Re:think Tax Discussion Paper

Submission from the National Alliance for Action on Alcohol, the Public Health Association of Australia and the McCusker Centre for Action on Alcohol and Youth

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The National Alliance for Action on Alcohol, the Public Health Association of Australia and the McCusker Centre for Action on Alcohol and Youth welcome the opportunity to make a submission to the Australian Government regarding the Tax Discussion Paper, Re:think Tax.

We provide this submission with a specific focus on the alcohol taxation system in Australia and ways to improve it to better prevent alcohol-related harm and ensure appropriate measures to address the spillover cost of responding to alcohol-related problems.

Who we are

The National Alliance for Action on Alcohol (NAAA) is a national coalition representing more than 75 organisations from across Australia that has formed with one common goal: strengthening policy to reduce alcohol-related harm. Its members cover a diverse range of interests, including public health, law enforcement, local government, indigenous health, child and adolescent health and family and community services. The McCusker Centre and the Public Health Association of Australia are members of the NAAA.

The Public Health Association of Australia (PHAA) is recognised as the principal non-government organisation for public health in Australia and works to promote the health and wellbeing of all Australians. The Association seeks better population health outcomes based on prevention, the social determinants of health and equity principles. The PHAA has a vision for a healthy region, a healthy nation and healthy people living in a healthy society and a sustaining environment while improving and promoting health for all.

The McCusker Centre is an independent organisation committed to reducing harms from alcohol among young people. The work of the McCusker Centre 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.

Executive summary

Alcohol-related harm is a whole-of-community problem; it is not an issue limited to a small number of 'problem drinkers'. The level of harm from alcohol in Australia – harm which is preventable – is cause for substantial concern and should be the focus of urgent action by governments at all levels.

A comprehensive approach is needed to reduce and prevent alcohol-related harm. Substantial evidence is available to support population level approaches including reform of alcohol pricing and controls on alcohol advertising and availability.[1]

There is overwhelming consensus among leading Australian and international health authorities that alcohol taxation, when used to increase the price of alcohol, is one of the most effective policy interventions to reduce the level of alcohol consumption and related problems.[2]

[1] National Preventative Health Taskforce. Australia: The Healthiest Country by 2020 – National Preventative Health Strategy – the roadmap for action. Canberra: Commonwealth of Australia; 2009.
[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; 373:2234-46.

We have participated in previous government reviews of the tax system. We support the recommendation of the 2009 Henry Tax Review[3] to remove the Wine Equalisation Tax (WET) as part of reforming the alcohol taxation system. We also support, in part, the recommendation to introduce a volumetric taxation system. However, unlike the Henry Review, we recommend a tiered volumetric taxation system. A tiered volumetric system would be inclusive of stepped increases in tax rates that provide economic incentives for the production and consumption of lower strength alcohol products, and disincentives for the highest-risk products.

Appropriate alcohol taxation has significant benefits for the government in terms of improved health of the community, significant reduction to costs associated with alcohol-related problems (e.g. expenditure on health services and police), and collection of revenue.

We support the following principles for reform of the alcohol taxation system[4] in Australia with the objective of reducing harm and promoting a safer drinking culture:

1. Taxation of alcohol should be based on the principle that alcohol is no ordinary commodity. It is a product responsible for major harms in our community.
2. Alcohol taxation is one of the most effective ways to reduce alcohol consumption and associated harms – and is especially effective if part of a broader-based health strategy.
3. The approach to alcohol taxation should be volumetric, with tax increasing for products with higher alcohol volumes.
4. The alcohol taxation system should have the capacity to target alcohol products deemed to be of higher risk, or creating additional harms in the community.
5. There should be an overall increase in alcohol taxation.
6. The real price of alcohol should increase over time.
7. Changes in tax should not be designed to produce a decrease in price for alcohol products, other than for low alcohol products.
8. To complement volumetric tax on alcohol, there is also a need to regulate the minimum price (or floor price) of alcohol products.
9. A proportion of alcohol taxation revenue should be hypothecated to prevent and reduce alcohol-related harm in the community.

We outline four recommendations:

- Recommendation 1: Removal of the WET should be a priority
- Recommendation 2: Introduce volumetric taxation of alcohol
- Recommendation 3: The real price of alcohol should increase over time
- Recommendation 4: Introduce a minimum floor price for alcohol

We recommend the WET be removed at the earliest possible opportunity and as a matter of urgency.

[3] Henry K, Australia's Future Tax System Review Panel. Australia's future tax system: report to the Treasurer. Canberra: The Treasury; 2010.
[4] National Alliance for Action on Alcohol. Alcohol Pricing and Taxation. 2012 [cited May 28 2015]. Available from: http://www.actiononalcohol.org.au/our-work/position-statements/alcohol-pricing-and-taxation.

Alcohol is a significant health and social problem in Australia

The harms associated with alcohol provide an urgent and compelling case for policy action.

There are high levels of community concern about alcohol; 75% of Australian adults believe Australia has a problem with alcohol,[5] and 94% are concerned about alcohol-related violence and alcohol use among young people.[6]

The drinking patterns of Australians provide major cause for concern:

- Almost 1 in 5 (18.2%) people aged 14 years or older consumed more than 2 standard drinks per day on average, exceeding the National Health and Medical Research Council (NHMRC) low risk drinking guidelines to prevent lifetime risk.[7]
- More than 1 in 3 (38%) people aged 14 years or older reported that on at least 1 occasion in the previous 12 months, they had consumed alcohol at a level placing them at risk of injury; 1 in 4 (26%) had done so as often as monthly.[7]
- Australia's per capita alcohol consumption remains high by world standards.[8]

There is particular concern about the drinking patterns of young people:

- 80% of alcohol consumed by young people aged 14 to 24 years is consumed in ways that puts the drinker's (and others') health at risk of acute harm, e.g. from falls, assault injuries, road crashes, and burns.[9]
- In 2013, 15.4% of males and 11.3% of females aged 12 to 17 years exceeded the adult drinking guidelines for single occasion risk (5 or more standard drinks on a single occasion).[7]
- Many young people drink to get drunk; 45% of current drinkers aged 16 to 17 years report intending to get drunk on most or every occasion when they drink alcohol.[10]
- In a 15-year Australian prospective cohort study, the overwhelming majority of adolescent binge drinkers (90% of males and 70% of females) continued to binge drink in young adulthood.[11]

