws. This turnaround at the symbolic level can be seen in part as a delayed response to rises in rates of alcohol consumption and problems, and in part as reflecting a turnaround in public opinion on public health-oriented alcohol control policies.*<sup>24</sup>

Together it is the system of regulation as well as the marketing by the alcohol industry that influences how, where and why alcohol is consumed in Australia.

### Recommendation:

1. That the Senate Economic Reference Committee acknowledge in its Final Report that alcohol is a product that requires the regulation of its production, supply, sale and use.

## Per capita alcohol consumption in Australia changes over time

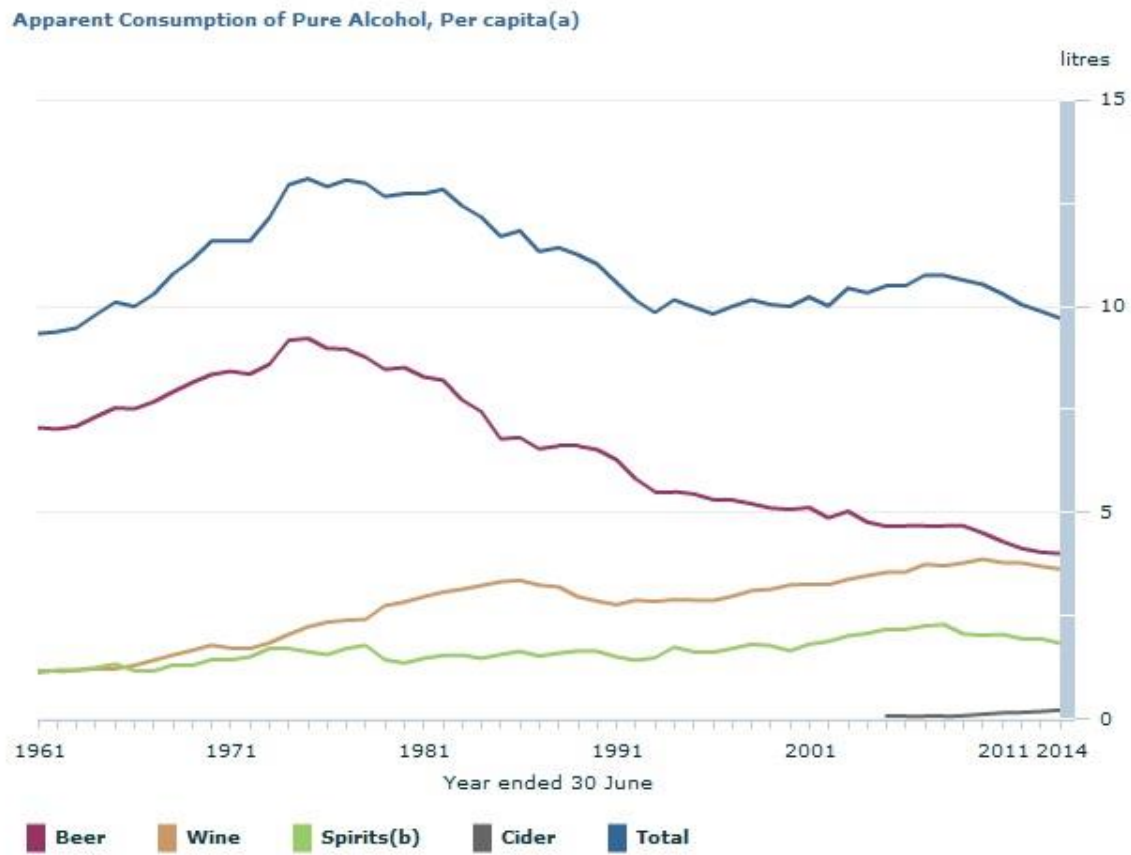
Understanding the amount of alcohol consumed across the population is important, as it is a measure of where harm may be occurring across and within the population. Alcohol consumption, however, is not static and is influenced by the access and social acceptability of alcohol. In Australia alcohol consumption was at its highest in the 1830s where records indicate that each inhabitant of New South Wales (NSW) was consuming 13.6 litres of pure alcohol. This dropped to a record low of two litres of pure alcohol in the 1890s.<sup>25</sup>

Since this time alcohol consumption has continued to fluctuate, with consumption being lower during both the world wars, the Depression and then increasing in the post the depression era.

The Australian Bureau of Statistics (ABS) *Apparent consumption data* shows that alcohol consumption per capita peaked in 1974-75 at 13.1 litres of pure alcohol per person aged 15 years. This remained stable for the next decade before declining to 9.8 litres person in 1995-96. Since this time alcohol consumption has risen to 10.8 litres in 2006-07 and 2007-08 before declining again to 9.7 litres of pure alcohol per person in 2013-14.<sup>26</sup> Graph 1 overleaf, taken from the ABS *Apparent consumption data 2013-2014* demonstrates the changes in per capita consumption in Australia since 1961.



