

The Senate

Standing Committee on
Community Affairs

Ready-to-drink alcohol beverages

June 2008

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ISBN 978-0-642-71932-4

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This document was produced by the Senate Community Affairs Committee Secretariat and printed by the Senate Printing Unit, Parliament House, Canberra.

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42nd Parliament

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Senator the Hon Richard Colbeck to replace Senator Judith Adams and Senator Andrew Murray to replace Senator Lyn Allison from 16.6.08

Participating Members

Senator Simon Birmingham	LP, South Australia
Senator Trish Crossin	ALP, Northern Territory
Senator Steve Fielding	FFP, Victoria
Senator Rachel Siewert	AG, Western Australia

TABLE OF CONTENTS

MEMBERSHIP OF THE COMMITTEE	<i>iii</i>
LIST OF ACRONYMS	<i>vii</i>
RECOMMENDATIONS	<i>ix</i>
CHAPTER 1	
INTRODUCTION	1
Terms of reference.....	1
Conduct of the inquiry.....	1
Acknowledgments	2
Structure of the report.....	2
CHAPTER 2	
Background to the inquiry	3
Terminology used in the report	4
Young people.....	4
RTDs and alcopops.....	4
Harmful consumption of alcohol.....	5
Guidelines for alcohol consumption.....	5
The changes to the alcohol excise regime	7
Treasury modelling.....	8
Conclusion.....	9
Responsiveness to price.....	9
Conclusion.....	12
Consumption patterns since excise increase	12
Conclusion.....	13
CHAPTER 3	
The evidence.....	15
Alcohol consumption patterns.....	15
Drinking patterns by sex and age	16
Underage drinking	17
Risky drinking	18
The consumption patterns of ready-to-drink alcohol beverages	21
Alcohol as a health and social issue	25
Health consequences.....	25
Social consequences	28
Overseas experience	29
Conclusion.....	31

CHAPTER 4

Issues raised during the inquiry	33
Towards a comprehensive approach	33
Work underway.....	34
Further measures.....	35
Conclusion.....	38
Interpreting the data.....	39
Conclusion.....	39
Potential for substitution	41
Conclusion.....	44
Alcohol taxation issues.....	44
Hypothecated tax	51
Conclusion.....	52
Other issues.....	52
Conclusion.....	53
DISSENTING REPORT BY LIBERAL SENATORS.....	57
ADDITIONAL COMMENTS – SENATOR ANDREW MURRAY.....	77
ADDITIONAL COMMENTS BY THE AUSTRALIAN GREENS.....	95
APPENDIX 1	
LIST OF PUBLIC SUBMISSIONS, TABLED DOCUMENTS AND ADDITIONAL INFORMATION AUTHORISED FOR PUBLICATION BY THE COMMITTEE	103
APPENDIX 2	
WITNESSES WHO APPEARED BEFORE THE COMMITTEE AT PUBLIC HEARINGS	107

LIST OF ACRONYMS

ABS	Australian Bureau of Statistics
ADCA	Australian and other Drugs Council of Australia
ADF	Australian Drug Foundation
AER	Alcohol Education and Rehabilitation Foundation
AGPN	Australian General Practice Network
AHA	Australian Hotels Association
AIHW	Australian Institute of Health and Welfare
AMA	Australian Medical Association
ANCD	Australian National Council on Drugs
ASSAD	The 2005 Australian Secondary Students' Alcohol and Drug Survey
COAG	Council of Australian Governments
DSICA	Distilled Spirits Industry Council of Australia
NDSHS	National Drug Strategy Household Survey
NDRI	National Drug Research Institute
NHMRC	National Health and Medical Research Council
PHAA	Public Health Association of Australia
RACP	Royal Australasian College of Physicians
RTDs	Ready-to-Drink
WET	Wine Equalisation Tax

RECOMMENDATIONS

Chapter 4

Recommendation 1

4.21 The Committee supports the introduction of the excise increase on spirit based RTDs, and does so in acknowledgement that it is one in the context of a range of measures undertaken or to be considered to address harmful alcohol consumption by young people.

Recommendation 2

4.22 The Committee notes that some of the additional measures suggested to the Committee will be included in the work being undertaken for COAG but strongly supports the whole range being considered as part of the review.

Recommendation 3

4.43 The Committee notes the potential for alcohol substitution to occur and supports the government's commitment to evaluate the effectiveness of the measure increasing the excise on spirit-based RTDs and all components of the binge drinking strategy.

Recommendation 4

4.74 The Committee supports the call for a review of alcohol taxation and notes that an examination of alcohol taxation will be included in the comprehensive review of the tax system currently underway (the Henry Review).