[5] Foundation for Alcohol Research & Education. Annual Alcohol Poll 2015: Attitudes and Behaviours. Canberra: FARE; 2015.
[6] Independent market research commissioned by the McCusker Centre for Action on Alcohol and Youth and the Foundation for Alcohol Research & Education, June 2013. Available from www.mcaay.org.au.
[7] Australian Institute of Health and Welfare. National Drug Strategy Household Survey detailed report. Drug statistics no. 28. Cat. no PHE 183. Canberra: AIHW; 2013.
[8] Organization for Economic Co-operation and Development. Tackling Harmful Alcohol Use: Economics and Public Health Policy. OECD Publishing; 2015.
[9] Chikritzhs T, Catalano P, Stockwell T, et al. Australian alcohol indicators, 1990-2001: Patterns of alcohol use and related harms for Australian states and territories. Perth: National Drug Research Institute and Turning Point Alcohol and Drug Centre Inc; 2013.
[10] White V, Bariola E. Australian secondary school students' use of tobacco, alcohol, and over-the-counter and illicit substances in 2011. Prepared for Drug Stategy Branch, Australian Government Department of Health and Ageing. Melbourne (Australia): Centre for Behavioural Research in Cancer, Cancer Council Victoria; 2012.
[11] Degenhardt L, O'Loughlin C, Swift W, et al. The persistence of adolescent binge drinking into adulthood: findings from a 15-year prospective cohort study. BMJ Open. 2013; 3.

Australia's alcohol consumption is high by world standards

Australian Bureau of Statistics (ABS) figures show that annual alcohol consumption is currently 9.7 litres of pure alcohol per person – about 2 standard drinks per day per person aged 15 years and over.[12] This is down from 10.6 litres in 2009 and 9.9 litres in 2013.

Despite this slight reduction, Australia's per capita alcohol consumption is still above the average for OECD countries of 9.1 litres, and ranks high by world standards (world average 6.2 litres).[8]

Although per capita consumption provides an indication of overall consumption levels, this generalised measure alone does not provide an adequate picture of how drinkers are consuming alcohol, including the extent and distribution of harmful drinking behaviours. In interpreting consumption data, we need to be mindful that national averages can hide different trends in states and territories, and population sub-groups. In addition to an ageing population, migration trends, and young people commencing drinking later[7], factors that have changed Australia's drinking patterns include a shift from beer to wine[12], changes in locations where people buy alcohol, and a two-tier drinking culture developing[7]. The ABS estimate includes people who do not drink, people who drink very lightly and young people aged 15-17 years, for whom the NHMRC guidelines recommend no alcohol as the safest choice.

Despite the slight reduction in per capita alcohol consumption, there remains significant and in some cases growing levels of alcohol-related harms. Young people, as well as the community as a whole, still experience a wide range of harms from their own and others' drinking.

Harms associated with alcohol

Alcohol is associated with a concerning range of immediate and longer term harms, both as a result of a person's own drinking and the drinking of others.

Harms to the drinker

The range and magnitude of alcohol-related harms among Australians are unacceptable:

- Alcohol plays a role in more than 200 different chronic health problems, including cardiovascular disease, cancers, diabetes, nutrition-related conditions, cirrhosis, and overweight and obesity.[13]
- Over a third (35.2%) of risky drinkers aged 14 years and older suffered memory loss at least once as a result of excessive alcohol consumption in 2013.[7]
- Almost half (45.8%) of all Australian school students aged 16 to 17 who report drinking in the previous week also report being sick or vomiting after drinking.[10]
- Drink-driving contributes to 30% of all deaths on Australia's roads.[14]

[12] Australian Bureau of Statistics. Apparent Consumption of Alcohol, Australia, 2013-14. ABS publication 4307.0.55.001. [Internet]. 2015 [updated May 6 2015; cited May 27 2015]. Available from: www.abs.gov.au.
[13] World Health Organization (WHO) Global status report on alcohol and health, 2014 Edition. Geneva: WHO; 2014
[14] Australian Transport Council. National Road Safety Strategy 2011-2020.

- Of all deaths from suicide, 22% can be attributed to the use of alcohol. This means that every fifth suicide would not occur if alcohol were not consumed in the population.[15]
- Alcohol is a factor in 2 in 5 (41%) drowning deaths in people aged 15 to 29 years.[16]
- As many as 60% of patients in the burns unit at Royal Perth Hospital are there because of alcohol.[17]
- Harmful alcohol use is associated with a range of chronic diseases including cardiovascular disease, some cancers, liver diseases and cognitive impairment.[18] It is estimated that 5,070 cases of cancer (or 5% of all cancers) are attributable to long-term chronic use of alcohol each year in Australia.[19]
- In 2013, 1 in 5 (21%) recent drinkers aged 14 or older reported putting themselves or others at risk of harm while under the influence of alcohol in the previous 12 months. Driving a motor vehicle was the most common risky activity undertaken while under the influence of alcohol (12.2% of recent drinkers).[7]
- There is growing evidence that alcohol is implicated in a range of longer term consequences including harm to the developing brain. The brain continues to develop into the early 20s, and alcohol can irreparably damage young brains leading to problems with memory, planning and organisation, impulse control and mood regulation.[20]

Harm to others

There is growing recognition that alcohol affects people other than the drinker, including vulnerable groups such as children:

- More than 1 million Australian children are estimated to be affected in some way by the drinking of others. Children experience a range of harms including verbal abuse, being left in an unsupervised or unsafe situation, physically hurt or exposed to domestic violence.[21]
- Alcohol use during pregnancy is a leading cause of preventable birth defects, including Fetal Alcohol Spectrum Disorders (FASD).[22]
- 1 in 8 children born in Fitzroy Crossing in WA has Fetal Alcohol Syndrome (the most severe form of FASD), a rate of 120 per 1000. This rate does not include FASD, which is expected to be even higher.[23]