**Graph 1. Australian recorded per capita alcohol consumption (15+ years of age) from 1961-2014.**



The other measure used to understand alcohol consumption in Australia is the National Drug Strategy Household Survey (NDSHS). This is published every three years by the Australian Institute of Health and Welfare. This data shows that alcohol consumption has been fairly stable or there have been minor decreases over the last decade with increasing rates of people abstaining from alcohol altogether.<sup>27</sup>

However, there are differences in the amount the certain individuals drink. The ABS *Apparent consumption data* is unable to ascertain this level of detail, so researchers rely on the data collected through the NDSHS. A comparison of the last five NDSHS surveys (from 2001 to 2013) has been recently published in the report *Understanding recent trends in Australian alcohol consumption*. This research shows that “consumption had declined significantly for all consumers except for the heaviest five per cent of drinkers, for whom it had remained stable, at around 37 litres of pure alcohol per person”. The research also found that “the top ten per cent of drinkers are responsible for an increasing proportion of the total consumption – from 48.9 per cent in 2001 up to 53.2 per in 2013”. These levels of alcohol consumption are much than those previously recorded.

### Recommendation:

2. That the Senate Economics Reference Committee acknowledge in its Final Report that per capita alcohol consumption as a measure of alcohol harms across the community and that this overall level of alcohol consumption should be reduced.

## Alcohol causes harms to individuals

Alcohol use and its subsequent harms places a significant burden on the health system, particularly through preventable disease and disability.

Research published by the Australian Institute of Health and Welfare in 2015 shows that one in five Australian's has a chronic disease.<sup>28</sup> This includes: arthritis, asthma, back problems, cancer, chronic obstructive pulmonary disease, cardiovascular disease, diabetes and mental health conditions. These chronic diseases share four common modifiable risk factors: alcohol use, tobacco use, unhealthy diets and physical inactivity.<sup>29</sup>

The Productivity Commission's 2015 *Report on government services* (ROGS) states that:

*About one-third of Australia's burden of disease is due to these 'lifestyle' health risks, therefore continued investment in preventive health is vital to ensuring not only the health and wellbeing of Australian citizens, but also the long term sustainability of the health system.*<sup>30</sup>

In addition to chronic disease, alcohol is also associated with neuropsychiatric diseases and deaths, including epilepsy, dementia, mental health and behavioural disorders.<sup>31</sup> The comorbidity and co-occurrence of mental health disorders and alcohol use disorders is high.<sup>32</sup> One third of respondents to the National Survey of Mental Health and Wellbeing study who identified as having an alcohol use disorders also had at least one mental health disorder.<sup>33</sup>

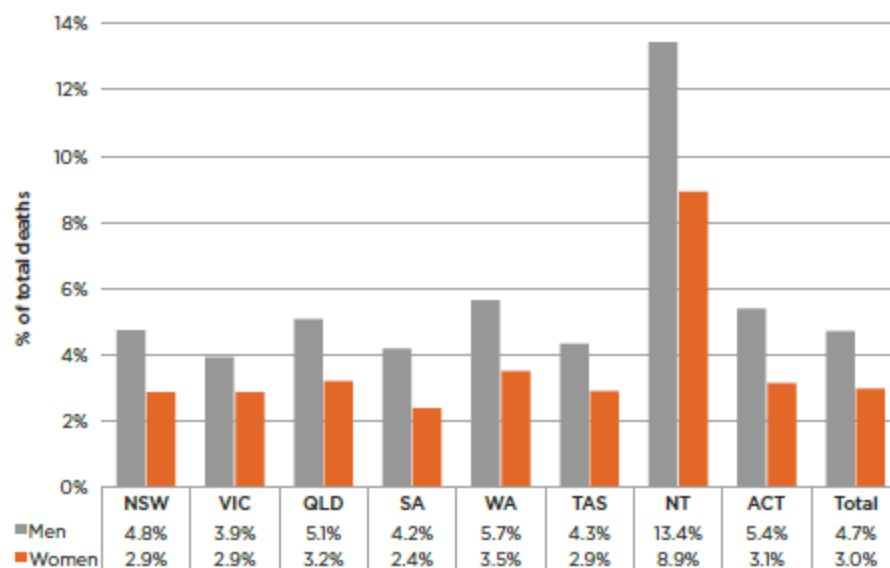
In 2014 FARE published a study titled *Alcohol's burden of disease* that demonstrates that in 2010 alcohol caused 15 deaths and hospitalises 430 Australians every day. Deaths due to alcohol have increased by 62 per cent since the study was last undertaken a decade ago.

For men, injuries accounted for more than one in three (36 per cent) alcohol-related deaths, while cancer and digestive diseases caused 25 and 16 per cent, respectively. For women, one in three alcohol-related deaths were due to heart disease (34 per cent), followed by cancers (31 per cent) and injuries (12 per cent). Residents from the Northern Territory are also three times more likely to die from alcohol use than other Australians.

Also worrying is the doubling in alcohol-related hospitalisations that have occurred in the past ten years, rising from 76,467 in 2000 to 157,132 in 2010. This rise in hospital admissions reflects increasing levels of chronic harms due to alcohol being experienced by the population.