CHAPTER 1

INTRODUCTION

Terms of reference

1.1 On 15 May 2008 the Senate, on the motion of Senator the Hon Richard Colbeck, referred the following matters to the Committee for inquiry and report by 24 June 2008:

- (a) the effectiveness of the Government's proposed changes to the alcohol excise regime in reducing the claims of excessive consumption of ready-to-drink alcohol beverages;
- (b) the consumption patterns of ready-to-drink alcohol beverages by sex and age group;
- (c) the consumption patterns of all alcohol beverages by sex and age group;
- (d) the impact of these changes on patterns of overall full strength spirit consumption, including any increased consumption of standard drinks of alcohol;
- (e) the evidence underpinning the claims of significant public health benefit in the increase of excise on this category of alcohol;
- (f) applicability of incentives to encourage production and consumption of lower alcohol content beverages;
- (g) the modelling underpinning the Government's revenue estimates of this measure;
- (h) the effectiveness of excise increases as a tool in reducing the levels of alcohol-related harm;
- (i) the empirical evidence on which the Government's decision to increase the excise on ready-to-drink alcohol beverages was based; and
- (j) the effect of alternative means of limiting excessive alcohol consumption and levels of alcohol related harm among young people.

Conduct of the inquiry

1.2 The inquiry was advertised in *The Australian* and posted on the Committee's website calling for submissions by 30 May 2008. The Committee also wrote to relevant organisations and individuals to notify them of the inquiry and to invite submissions. The Committee received 37 public submissions as listed in Appendix 1. The Committee also received one confidential submission.

1.3 The Committee conducted public hearings in Canberra on 11 and 12 June 2008. Witnesses who appeared before the Committee are listed at Appendix 2.

1.4 The Committee's inquiry dovetailed with its inquiry into the Alcohol Toll Reduction Bill that reported on 18 June.¹ Many of the issues and background discussed in the report on the Bill are common to this inquiry, including strategies being implemented by government, COAG and Ministerial Council initiatives.

Acknowledgments

1.5 The Committee thanks those who assisted with the inquiry, many of whom had very recently assisted with the Alcohol Toll Reduction Bill inquiry.

Structure of the report

1.6 Chapter two introduces the background to the inquiry, terminology used in the report and the measure of the excise increase applied to spirit-based ready-to-drink alcohol beverages. Chapter three provides an investigation of the data on consumption patterns and evidence supporting the measure. Chapter four highlights the main issues raised during the Committee's consideration of the inquiry. Discussion of the individual terms of reference has been incorporated into the chapters.

1 Available at: http://www.aph.gov.au/senate/committee/clac_ctte/alcohol_reduction/index.htm.

CHAPTER 2

Background to the inquiry

2.1 Risky and high risk drinking by young people and underage drinkers has become a major public health issue. A number of studies show an increase in regular risky drinking in these age groups in recent years, and in particular, for young women. The Minister for Health and Ageing told Parliament '20 000 young women under 15 every week are now drinking to risky levels'.¹

2.2 The community is understandably concerned due to the greater vulnerability that adolescents and young people have to alcohol in terms of its effect on their development, lack of experience of drinking and the increased likelihood to engage in risky behaviour.

2.3 Data over recent years has also highlighted the rise in popularity and influence of pre-mixed alcohols, known as ready-to-drinks (RTDs) or 'alcopops' (see terminology below), on teenage alcohol use, particularly for females. Specific data on consumption patterns is introduced in this chapter. The Minister for Health and Ageing spoke about concerns regarding the consumption of 'alcopops' by young people:

We believe that binge drinking is a community wide problem and deserves a community wide response. We think that young people are particularly at risk and we know that alcopops are used to hook them on drinking when they are young.²

2.4 The Australian Drug Foundation summarised the major concerns with RTDs:

RTD beverages are of particular concern to our organisations because they are the most popular alcoholic beverage, and the most common first-used alcoholic beverage, among younger age groups. RTDs are the preferred drink for young people who drink at risky levels.³

2.5 Additional concerns regarding RTDs include that some disguise the taste of alcohol more than others, making them easy to drink and appeal to young people with sweet and fizzy drinks. The Minister for Health and Ageing told Parliament:

...research shows that many young people cannot detect the taste of alcohol when it is combined with either sweet mixes or milk, which we know is

1 The Hon Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 14 May 2008, p. 62.

2 The Hon Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 14 May 2008, p. 61.

3 Australian Drug Foundation, *Submission 28*, p. 2.

exactly how these products are used to get young people interested in drinking and hooked for a long time.⁴

2.6 Drug Awareness (NSW) agreed that 'alcopops' are designed to entice underage drinkers who do not like the taste of alcohol to start drinking as the alcohol taste is masked.⁵ A consumer survey by *Choice* found participants had difficulty detecting alcohol in unmarked drinks. A survey of 18 and 19 year olds found that only 69 per cent thought the 'alcopops' contained alcohol, compared with 100 per cent correctly identifying the beer and wine as alcoholic drinks. *Choice* noted that this survey was of 18 and 19 year olds with some drinking experience and suggested that younger drinkers would find it more difficult to detect alcohol.⁶

2.7 Another concern with RTDs was noted by the Australian Drug Foundation that many premixed spirits now contain seven per cent alcohol by volume which makes them attractive to young people who are drinking to get drunk.⁷

2.8 Before embarking on an investigation of alcohol and RTD consumption patterns, the evidence provided to the inquiry and the issues raised, the report will firstly define a few key terms.