[15] World Health Organization. Preventing suicide: a global imperative. Luxembourg: WHO. 2014.
[16] Royal Life Saving Society Australia. Fact Sheet No. 22 Alcohol and Water Safety. 2013 [cited 2015 May 27]. Available from www.royallifesaving.com.au.
[17] O'Leary C. Binge drink fear for WA teens. The West Australian. 2010 Sep 18; page 13.
[18] National Health and Medical Research Council, Australian guidelines to reduce health risk from drinking alcohol. Canberra: Commonwealth of Australia; 2009.
[19] Winstanley MH, Pratt IS, Chapman K, et al. Alcohol and cancer: a position statement from Cancer Council Australia. MJA. 2011; 194(9):479-482.
[20] Bava S, Tapert SF. Adolescent brain development and the risk for alcohol and other drug problems. Neuropsychol Rev. 2010;20(4):398-413.
[21] Laslett AM, Mugavin J, Jiang H, et al. The hidden harm: Alcohol's impact on children and families. Canberra: Foundation for Alcohol Research and Education, Centre for Alcohol Policy Research; February 2015.
[22] Education and Health Standing Committee. Foetal Alcohol Spectrum Disorder: the invisible disability. Perth: Legislative Assembly, Government of Western Australia; 2012.
[23] Fitzpatrick JP, Latimer J, Carter M, et al. Prevalence of fetal alcohol syndrome in a population-based sample of children living in remote Australia: The Lililwan Project. Journal of Paediatrics and Child Health. 2015.

- In a given year in Australia, 277 deaths of people aged 15 years and over are estimated to be due to another's drinking and driving (this represents three quarters of all deaths due to drinking of others).[24]
- Almost 5 million Australians aged 14 years or older (26%) had been a victim of an alcohol-related incident in 2013.[7]
- 1.7 million Australians experienced physical abuse by someone under the influence of alcohol in 2013.[7]
- People aged 18-24 were more likely than other age groups to experience verbal abuse (35%), physical abuse (15.2%) or be put in fear by someone under the influence of alcohol (18.6%) in 2013.[7]

Alcohol is a burden on health and law enforcement resources

Harms from alcohol place a major burden on police, ambulance services, and hospital emergency departments.

Burden on hospitals:

- Alcohol causes 15 deaths and 430 hospitalisations each day across Australia.[25]
- There were 157,132 hospitalisations attributable to alcohol in Australia in 2010, including 101,425 for males and 55,707 for females.[25]
- Almost a third of all injuries treated in WA hospital emergency departments are attributable to alcohol.[26]
- A 2013 snapshot survey of Australian emergency departments at 2am on a Saturday morning showed that 1 out of 8 patients attended the emergency department as a result of harmful use of alcohol. In some hot spots, as many as half the patients were in the emergency department because of alcohol.[27]
- A survey of over 2,000 emergency department staff in Australia and New Zealand showed that in the last 12 months, 98% had suffered verbal aggression from drunk patients, 92% had experienced physical threats from drunk patients, 88% said the care of other patients was negatively affected, and 87% said they had felt unsafe due to presence of a drunk patient while working in the emergency department.[28]

[24] Laslett A-M, Catalano P, Chikritzhs Y, et al. The Range and Magnitude of Alcohol's Harm to Others. Fitzroy, Victoria: AER Centre for Alcohol Policy Research, Turning Point Alcohol and Drug Centre, Eastern Health; 2010.
[25] Gao C, Ogeil RP, Lloyd B. Alcohol's burden of disease in Australia. Canberra: FARE and VicHealth in collaboration with Turning Point; 2014.
[26] Chikritzhs T, Evans M, Gardner C, et al. Australian alcohol aetiologic fractions for injuries treated in emergency departments. Perth: National Drug Research Institute, Curtin University; 2011.
[27] Australasian College for Emergency Medicine. Some EDs glass half full of drunk aggressive patients: Second emergency department snapshot survey of alcohol harm [Media Release] [Internet]. ACEM; 2014 [updated Dec 11 2014; cited May 27 2015]. Available from: https://www.acem.org.au/News/2014/December/New-Alcohol-Snapshot-Survey-New-Zealand.aspx.
[28] Australasian College for Emergency Medicine. Enough is enough: drunks in EDs being violent and harming others [Media Release] [Internet]. 2014 [updated Nov 6 2014; cited May 27 2015]. Available from: https://www.acem.org.au/News/2014/November/Enough-is-enough-alcohol-harm-survey-launched.aspx.

Burden on police:

- Police spend about a quarter of their budget responding to alcohol-related incidents.[29]
- Alcohol intoxication is a factor in almost 90% of all calls for police intervention between the hours of 10pm and 2am.[29,30]
- In 2011, there were 29,684 police-reported incidents of alcohol-related domestic violence in Australia for states and territories where data is available (this does not include Queensland, South Australia, and the Australian Capital Territory).[21]
- In WA alone, police charge an average of 18,551 drivers each year with exceeding the lawful alcohol limit (5 year average).[31]

Burden on ambulance services:

- In the 2013-14 financial year in WA alone, 12 ambulances a day were called to attend to West Australians, some as young as 12 years old, for the primary reason of alcohol intoxication (a total of 4,401 ambulance call-outs). This figure does not include other alcohol-related harms such as falls, assaults, and road crashes.[32]
- In metropolitan Melbourne, there were 11,159 alcohol-related call-outs in 2012-13, an increase of 27% on the previous year. In regional Victoria, there was a 42% increase in alcohol-related attendances, with 3,692 call-outs in 2012-13.[33]
- In 2011, NSW paramedics were called out more than 1,000 times to treat alcohol-related problems in children aged under 18, an average of three children a day. Most of the children required hospital treatment. This figure does not include call-outs for other alcohol-related harm such as falls or fights. [34]

The cost of alcohol-related harm to the Australian community

The cost of alcohol-related problems to society in 2010 was conservatively estimated at $14.352 billion (not including the cost of harms to others). This is double the tax revenue that is generated from alcohol sales ($7.075 billion).[35]

The financial cost of alcohol-related domestic violence in Australia is significant. It is estimated that each alcohol-related assault recorded by police costs $1,615, bringing the tangible cost of alcohol-related domestic violence to between $40 million and $52 million in 2015.[24]

[29] Auditor General Western Australia. Raising the Bar: Implementing key provisions of the Liquor Control Act in licensed premises. Perth: Government of Western Australia; 2011.
[30] Ireland CS, Thommeny JL. The crime cocktail: Licensed premises, alcohol and street offences. Drug and Alcohol Review. 1993; 12(2):143-150.
[31] Western Australian Police. Submission to the Review of the Liquor Control Act [Internet]. 2013 [updated Feb 2013; cited May 2015]. Available from: www.rgl.wa.gov.au.
[32] O'Leary C. Ambos shock at drunken kids. The West Australian. 2014 Sept 1; page 3.
[33] Lloyd B. Trends in alcohol and drug related ambulance attendances in Victoria: 2011/12. Fitzroy, Victoria: Turning Point Alcohol and Drug Centre; 2013.
[34] Corderoy A. Dangerous under-age drinking on the rise. Sydney Morning Herald. 2011 Feb 12; page 3.
[35] Manning M, Smith C, Mazerolle P. The societal costs of alcohol misuse in Australia. Australian Institute of Criminology; 2013.