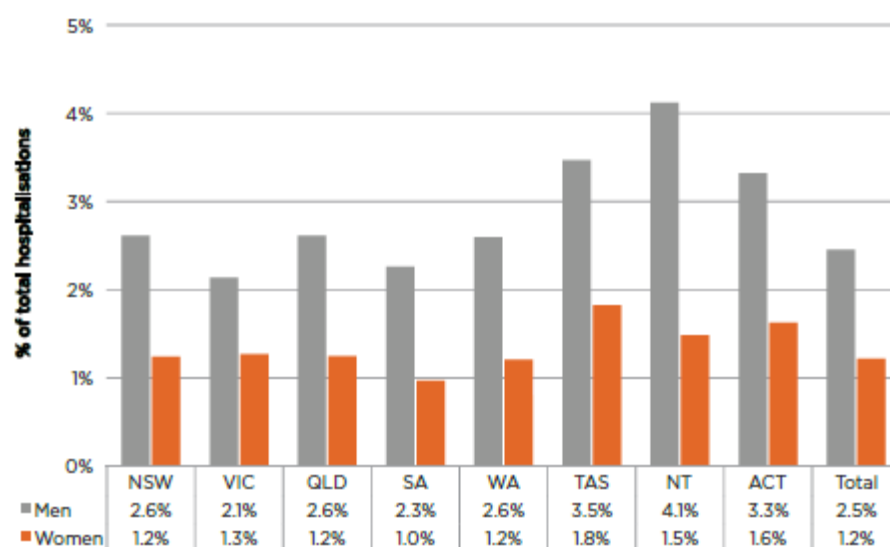
Figures 3 and 4 overleaf are taken from *Alcohol's burden of disease* demonstrates the proportion of deaths and hospitalisations attributed to alcohol in Australia.

**Figure 3. Proportion of deaths in men and women attributable to alcohol by state and territory in Australia in 2010.**



Source: Gao, C., Ogeil, R., & Lloyd, B. (2014). *Alcohol's burden of disease in Australia*. Canberra: FARE and VicHealth in collaboration with Turning Point.

**Figure 4. Proportion of hospitalisations in men and women attributable to alcohol by state and territory in Australia in 2010.**



Source: Gao, C., Ogeil, R., & Lloyd, B. (2014). *Alcohol's burden of disease in Australia*. Canberra: FARE and VicHealth in collaboration with Turning Point.

It is clear that both the short and long term harms from alcohol in Australia are increasing. These harms include death, disability, hospitalisation as well as the increasing social impacts from alcohol in Australia. In 2014 Australia became a signatory to the World Health Organization's (WHO) global target to achieve "at least 10% relative reduction in the harmful use of alcohol, as appropriate, within the national context".<sup>34</sup> The alcohol target is one of nine global targets set by the WHO that aims to

achieve a 25 per cent reduction in premature mortality from non-communicable disease (NCDs) by the year 2025, as outlined in the *Global action plan for the prevention and control of NCD 2013-2020*. NCDs are diseases caused by lifestyle factors, of which alcohol is significant contributor.

### Recommendation

3. That the Senate Economics Reference Committee in its Final Report reconfirm Australia's commitment to achieving the global target of at least ten per cent relative reduction in the harmful use of alcohol in Australia by the year 2025, in line with the global action plan target set by the World Health Organization.

## Alcohol causes harms to others

In addition to harms that are experienced by the individual drinker, there are a range of other harms that impact on those around the drinker. This is known as 'harm to others' and includes road traffic accidents, suicide, homicide, alcohol poisoning, injury and violence in and around licensed venues and in our homes.<sup>35</sup>

In 2015 a study titled *Beyond the drinker: Longitudinal patterns in alcohol's harm to others* found that 62 per cent of respondents (from a total of 1,106) reported being adversely affected by the drinking of others. One in six were affected by the drinking of household members, relatives and intimate partners and a third (33 per cent) were negatively affected by strangers' drinking.

Personal experience of harm, or lack of harm, did not change for the majority (70 per cent) of respondents between 2008 and 2011, with almost a third of respondents harmed by others' drinking in both years (32 per cent). The strongest predictor of who would be harmed was the number of heavy drinkers in respondents' households and the change in these numbers over time, this was regardless of the amount that the individual was drinking themselves. For each additional heavy drinker in the households, respondents were almost six times more likely to experience persistent harm from the drinkers in their lives.<sup>36</sup>

Data from *The hidden harm: Alcohol's impact on children and families* showed that children experience a range of harms, with the most common of these being witnessing verbal or physical conflict, or witnessing drinking or inappropriate behaviour. Children were also verbally abused, left unsupervised or in unsafe situations, physically hurt or exposed to domestic violence because of others' drinking. This research found that over a million children (22 per cent of all Australian children) are estimated to be affected in some way by the drinking of others, 142,582 children (three per cent) are substantially affected and 10,166 (0.2 per cent) are already within the child protection system due to the problematic drinking of their carer. The research found that between 15 and 47 per cent of child abuse cases each year across Australia are due to the drinking of parents and carers.

In addition, children can be affected by alcohol consumption prior to birth resulting in a lifelong disability. Known as Fetal Alcohol Spectrum Disorders (FASD) this condition is characterised by brain damage, cognitive, social, emotional and behavioural deficits. While the prevalence rate for FASD in Australia is unknown, American research published in 2014 estimated the total rate of FASD to be between 24 and 48 per 1,000 children, or between 2.4 to 4.8 per cent (midpoint, 3.6 per cent).<sup>37</sup>

## Recommendation

4. That the Senate Economics Reference Committee acknowledge in its Final Report that the prevention of alcohol harms must be a priority in Australia's response to reducing the burden of chronic disease.

