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Minimum (floor) price
Australian National Preventive Health Agency
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Submission: Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol Draft Report

The McCusker Centre for Action on Alcohol and Youth (MCAAY) welcomes the opportunity to make a submission regarding the draft report, *Exploring the Public Interest Case for a Minimum (Floor) Price for Alcohol*.

MCAAY is an independent organisation committed to reducing harms from alcohol among young people. The work of MCAAY is directed towards raising awareness of the magnitude of alcohol-related harms among young people, the approaches we know can work, other options and the need to act without delay.

MCAAY is a supporting organisation of the National Alliance for Action on Alcohol (NAAA) and as such, we support the position of the NAAA in regard to alcohol pricing and taxation as outlined in the NAAA submission to the ANPHA minimum floor price issues paper and draft report.

The position of MCAAY in regard to alcohol-related harm among young people, alcohol pricing strategies, and the potential impact of a minimum floor price for alcohol was outlined in detail in MCAAY's submission to the issues paper and remains current. This submission will focus on the conclusions outlined in ANPHA's draft report, with a particular focus on minimum price.

There is a need for population level approaches to preventing harm from alcohol. A concerning proportion of the Australian population consume alcohol above the National Health and

Medical Research Council guidelines to reduce health risks from drinking alcohol.¹ Drinking at risky levels is not a minority problem in Australia; rather, it is a whole-of-population issue which requires a comprehensive suite of population level approaches to effectively prevent harm.

MCAAY supports a comprehensive approach to the prevention of harm from alcohol, including independent regulation of alcohol advertising and promotion, controls on the availability of and access to alcohol, and alcohol pricing and taxation strategies. ANPHA is encouraged to ensure its conclusions and recommendations in regard to alcohol pricing are presented in the context of a comprehensive approach to preventing harm from alcohol.

ANPHA's draft report outlines the evidence base which supports price as a highly effective lever in reducing alcohol consumption and preventing harm from alcohol. As noted in the draft report, increasing the price of alcohol is one of the most effective strategies for reducing the level of alcohol consumption and related problems [item 34, 35].² MCAAY supports alcohol pricing and taxation strategies as part of a comprehensive approach to preventing harm from alcohol among young people, and the broader population.

Approaches to alcohol pricing reform and their impact should be considered collectively, as each approach – including the introduction of a tiered volumetric taxation system, a minimum floor price and replacement of the Wine Equalisation Tax (WET) – has a unique contribution to make to address the economic availability of alcohol. No single approach can be expected to address the full range of issues in regard to the current approaches to alcohol pricing and taxation in Australia.

MCAAY supports volumetric taxation of alcohol within a comprehensive approach to alcohol pricing. A tiered volumetric approach to alcohol taxation, whereby products with higher alcohol volumes attract a higher rate of taxation, with regular increases to the real price of alcohol, is the preferred approach to alcohol pricing. If a volumetric taxation approach to alcohol cannot be achieved, a minimum price for alcohol would have merit and be worth supporting.

MCAAY is concerned about the presentation of a minimum price for alcohol and volumetric taxation as an 'either/or' scenario within ANPHA's draft report. Each approach has the potential to make a unique and complementary contribution to pricing strategies to reduce harm from alcohol, and should be considered collectively.

As noted in the draft report, volumetric taxation can be circumvented by discounting, loss-leading or below cost selling [item 119]. A minimum floor price for alcohol is not vulnerable to these retail strategies and has the potential to complement the volumetric taxation of alcohol.

¹ Australian Institute of Health and Welfare. 2010 National Drug Strategy Household Survey report. Drug statistics series no. 25. Cat. no. PHE 145. Canberra: AIHW; 2011.

² Anderson P, Chisholm D, Fuhr DC. Alcohol and Global Health 2: Effectiveness and cost-effectiveness of policies and programmes to reduce the harm caused by alcohol. *Lancet*. 2009; 373:2234 - 2246.

A minimum floor price for alcohol, as a tool to reduce the availability of very cheap alcohol, has the potential to make an important and unique contribution to pricing strategies to reduce harm from alcohol, particularly in the context of broader reforms to the alcohol taxation system. A minimum floor price would raise the prices of only the very cheapest alcohol products, would prevent the sale of alcohol at below cost and reduce the ability of the alcohol industry to promote cheaper alternatives.³

It should also be noted that in addition to the broader population rationales, there may well be good local or regional reasons (as in the Northern Territory) for action on a minimum floor price.

MCAAY consider that it would be a mistake for ANPHA to rule out a minimum price for alcohol at this time. Where the introduction of a minimum floor price for alcohol is possible, MCAAY recommends that both policy options (a minimum floor price and volumetric taxation) be progressed within a comprehensive approach to alcohol pricing policy. The combination of volumetric taxation and a minimum floor price for alcohol would create a strong pricing policy that would contribute to reducing alcohol consumption and related harms. The combination would enable alcohol taxation revenue to flow to government to apply to reducing harm from alcohol (or other purposes), and would prevent heavy discounting by alcohol retailers.

MCAAY supports ANPHA's conclusion that the current operation of the WET is of concern and requires reappraisal. The WET supports the production of cheap wine, and is therefore highly relevant in planning strategies to reduce the availability of very cheap alcohol. Policy-makers have resisted calls to reform the Australian taxation system while Australia was experiencing a wine glut. There is now growing evidence that the wine glut in Australia is ending and the wine industry is reaching equilibrium.⁴ MCAAY strongly supports replacement of the WET as part of a comprehensive approach to alcohol pricing policy.

MCAAY strongly supports ANPHA's encouragement of state and territory governments to continue, or to initiate, the collection of wholesale sales data to enable and improve the research required to inform evidence-based policy decisions [item 137]. This information is already collected and analysed by the alcohol industry; however, access to researchers and policy-makers is limited. Access to alcohol sales data is essential for alcohol policy modelling and research specific to the Australian situation.

Conclusion

MCAAY supports alcohol taxation reform, based on a volumetric approach, as the highest priority within a comprehensive approach to alcohol pricing. A volumetric approach to alcohol taxation could be usefully complemented by a minimum price for alcohol.

³ Skov SJ, Chikritzhs TN, Kypri K, Miller PG, Hall WD, Daube MM, et al. Is the "alcopops" tax working? Probably yes but there is a bigger picture. *Med J Aust.* 2011; 195:84–86.

⁴ Foundation for Alcohol Research and Education. The wine glut: An analysis of the oversupply of wine in Australia and progress of the voluntary industry restructure. October 2012.

If volumetric taxation cannot be achieved in the short term, a minimum price for alcohol should not be ruled out and would be worth supporting. Further consideration should also be given to the potential for approaches based on minimum price at the local level.

We urge that a minimum floor price for alcohol continue to be considered in the context of a comprehensive, whole-of-government approach to preventing harm from alcohol which addresses Australia's 'incoherent' alcohol taxation system⁵ (including the WET) and other issues as recommended by the report of the National Preventative Health Taskforce, including alcohol promotion and availability.⁶

Access to alcohol sales data for all Australian states and territories is essential in order for researchers to strengthen the evidence base specific to the Australian context and identify the best approach to a minimum floor price on alcohol.

Yours sincerely,

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⁵ Henry K, Australia's Future Tax System Review Panel. Australia's future tax system: report to the Treasurer. Canberra: The Treasury; 2010.

⁶ National Preventative Health Taskforce. Australia: The Healthiest Country by 2020 – National Preventative Health Strategy – the roadmap for action. Canberra: Commonwealth of Australia; 2009.