The cost of alcohol to Australian productivity has been estimated at $6.046 billion. This includes reduced workforce and household labour due to premature mortality, reduced household labour due to sickness and reduced workforce participation due to absenteeism.[35]

In 2008, Collins and Lapsley identified the social costs of alcohol use, primarily to drinkers and governments, at $16 billion.[36] The Foundation for Alcohol Research and Education estimates that an additional $14 billion per annum could be attributed to the tangible costs of harm to others and more than $6 billion to intangible costs.[24] This places the true annual cost of alcohol to society at around $36 billion and represents a major financial burden on federal, state and territory governments.

Population-level prevention approaches are needed to address alcohol-related harm

There is a need for population level approaches to prevent harm from alcohol. A concerning proportion of the Australian population consume alcohol above the NHMRC guidelines to reduce health risks from drinking alcohol.[7] Drinking at risky levels is therefore clearly 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.

A comprehensive approach includes reform of alcohol pricing, and controls on alcohol marketing and availability.[1] Population approaches to preventing harm from alcohol, including through taxation, are cost-effective and essential if Australia is to prevent the burden of alcohol-related harms on the community, health services and law enforcement.

The economic availability of alcohol

The economic availability of alcohol relates to the price: the cheaper it is, the higher its economic availability. There is a strong evidence base to support policies that regulate the economic availability of alcohol as a strategy to reduce alcohol-related harm.[2]

Young people are particularly price sensitive. Evidence on the impact of alcohol price on young drinkers consistently shows that changes in alcohol prices are related to changes in youth drinking.[37]

Research commissioned by the Drug and Alcohol Office in WA found that price, in terms of cheap liquor availability, influences increases in the frequency and quantity of alcohol purchased, and the frequency and quantity of alcohol consumed.[38] The availability of cheap alcohol appeared to have the greatest impact on purchasing and consumption behaviours of young people aged 18 to 29 years.

[36] Collins DJ and Lapsley HM. The costs of tobacco, alcohol and illicit drug abuse to Australian society in 2004/05. National Drug Strategy Monograph Series No. 64, Australian Government Department of Health and Ageing; 2008.
[37] Purshouse RC, Meier PS, Brennan A, et al. Estimated effect of alcohol pricing policies on health and health economic outcomes in England: an epidemiological model. Lancet. 2010; 375(9723):1355-1364.
[38] Drug & Alcohol Office and TNS Social Research. Cheap drinks. Government of Western Australia; 2011.

Alcohol taxation: One of the most effective approaches to prevent harm

There is overwhelming consensus from leading Australian and international health authorities that alcohol taxation, when used to increase the price of alcohol, is one of the most effective policy interventions to reduce the level of alcohol consumption and related problems.

The World Health Organization[39] recommended that:

> *Increasing the price of alcohol is one of the most effective interventions to reduce harmful use of alcohol.*

The National Preventative Health Taskforce[1] concluded that "Australian and international studies confirm that when alcohol increases in price, consumption is reduced". The Taskforce identified key action areas for reshaping Australia's drinking culture; these included, "Reform alcohol taxation and pricing arrangements to discourage harmful drinking".

An international review[2] published in The Lancet of evidence for the effectiveness and cost-effectiveness of policies and programs to reduce the harm caused by alcohol concluded:

> *Making alcohol more expensive and less available are highly cost-effective strategies to reduce harm.*
>
> *Tax increases (of 20% or even 50%) represent a highly cost-effective response in countries with a high prevalence of heavy drinking.*

A systematic review[40] of 112 studies examined the relationships between alcohol tax or price levels and alcohol sales and self-reported drinking. The review concluded:

> *A large literature establishes that beverage alcohol prices and taxes are related inversely to drinking. Effects are large compared to other prevention policies and programs. Public policies that raise prices of alcohol are an effective means to reduce drinking.*

New evidence of the effects of tax on alcohol consumption and harms

We have summarised below recent research on alcohol pricing policies.

The Alcopops Tax

Australian researchers Gale and colleagues[41] estimated the change in incidence of Emergency Department (ED) presentations for acute alcohol problems associated with the introduction of the GST in 2000 and the 'alcopops tax' in 2008. Previous evaluation of the 'alcopops tax' using sales data suggested a decline in the consumption of ready-to-drink alcohol products (RTDs) following the

[39] World Health Organization. Global strategy to reduce the harmful use of alcohol. Geneva: WHO; 2010.
[40] Wagenaar A, Salois M, Komro K. Effects of beverage alcohol price and tax levels on drinking: a meta-analysis of 1003 estimates from 112 studies. Addiction. 2009; 104:179-190.
[41] Gale M, Muscatello DJ, Dinh M, et al. Alcopops, taxations and harms: a segmented time series analysis of emergency department presentations. BMC Public Health. 2015; 15(468).

tax.[42,43] Prior to Gale and colleagues' research, no studies examined the longer term impact of the tax on alcohol consumption.

Gale and colleagues' research shows that the introduction of the GST in Australia in 2000 resulted in a significant reduction in the price of RTDs. This reduction in price was associated with a significant increase in the rate of acute ED presentations among 18 to 24 year old females.

The alcopops tax was introduced in 2008 in response to concerns about the explosive growth of sales and consumption of RTDs, and has significantly reduced the number of ED presentations overall and particularly among males aged 15-50 years, and females aged 15-65 years.

The greatest change was seen in 18 to 24 year old females with at least 1,350 presentations avoided in the 44 months after the alcopops tax was introduced; 514 presentations were avoided among 18 to 24 year old males.

Conclusion: The alcopops tax was successful in significantly reducing the rate of emergency department presentations.