## Current alcohol taxation arrangements contribute to alcohol harms

One of the most important predictors of alcohol harms is its affordability. Lower alcohol prices are associated with higher consumption and harm and conversely, increases in the price of alcohol result in decreases in harms.<sup>38,39</sup>

Australian drinkers are no different from others across the world, with over half (54 per cent) considering the price of alcohol to be the most important factor when purchasing. For heavy drinkers this increases to 63 per cent.<sup>40</sup>

The price of alcohol is influenced by the tax rates set by the Australian Government. Australia currently has a dual system where all alcohol (apart from wine and wine based products) is subject to a volumetric tax which is applied at a rate per litre of pure alcohol. This means that higher strength products such as spirits are taxed at higher rates than lower strength products such as beer. Wine, as well as cider, perry and mead is taxed according to the product's wholesale price (at 29 per cent), known as the Wine Equalisation Tax (WET). In addition to the WET, a rebate exists (WET rebate) which provides rebates of up to \$500,000 to wine producers across Australia.

This taxation arrangement allows wine to be the cheapest form of alcohol available in Australia. It also allows for a range of alcohol products to be produced from the fermentation of fruit or vegetables and for the WET to be applied to these products, regardless of their appearance, marketing or more importantly, their alcohol content.

'Spirit-like' products such as TriVoski or Divas Vodkat are examples of products that are produced to imitate spirits, particularly vodka, but are actually 'wine based'.<sup>41</sup> Because these products are taxed under the WET and not at the higher spirits rate, they are able to be taxed as wine and sold at cheap prices. For example, a 750ml bottle of TriVoski containing 13 standard drinks can be purchased for \$9.95. This equates to 77 cents per standard drink. Two 700mls bottles of Divas Vodkat can be purchased for \$19.98, equating to 59 cents per standard drink.<sup>42</sup>

These products are clearly marketed as spirits. Advertising on the *Old Richmond Cellar* website states that:

*DIVAS is not a cheap Vodka. It has none of the crass stereotypical qualities of cheap Vodka, such as nasty chemical burn, etc... DIVAS is 100% Australian made from real Australian wine grapes, allowing it to be priced as fortified wine, yet TASTES AND SMELLS EXACTLY LIKE TOP QUALITY VODKA!*<sup>43</sup>

The Australian Government must question whether the intention of the WET was to allow the introduction and production of these alcohol products. TriVoski and Divas Vodak are depicted overleaf.



The 2009 Henry Review concluded that the WET needed to be reformed as a matter of urgency.<sup>44</sup> The Henry Review described the alcohol taxation system as ‘incoherent’ and stated that the:

*...current alcohol taxes reflect contradictory policies... As a consequence, consumers tend to be worse off to the extent that these types of decisions to purchase and consume, which may have no spillover cost implications, are partly determined by tax (page 436).<sup>45</sup>*

The Henry Review recommended that alcohol taxes should be set to address the spill-over costs imposed on the community of alcohol abuse.

Ten government reviews have now concluded that the current alcohol taxation system needs to be overhauled.<sup>†</sup> The reviews have found that the current alcohol taxation system does not adequately recognise the extent and costs of alcohol-related harms to the Australian community and that the taxation system should be reformed.

Most recently, a report by The Australia Institute *The goon show: How the tax system works to subsidise cheap wine and alcohol consumption* published in July 2015 found that 3,500 of Australia’s 3,800 wine producers and wholesalers pay almost nothing under the WET, and many receive a net benefit through the WET rebate. Just 23 Australian wine entities paid nearly 90 per cent of the \$800 million raised by the WET.<sup>46</sup>

This report shows that if wine were taxed in the same way as beer, an extra \$1.4 billion in tax revenue would be raised. The Australia Institute modelled three alternative alcohol taxation approaches and assessed the impact of these. The modelling found that:

- Taxing wine at the same rate as full strength bottled beer, as recommended by the Henry Review, would see a litre of wine containing 12.7 per cent alcohol attract an excise of \$5.44.

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<sup>†</sup> Reviews that have recommended a volumetric tax be applied to wine include: the 1995 Committee of Inquiry into the Wine Grape and Wine Industry; 2003 Federal Standing Committee on Family and Community Affairs Inquiry into Substance Abuse; the 2006 Victorian Inquiry Into Strategies to Reduce Harmful Alcohol Consumption; the 2009 Australia’s future tax system (Henry Review); the 2009 National Preventative Health Taskforce report on Preventing Alcohol Related Harms; the 2010 Victorian Inquiry into Strategies to Reduce Assaults in Public Places; the 2011 WA Education and Health Standing Committee Inquiry Into Alcohol; the 2012 House of Representatives Standing Committee on Social Policy, Legal Affairs Inquiry into Fetal Alcohol Spectrum Disorders and the 2012 Australian National Preventive Health Agency Exploring the public interest case for a minimum (floor) price for alcohol, draft report and House of Representatives Standing Committee on Indigenous Affairs Inquiry into the harmful use of alcohol in Aboriginal and Torres Strait Islander Communities.



- The second approach would see wine taxed at a rate midway between beer and spirits, with a litre of wine attracting excise of \$7.31.
- The third model would impose a tax of \$3 per litre of wine, bringing Australia's taxation of wine into line with the OECD average.

Under all three proposed models, the cheapest wine would still remain the cheapest alcohol available from off licence premises, however net tax revenue would increase significantly.

Moving to a fully volumetric taxation system would also reduce alcohol consumption and consequent harms among certain groups (including young people and harmful drinkers). Policies that increase the price of alcohol lead to a reduction in the proportion of young people who are heavy drinkers, a reduction in underage drinking, and a reduction in per occasion 'binge drinking'.<sup>47</sup> Research from the United States found that a one per cent increase in price due to taxation resulted in a 1.4 per cent reduction in binge drinking by adults.<sup>48</sup> This research builds on the evidence for the effectiveness of increasing the price of alcohol through taxes in reducing not just overall consumption, but high risk consumption.<sup>49,50</sup>

### Recommendation

5. That the Senate Economics Reference Committee recommend in its Final Report that the current alcohol taxation system be reformed to allow alcohol to be priced according to the volume of alcohol within a product and the potential of the product to cause harm.

## Pigovian or corrective taxes are needed to address externalities

Taxes on alcohol and tobacco have been levied for centuries as a means of generating government revenue. The role of pigovian, or corrective, taxes is to address externalities caused by a particular product.

The application of pigovian taxes is an acknowledgement that a particular product, such as alcohol or tobacco, results in externalities. Applying such taxes is an efficient and effective way to correct these externalities. In recent decades, such taxes have been raised with the explicit objective of reducing the consumption of the targeted product on health grounds, particularly in regards to tobacco. Pigovian taxes should aim to modify health behaviours and maximise the benefits to the community.

The externalities of alcohol were described by Ken Henry as 'spillover costs'. Henry indicated that "while taxes on alcohol should not be used for general revenue-raising, they may have role in addressing the significant spillover costs on the community associated with alcohol abuse, by changing the price of alcohol faced by consumers".<sup>51</sup>

Since the Henry Review, numerous studies have attempted to determine what the externalities of alcohol are. Marsden Jacobs Associates (MJA) has described externalities as costs incurred by others beyond those considered and incurred by the individuals in a transaction. These costs are often not considered by the individual when they are purchasing or consuming alcohol.

MJA concluded that the total costs of alcohol harms in Australia would be easily in excess of \$15 billion per year. In 2013-14, the government raised \$5.1 billion in alcohol tax revenue. This is the tax on beer, spirits and other excisable beverages and \$826 million in WET revenue (net of producer rebate).<sup>52</sup>

The tangible social costs of alcohol alone that result from an individual's alcohol misuse include an estimated \$1.9 billion for healthcare, \$2.2 billion for road traffic accidents, \$1.6 billion for criminal justice and \$3.6 billion in lost productivity, equating to \$9.3 billion.<sup>53</sup> Third party costs, or harm to others, that arise from someone else's drinking have been estimated to amount to more than \$14 billion in tangible costs. These costs include healthcare and child protection costs, lost wages and productivity, and out-of-pocket expenses such as property and personal damage, costs of professional counselling to cope with the drinker, and the cost of having to leave home and stay elsewhere to avoid the drinker.<sup>54</sup>

Other economists have made more conservative estimates of the social costs of alcohol. Often this work is commissioned by the alcohol industry and has significant shortfalls. In 2013, MJA assessed various public arguments relating to the externalities in response to the Australian National Preventive Health Agency (ANPHA) work regarding a minimum floor price for alcohol. In this work MJA, advised ANPHA that:

*Great caution should be exercised in using the work of Crampton et al on which the industry submissions largely rely. The assumptions in this cost analysis do not accord with widely held Australian norms. For example, this work excludes costs that would derive to the society from a child born with foetal alcohol syndrome on the basis that this is a 'private cost'; other inappropriate assumptions have meant that this analysis yields costs (\$3.8 billion) well below those derived from an analysis based on assumptions and value judgements reflecting community preferences including as expressed in legislation.<sup>55</sup>*

## Recommendation

6. That the Senate Economics Reference Committee recommend in its Final Report that a proportion of the revenue collected through alcohol taxation be used to address the social harms caused by alcohol consumption in order to modify health behaviours and maximise the benefits to the community.

## Social costs of alcohol far outweigh the revenue collected through taxation

In Australia there is a significant gap between the social costs of alcohol and the amount of tax collected by the government. In 2013-14, the Australian Government raised \$5.1 billion in alcohol tax revenue. This is the tax on beer, spirits and other excisable beverages.<sup>56</sup> This is despite the social costs of alcohol being estimated as being as high as \$36 billion.<sup>57</sup>

These costs include crime, injury, lifelong disability, family and domestic violence, child abuse, property damage, foregone taxes, productivity reductions and intangible costs to individuals, families and companies.

The Australia Institute estimated in 2012 that "the total value of liquor produced in 2009-10 in Australia was \$10,383 million with a value added<sup>†</sup> of \$3,356 million; a wages bill of \$1,153 million; and a total employment of 20,629 people".<sup>58</sup>

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<sup>†</sup> 'Value added' is a measure of the economic activity involved in an industry; it abstracts from the value of the inputs used in that industry.