Impact of alcohol tax on sensible drinkers

A 2014 paper by Sharma, Vandenberg and Hollingsworth[44] compared the estimated effects of a minimum floor price and a volumetric tax according to different levels of consumption in Australia. The analysis indicated that a minimum floor price would impact most on those who consume high volumes of alcohol. The paper found that a uniform volumetric tax would achieve somewhat less reduction in heavy consumption than a minimum floor price, and would result in relatively greater increases in the cost for light, moderate and heavy consumers. However, the authors argue that both policies are complementary and should be implemented together. The authors found that applying both a minimum floor price and a new uniform volumetric tax simultaneously would not adversely affect light and moderate drinkers any more than applying a new uniform volumetric tax alone, and together would still have the desired effect of reducing heavy consumption.

The study also clearly shows the conspicuous role that cheap wine plays in heavy consumption of alcohol, and that the two policy options combined would be effective in significantly changing consumption behaviour.

Conclusion: Volumetric tax and a minimum floor price both have potential to reduce heavy consumption of wine and beer without adversely affecting light and moderate consumers.

[42] Skov SJ, Chikritzhs TN, Kypri K, et al. Is the "alcopops" tax working? Probably yes but there is a bigger picture. Med J Aust. 2011; 195:84-86.
[43] Doran CM, Digiusto E. Using taxes to curb drinking: A report card on the Australian government's alcopops tax. Drug and Alcohol Review; 2011; 30(6):677-680.
[44] Sharma A, Vandenberg B, Hollingsworth B. Minimum Pricing of Alcohol versus Volumetric Taxation: Which Policy Will Reduce Heavy Consumption without Adversely Affecting Light and Moderate Consumers? PLoS ONE. 2014; 9(1):e80936.

The Sheffield Alcohol Policy Model

The Sheffield Alcohol Policy Model[45] provides estimates of the effectiveness and cost-effectiveness of alcohol policies including pricing and availability policies as well as screening and brief interventions in the UK. It has provided a key evidence base for informing policy decisions in the UK around minimum unit pricing of alcohol.

The Sheffield model has estimated the impacts of minimum unit pricing in different countries and at different times. The model has consistently found that minimum unit pricing is an effective and well-targeted approach to reducing alcohol-related harm.

Some of the most recent research[46] demonstrates that if a 45 pence minimum unit price had been introduced in England in 2014/15, it was estimated to reduce consumption by 1.6% overall and by 3.7% amongst harmful drinkers compared to 0.6% for moderate drinkers. This is partly due to harmful drinkers buying more cheap alcohol than moderate drinkers. The study also estimated that the policy would lead to 34,200 fewer crimes in the first year and 624 fewer deaths and 23,700 fewer hospital admissions per year in the tenth year after the policy was implemented.

The Sheffield research shows that because moderate drinkers buy very little alcohol which is sold below the proposed minimum unit price, they would see very little impact on their spending. This is the case even if they are moderate drinkers with low incomes. In contrast, harmful drinkers buy large quantities of very cheap alcohol each week.

Conclusion: A minimum unit price would have the greatest impact on heavy drinkers, without impacting on moderate drinkers and low income populations.

Australia's alcohol taxation system

Alcohol is more affordable

Over the past 20 years, alcohol has become more affordable in Australia. In particular, certain beverages have become more affordable than others, and this affordability has been facilitated in some part by the current alcohol taxation system. Consequently, we have seen an increase in alcohol-related harm from those products that are most affordable.[44]

The real price of some alcohol products (wine, in particular) has dropped significantly over the past decade, while the affordability of alcohol (i.e. the ratio of real disposable income to real alcohol prices) has increased by over 40% between 1995 and 2008.[47]

This situation exposes major flaws in the current alcohol taxation and pricing policies in Australia, and is contributing to the prevalence of risky drinking and alcohol-related harm in the community.

[45] The University of Sheffield. Sheffield Alcohol Research Group – Frequently asked questions. [Internet]. [updated Apr 17 2015; cited May 28 2015]. Available from: http://www.shef.ac.uk/scharr/sections/ph/research/alpol/faq.

[46] Holmes J, Meng Y, Meier S, et al. Effects of minimum unit pricing for alcohol on different income and socioeconomic groups: a modelling study. The Lancet, 2014; 383(9929): 1655-1664.

[47] Carragher N, Chalmers J. What are the options? Pricing and taxation policy reforms to redress excessive alcohol consumption and related harms in Australia. Sydney: NSW BOCSAR; 2011.

The current alcohol tax system is broken

It is widely acknowledged by public health groups,[1] some alcohol industry groups,[48] the government's own independent tax review,[3] and noted in the Tax Discussion Paper, that the current alcohol taxation system is broken and major reforms are needed.

The Henry Tax Review concluded that, "taken together, current alcohol taxes reflect contradictory policies", are "complex, and distort production and consumption decisions with no coherent policy justification", "do not reflect the risks of consuming different products", and do not target the spillover costs of consuming alcohol.[3]

As noted in the Tax Discussion Paper, there are glaring differences in the taxation applied to different types of alcohol. This disparity is most evident in the price of cask wine compared to other products – the tax per standard drink of cask wine is a mere 5 cents, while $1 is paid per standard drink of spirits, and 45 cents for a standard drink of full strength packaged beer.

The current tax system, and particularly the WET, enables bulk cask wine to be regularly advertised and sold at incredibly low prices. Examples of very cheap cask wine promotions by liquor retailers are provided in Appendix 1. For example, 15 litres of cask wine, the equivalent of 148 standard drinks, is promoted and sold for $27, or just $1.80 per litre or 18 cents per standard drink. These are not one-off promotions; similar cheap prices for large volumes of alcohol are regularly advertised by Australia's largest liquor retailers.

Australia's alcohol taxation system is not reflective of the harms caused by alcohol and there is an urgent need for comprehensive reform.

Reforming the alcohol tax system

A comprehensive approach to addressing the price of alcohol and reforming Australia's alcohol tax includes:

- Removal of the Wine Equalisation Tax, which supports the production of very cheap wine;
- Volumetric taxation, with tax increasing for products with higher alcohol volumes; and
- A minimum price per standard drink, which would prevent the sale of very cheap alcohol.