Industry reports by IBIS World in 2015 show that alcohol retailing generated \$10.5 billion of which \$1.1 billion was profit. The retail market is dominated by Wesfarmers (Coles) and Woolworths who account for 60 per cent of total alcohol industry revenue.<sup>59</sup> Wholesale trade, which generated revenue of \$5.2 billion with \$92.2 million in profit, is also influenced by Coles and Woolworths market dominance. IBIS World reports that there are now only a few major wholesale traders and that these tend to operate in terms of large volumes of high-turnover, low-value products, rather than the low-turnover, high-value products which are favoured by smaller wholesalers. IBIS World notes that:

*The two supermarkets' growing market dominance has come at a cost to liquor wholesalers, which have struggled to compete with the superior buying power and marketing clout of Woolworths and Wesfarmers. Average prices have declined as competition has intensified, with Woolworths and Wesfarmers aggressively discounting as they battle for supremacy. The practice has come under fire for being anticompetitive, hurting downstream demand from independent retailers and contributing to social and health problems caused by alcohol abuse.*<sup>60</sup>

These reports demonstrate that the alcohol industry is worth an estimated \$15 billion, this is far greater than the revenue raised by the Australian Government from alcohol taxation. Despite these vast sums, a common argument put forward by members of the alcohol industry, particularly wine producers, is that changes to the Australian regulations, especially those in relation to the alcohol taxation system, will lead to job losses, will impact financially on lower-income households and affect pensioners' ability to have a glass of wine. The Wine Federation of Australia (WFA) has made claims that introducing a volumetric tax at the packaged beer rate of \$40.82 per litre of pure alcohol and removing the WET rebate would result in a fall in sales volumes by 34 per cent and 12,000 jobs being lost.<sup>61</sup> However, a report by the Australia Institute published in 2011 *The Australia wine tax regime: Assessing industry claims* refuted these claims finding (emphasis added by FARE):

*The WFA claimed that tax rates on Australian wine are much higher than in other comparable wine-producing countries. However the Australia Institute Analysis found that the figures produced to support this claim were misleading, because they included the Australian Goods and Services Tax (GST) but ignored the equivalent value-added tax in European countries. The figures also failed to account for the fact that many small Australian producers effectively pay zero WET in Australia due to the WET rebate. Further analysis found that if the figures are revised to take into account these oversights then **the Australian taxation system conforms more closely to other wine-producing countries.***

*The WFA also claimed that a volumetric tax would lead to a significant reduction in wine production and employment and would increase the price of cheap wine. The analysis found that while the price increase is likely to be proportionately highest for cask wine, cask wine will still remain the cheapest means of obtaining a given amount of alcohol; red wine would still be cheaper by 47% compared with the next cheapest type of alcoholic beverage. This implies that any reduction in cask wine consumption is likely to translate into an equivalent reduction in total alcohol consumption.*

*Finally the WFA made exaggerated claims about the impacts of tax changes on sales and job losses, suggesting that there would be a 34% fall in sales and between 5,300 and 12,000 job losses. The analysis found that these figures were based on very unrealistic assumptions about the changes in consumption that could be expected following price increases. **Using figures derived from recent empirical studies, production could fall by 5.2% and that there may be a loss of 599 jobs** – 95% fewer than the WFA claims. These figures include both direct and*

*indirect impacts of lower production in the wine industry itself and in the industries which supply it.*<sup>62</sup>

Similar scare mongering has been seen around restrictions on trading hours that are proposed or have been introduced in some state and territories. This has most recently occurred in Sydney where, following the deaths of several young men from alcohol-related assaults and rising levels of community concern about alcohol-related violence, a new Sydney CBD Entertainment Precinct was established in January 2014.<sup>63,64</sup> The precinct laws restrict access to and sale of alcohol in licensed premises after certain times, with last drinks at 3am and a lockout from 1.30am. Takeaway alcohol sales across NSW were also restricted to before 10pm.<sup>65</sup> On 14 January 2015 *The Sydney Morning Herald* reported that 42 bars, clubs and small businesses have closed in Kings Cross since the NSW laws on the lockouts were introduced.<sup>66</sup> However, no evidence can be found to verify these claims, including admissions made by at least one local government mayor that his claim was based entirely on anecdote.

Additionally, it is claimed that a trial of lockouts in Victoria, introduced in 2008 by Victoria Director of Liquor Licensing, was unsuccessful. This trial took place in Melbourne (including Docklands), Port Phillip, Yarra and Stonnington, under Section 58CA of the Liquor Control Reform Act 1998. The trial ran for three months from 3 June to 2 September 2008 and prevented patrons from re-entering a premise after 2am.

However a significant proportion, 25 per cent, of licensed venues within the trial areas were granted exemptions. An independent review by KPMG titled *Evaluation of the temporary late night entry declaration* found that these exemptions comprised the effectiveness of the Victorian trial. The report stated that:

*Given that one of the fundamental objectives of a Lockout was to prevent patrons from moving between venues thus minimising opportunities for violence and anti-social behaviour to occur, the decision of VCAT [Victorian Civil and Administrative Tribunal] to exempt venues has had a critical and negative impact on the capacity of the temporary Lockout to achieve the intended outcomes.*<sup>67</sup>

In 2015 the NSW Bureau of Crime Statistics released a 12 month review of the Sydney lockout laws. This review found that there have been statistically significant reductions in assault Kings Cross (reduction of 32 per cent) and Sydney CBD Entertainment Precinct (reduction of 26 per cent). There is also little evidence of displacement to surrounding areas.<sup>68</sup>

These examples show that the claims made by members of alcohol industry are often exaggerated and frequently have little or no evidence to substantiate them.

## Recommendation

7. That the Senate Economics Reference Committee recognise that the social harms caused by alcohol far outweigh the revenue that is currently collected by the Australian Government, through alcohol taxation.

## Why the 'European drinking culture' is a myth

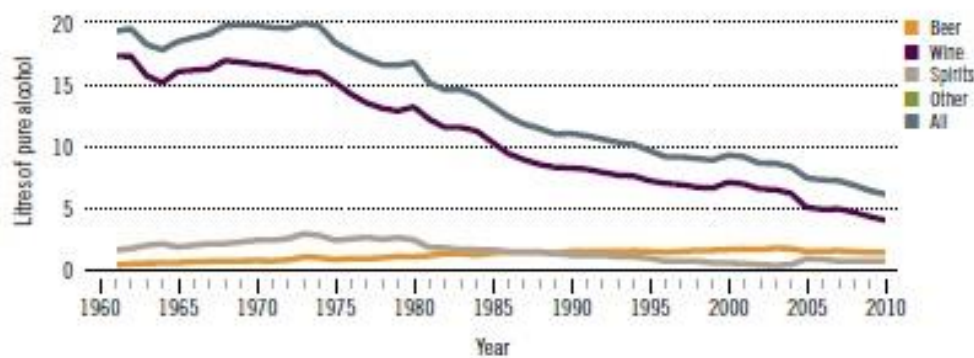
Much is made in the media and by members of the alcohol industry about the so called 'European drinking culture'. This is often an idyllic view that people in Italy, France and Spain consume large amounts of wine and alcohol without suffering the same adverse consequences as the Australian

population (such as death, disability or violence). Unfortunately nothing could be further from the truth.

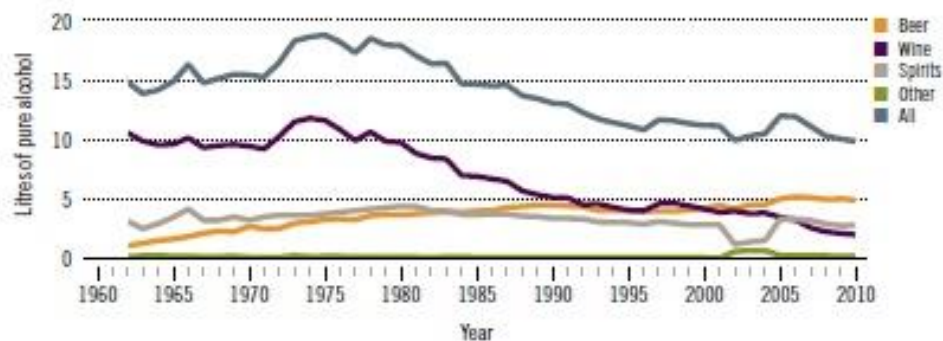
European countries have significantly higher rates of alcohol-related chronic diseases and road crashes. The World Health Organization estimates Australia's age standardised death rate for liver cirrhosis at 7.9 for males and 2.6 for females per 100,000 population. The rates in Italy and Spain are over two times that of Australia, in France it is 2.5 times and in Germany it is over three times Australia's rate.<sup>69</sup> The burden attributable to alcohol use has increased substantially in Eastern Europe since 1990, mainly because of a rise in the effects of heavy drinking on cardiovascular diseases.<sup>70</sup>

These harm are still higher than Australia as their overall per capita alcohol consumption is higher than Australia's, even though alcohol consumption in these countries has dropped significantly since the 1960s. The graphs below are taken from the World Health Organization's *Global status report on alcohol and health*.