No single approach can be expected to address the full range of issues in regard to the current approaches to pricing and taxation in Australia. We strongly believe that approaches to alcohol pricing reform and their impact should be considered collectively, as each approach has a unique contribution to make. In this context, the removal of the WET should be considered alongside a tiered volumetric tax and a minimum floor price.

Principles for reform of alcohol taxation

We support the following principles for reform of the alcohol taxation system in Australia with the objective of reducing harm and promoting a safer drinking culture[4]:

1. Taxation of alcohol should be based on the principle that alcohol is no ordinary commodity. It is a product responsible for major harms in our community.

[48] Fix My Tax. About the Fix My Tax campaign. [Internet]. 2015 [updated 2015; cited May 28 2015]. Available from: http://fixmytax.com.au/about-the-campaign/.

2. Alcohol taxation is one of the most effective ways to reduce alcohol consumption and associated harms – and is especially effective if part of a broader-based health strategy.
3. The approach to alcohol taxation should be volumetric, with tax increasing for products with higher alcohol volumes.
4. The alcohol taxation system should have the capacity to target alcohol products deemed to be of higher risk, or creating additional harms in the community.
5. There should be an overall increase in alcohol taxation.
6. The real price of alcohol should increase over time.
7. Changes in tax should not be designed to produce a decrease in price for alcohol products, other than for low alcohol products.
8. To complement volumetric tax on alcohol, there is also a need to regulate the minimum price (or floor price) of alcohol products.
9. A proportion of alcohol taxation revenue should be hypothecated to prevent and reduce alcohol-caused harm in the community.

Recommendations

We outline below our recommendations to the Federal Government for reforming the alcohol tax system in Australia so that it is better placed to prevent harm from alcohol, reduce expenditure on responding to alcohol-related harms and collect revenue to address spillover costs associated with alcohol consumption.

Recommendation 1: Removal of the WET should be a priority

Under the Wine Equalisation Tax (WET) scheme, wine is taxed according to its price rather than its alcohol content, which means that cheap wine attracts less tax. This, in turn, creates a price incentive for people to buy, and a profit incentive for industry to produce, low cost wines.

This arrangement is significantly different from the taxation structure that applies to beer and spirits which are generally taxed according to alcohol content. Further, the effective rate of WET has reduced in real terms since its introduction in 2001 as the WET rate is not increased by government in line with 6-monthly CPI movements, which does occur in the case of tax rates on beer and spirits. The consequence of this taxation system is to encourage the production of bulk, cheap wine, and in particular, cask wine. Cask wine has been found to be particularly associated with alcohol-related harm, including night time assaults and alcohol-related illnesses.[49]

The Henry Tax Review highlighted that “in particular, the wine equalisation tax (WET), as a value-based revenue-raising tax, is not well suited to reducing social harm”.[3]

We strongly recommend removal of the WET as a matter of urgency.

Recommendation 2: Introduce volumetric taxation of alcohol

Volumetric taxation, whereby products with higher alcohol volumes attract a higher rate of taxation, should be applied to all alcohol products.

[49] Stockwell TR, Masters L, Phillips M, et al. Consumption of different alcoholic beverages as predictors of local rates of night-time assault and acute alcohol-related morbidity. ANZJPH; 2012; 22(2):237-242.

Taxes that are scaled according to the alcohol content of beverages (volumetric alcohol taxation) and adjusted regularly in line with inflation have been shown to reduce consumption and related harm – so long as the real price of alcohol is affected. Tiered volumetric alcohol taxation is well recognised to be one of the most cost-effective ways to reduce alcohol-related harms.[50]

A tiered system would be inclusive of stepped increases in tax rates that provide economic incentives for the production and consumption of lower strength alcohol products.[1] In this way, taxation would reflect the negative externalities attributable to certain products.

A volumetric tax on alcohol would better address social harm through closer targeting of social costs.[3]

A report from the National Drug and Alcohol Research Centre, published in the Medical Journal of Australia, estimates that a uniform tax on alcohol, based on the volume of alcohol, could raise revenue by $492 million a year.[51] This would result in a 2.8% decrease in alcohol use in the community. The report also found that the intervention is of low cost with significant offsets, and that there would be positive side effects such as productivity gains arising from reduced alcohol consumption.

Recommendation 3: The real price of alcohol should increase over time
The price of spirits should not be reduced as part of implementing volumetric taxation.

Further, there should be an overall increase in alcohol taxation and the real price of alcohol should increase over time. Changes in tax should not decrease the price of alcohol products, other than for low alcohol products.

Recommendation 4: Introduce a minimum floor price of alcohol
An alcohol tax increase may not always result in an increase in prices paid by consumers. Consumers can respond to alcohol price increases by 'down-shifting' the quality of alcohol purchased (e.g. buying cheaper spirits instead of premium brand spirits); or substituting expensive alcohol products with different, less expensive alcoholic beverages. Supermarkets and other large alcohol retailers are well placed to absorb price increases by heavily discounting alcohol products to below cost prices, known as 'loss leading', therefore undermining the effect of alcohol taxation on consumers.

To support and complement an appropriate alcohol tax system, we propose a minimum floor price of alcohol be introduced. A minimum price establishes a floor price beneath which alcohol may not be sold and prevents retailers from selling at prices that undermine the objectives of a volumetric taxation system. A minimum floor price would raise the prices of only the very cheapest alcohol products.

While a minimum floor price would not raise government revenue, it is an important part of a comprehensive approach to addressing the price of alcohol, and has the potential to make a unique and important contribution to pricing strategies.

[50] Doran CM, Byrnes JS, Cobiac LJ, et al. Estimated impacts of alternative Australian alcohol taxation structures on consumption, public health and government revenues. MJA; 2013; 199(9):619-622.
[51] Byrnes JM, Cobiac LJ, Doran CM, et al. Cost-effectiveness of volumetric alcohol taxation in Australia. MJA; 2010; 192(8):439-443.

Conclusion

There is overwhelming consensus among leading health authorities that alcohol taxation, when used to increase the price of alcohol, is one of the most effective policy interventions to reduce the level of alcohol consumption and related problems.

Comprehensive reform of the alcohol tax system is urgently required. Despite its known effectiveness, taxation as a strategy to reduce alcohol-related harm has been under-utilised in Australia.