**Graph 2. Italian recorded per capita alcohol (15+ years of age) from 1961-2010.**

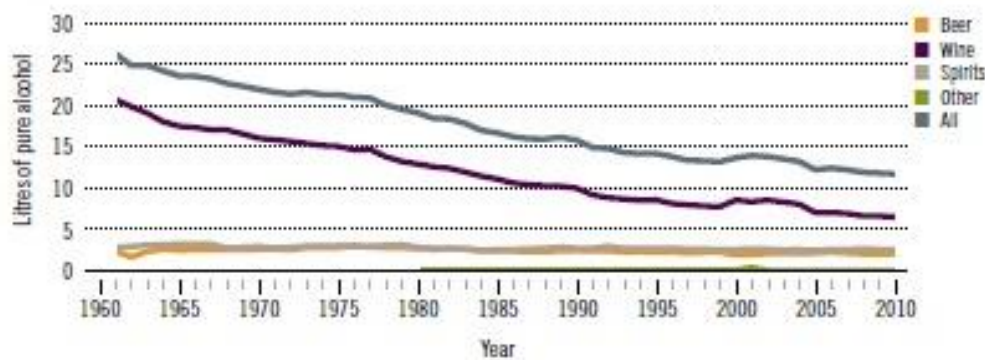


**Graph 3. Spanish recorded per capita alcohol (15+ years of age) from 1961-2010.**





**Graph 4. French recorded per capita alcohol (15+ years of age) from 1961-2010.**

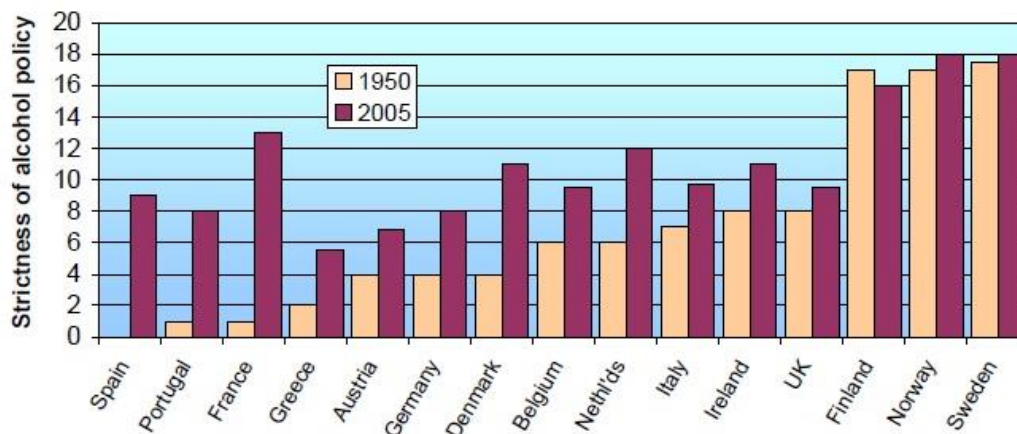


The reductions in per capita alcohol consumption in France has crucially been due to the implementation of key government policy interventions. The ban on alcohol advertising on television and sports sponsorship introduced in 1987 has been associated with an 11 per cent reduction in alcohol consumption and the 1991 introduction of a minimum legal age of purchase of 16 years is associated with an 18 per cent reduction in alcohol consumption.<sup>71</sup>

Members of the alcohol industry are also often quick to point to European countries as examples of where there are less restrictive alcohol policies. However, most European countries have increased their restrictions on where and when alcohol can be sold, as well as the days of sale, density of outlets and types of outlets that can sell alcohol.

Since the 1950s there has been an increase in alcohol control across Europe as demonstrated by Graph 5, changes in the strictness of alcohol policies in ECAS (European Comparative Alcohol Study) reproduced from the report *Alcohol in Europe: A public health perspective*.<sup>72</sup>

**Graph 5. Changes in strictness of alcohol policy in Europe.**



**Figure 9.10** Changes in the strictness of alcohol policy in ECAS. Source: authors' calculations using the ECAS scale (Karlsson and Österberg 2001), and data from the Global Status Report on Alcohol Policy (WHO 2004), updated by members of the Alcohol Policy Network (see Chapter 1).

Lastly the ways in which young people consume alcohol within these European countries is changing and more often is starting to resemble that of Australian and British cultures. Across Europe there has been a significant shift from purchasing alcohol from on-licence premises (pubs, bars and nightclubs)



to off-licence outlets (such as supermarkets and liquor stores).<sup>73</sup> One of the main reasons for this shift is the ability to buy cheap alcohol through supermarkets. This change to off-premise purchases is leading to the culture of pre-loading in European countries. A study of 16-30 year-olds across four European cities (the Netherlands, Slovenia, Spain and the United Kingdom) found that between 35 per cent (Slovenia) and 61 per cent (United Kingdom) of respondents preloaded on the night they were surveyed.<sup>74</sup> In Spain, 26 per cent of participants had preloaded on alcohol at home and a further 34 per cent had participated in group drinking on the streets or in public areas before visiting on-premises bars or nightclubs. Thus the cultural practices in Europe are changing, this is driven largely by change to off-premise sales and the access to cheap alcohol through these.

Ultimately these idyllic views of a 'European drinking culture' are false and it is not a culture that we should adopt here in Australia.

### Recommendation:

8. That the Senate Economics Reference Committee recognise that the Australian 'drinking' culture is not the same as European countries and the Final Report acknowledge that governments have a role to play in reducing alcohol harms.

## Conclusion

Due to the harms that alcohol causes its sale and supply comes with responsibility. While it is a legal product, there is little that separates it from illicit drugs apart from historical roots in our culture and adoption of British customs and practices around alcohol at the time of Australia's colonisation. The impact of the introduction of alcohol on Aboriginal Australia shows this in stark relief.

Alcohol is not an ordinary commodity. It is a product that contributes to substantial detrimental health and social consequences in Australia and subsequently the regulations that govern its sale and access should reflect the harm that it causes.

Government interventions and legislation that aims to regulate the sale, supply and consumption of alcohol are necessary and expected by society to seeking to stop these harms. These interventions are well within definitions of a liberal-democracy and the stewardship responsibility that governments have for their citizens.

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