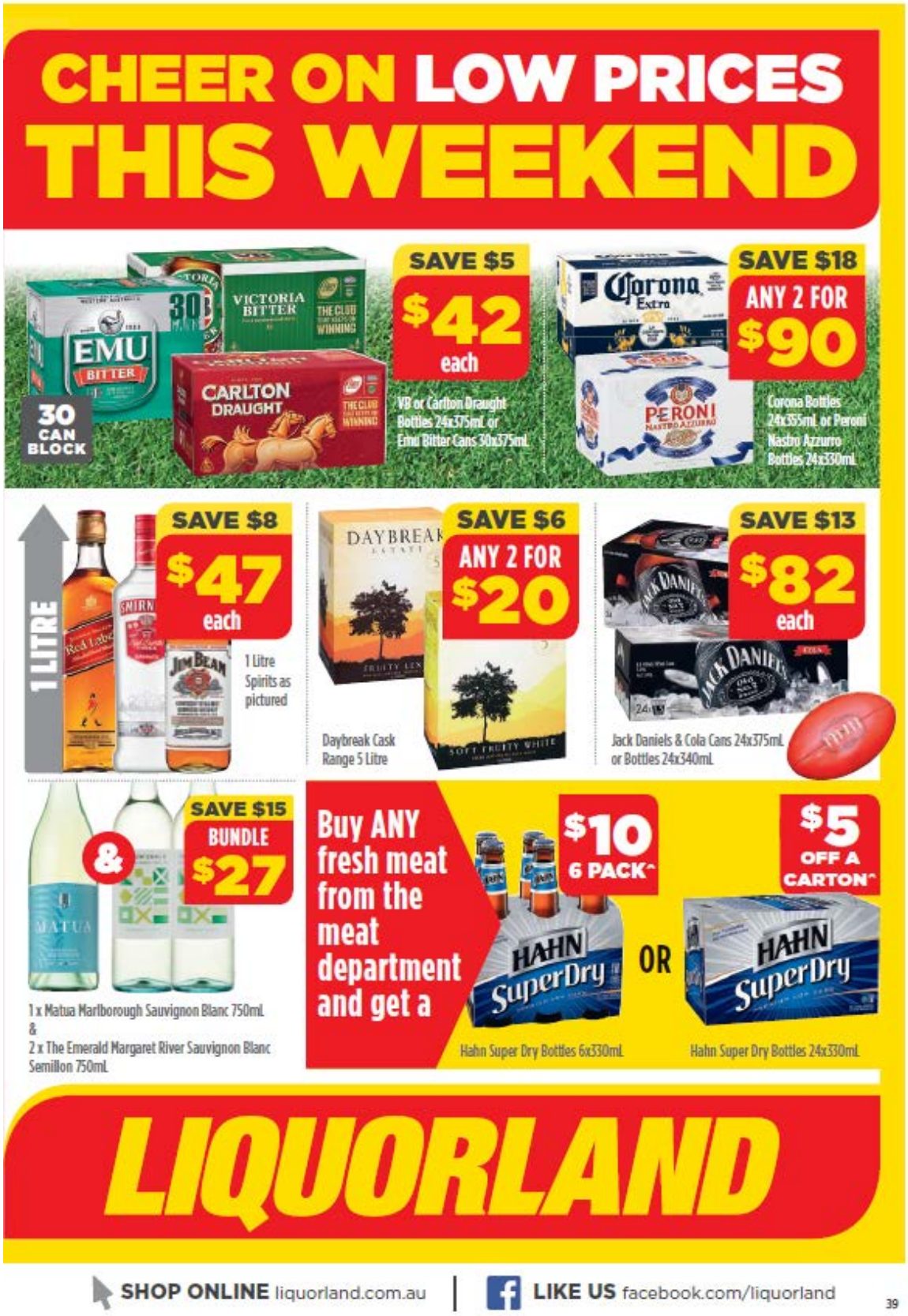
We have a real opportunity to reform the alcohol tax system in a way that reduces harm from alcohol and addresses spillover costs of alcohol consumption.

We recommend the following to reform Australia's tax system:

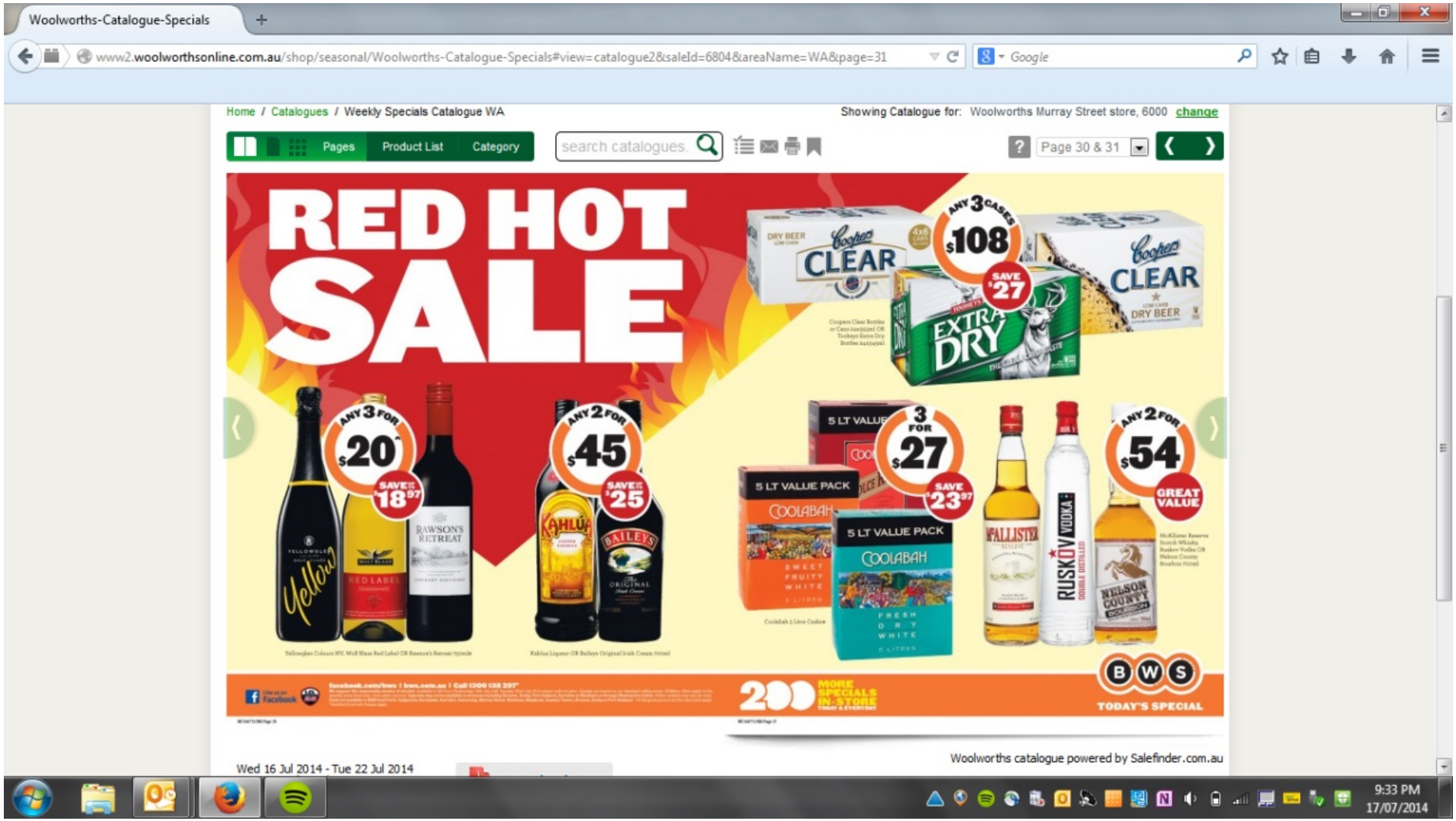
- Recommendation 1: Removal of the WET should be a priority
- Recommendation 2: Introduce volumetric taxation of alcohol
- Recommendation 3: The real price of alcohol should increase over time
- Recommendation 4: Introduce a minimum floor price for alcohol

We recommend the WET be removed at the earliest possible opportunity and as a matter of urgency.

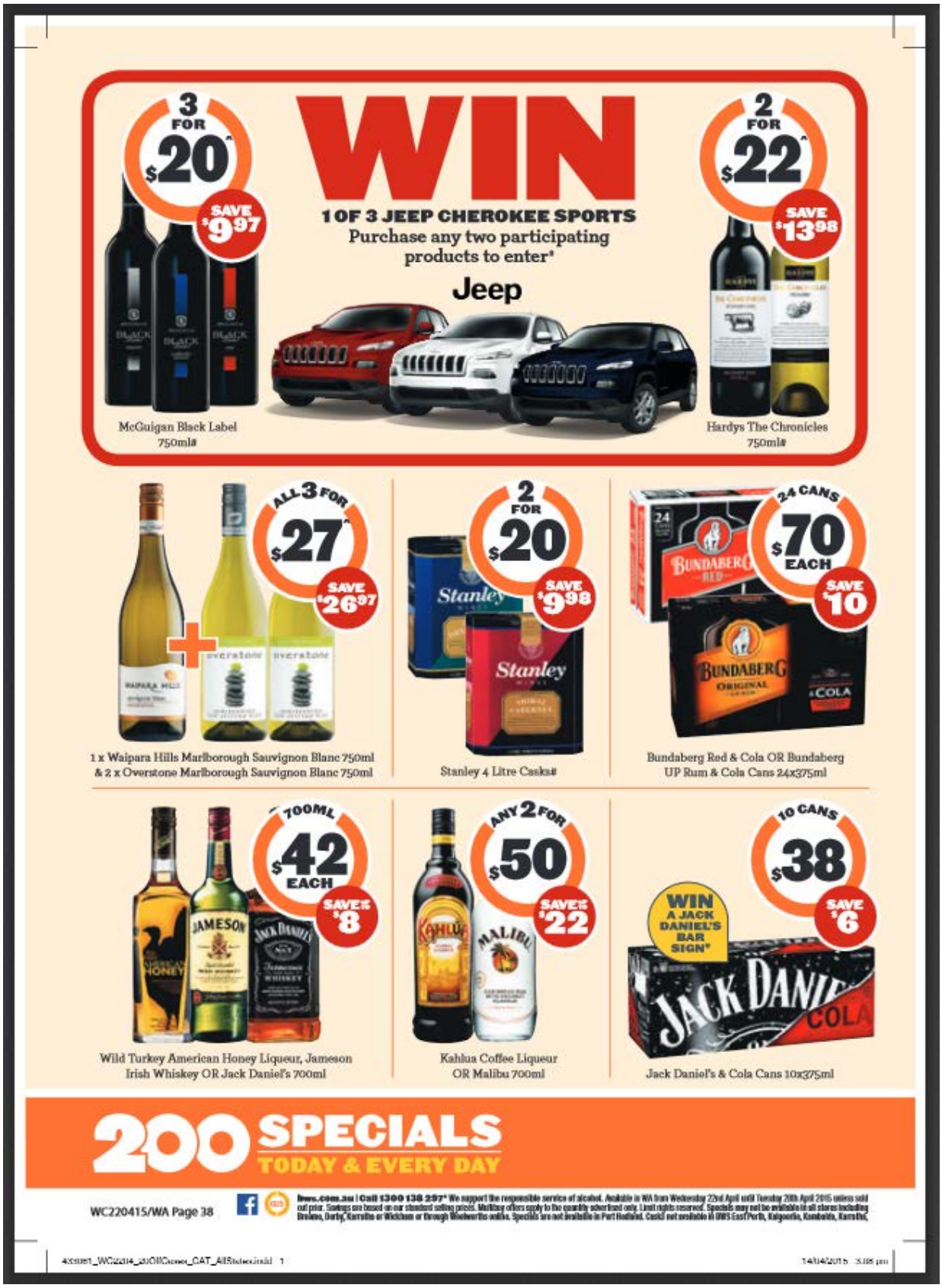
Appendix 1: Examples of alcohol promotions



Liquorland promotion for Daybreak 5L wine casks (2 for $20), on sale 6 May 2015.



BWS promotion for Coolabah 5L wine casks (3 for $27), on sale 16 July 2014. The cost of a standard drink in the example above equates to just 18 cents.



Woolworths catalogue page 39 promotion for Stanley 4L wine casks (2 for $20), on sale 22 April 2015. A standard drink equates to 28.5 cents.