Terminology used in the report

Young people

2.9 For the purposes of this report, a young person is defined as being between 12 and 25 years of age. As this range spans several years, the report will break this range down where possible, particularly when referring to underage drinking.⁸

RTDs and alcopops

2.10 Diageo, the largest spirits and RTD producer in Australia, noted there is no clear definition of the term 'alcopop' and that the term RTD covers any pre-mixed beverage which includes: spirit-based RTDs; cider; fruit flavoured wines; and fruit flavoured beers.⁹ There is also a distinction made between dark spirit-based RTDs

4 The Hon Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 14 May 2008, p. 61.

5 Drug Awareness (NSW), *Submission 4*, p. 1.

6 Information available at: <http://www.choice.com.au/viewArticle.aspx?id=106195&catId=100514&tid=100008&p=2&title=Alcopops> accessed on 3 June 2008.

7 Australian Drug Foundation, *Submission 28*, p. 2. As a comparison, full-strength beer is any product above 4.65% alcohol by volume

8 The legal age permitting the consumption of alcohol in Australia is 18.

9 Diageo, *Submission 29*, p. 5.

(such as whisky, rum and bourbon) preferred by males and light spirit-based RTDs (such as vodka, gin and white rum) preferred by females.¹⁰

2.11 The Committee acknowledges that RTDs are commonly known as 'alcopops' and that the general understanding of the term is a premixed drink which is part spirit or wine and part non-alcoholic drink such as milk or soft drink. This report will use the term 'alcopop' to refer to the spirit-based RTDs, which are the subject of the tax increase, but reference to particular RTDs will be clarified as necessary. RTDs cannot exceed 10 per cent alcohol by volume.

Harmful consumption of alcohol

2.12 The Australian Institute of Health and Welfare (AIHW) does not support the term 'binge drinking' as there is no agreed definition and it can mean excessive consumption on a single drinking occasion or a prolonged period of drinking. Their preference is for the use of the language in the National Health and Medical Research Council (NHMRC) guidelines regarding risky and high risk drinking, as 'binge drinking' is typically thought to mean consumption which is risky or high risk for short-term harm.¹¹ The report will therefore use this terminology where relevant, acknowledging that while 'binge drinking' is a commonly used term it is avoided in official publications as ill-defined and unclear.

Guidelines for alcohol consumption

2.13 The 2001 guidelines for alcohol consumption by the NHMRC are currently under review. They define a 'standard drink' as containing 10 grams or 12.5 millilitres of alcohol.¹² NHMRC advised the Committee that the 2001 NHMRC *Australian alcohol guidelines: health risks and benefits* are being revised to reflect new evidence regarding health effects of alcohol. The draft guidelines (renamed the *Australian alcohol guidelines for low-risk drinking*) now contain a proposed guideline for 'low-risk' drinking that is lower than the levels recommended in 2001. The submission noted that the guidelines provide an overarching guideline:

of two standard drinks or less for men and women in any one day for low-risk of both immediate and long term harm from drinking.¹³

2.14 NHMRC noted that the above guideline also covers young people from 18 to 25 years of age but there is also a specific guideline for young people under 18 years of age stating that 'not drinking is the safest option'. This guideline is based on

10 DSICA, *Submission 27*, p. 9.

11 AIHW, *Submission 23*, p. 6.

12 National Health and Medical Research Council, *Australian Alcohol Guidelines: Health Risks and Benefits*, October 2001, p. 5. Information available at: <http://www.alcoholguidelines.gov.au/internet/alcohol/publishing.nsf/Content/standard> accessed on 28 May 2008.

13 NHMRC, *Submission 17*, p. 2.

evidence about developmental damage to the brain and long term harm to young people as a result of alcohol.¹⁴ The guidelines note:

...both young people under 18 years of age and young adults up to the age of 25 continue to be greater risk takers than older adults, but still have poorly developed decision-making skills, which are reflected in the high levels of injuries sustained in these groups. Alcohol affects brain development in young people thus drinking, particularly 'binge-drinking', at any time before brain development is complete (which is not until around 25 years of age) may adversely affect later brain function.¹⁵

2.15 In response to questions at the hearing on the draft guidelines, the NHMRC responded:

The costs over and above that—the kinds of social costs, which are incredibly large—are beyond even the reach of this set of guidelines. While a number of people may say the guidelines seem very harsh, others from the social capital group would say, 'You are lenient.' We steer a course which is very much one of: here are the facts; we have looked at them; we have analysed them in as many ways as we can. I think it is interesting that what constantly comes up is the figure that above two drinks the risks escalate—not just for accident and injury but also for death. So there are biological mechanisms all coming together.¹⁶

2.16 The Australian Medical Association (AMA) noted that excess alcohol consumption is 'an issue of public health significance leading to an unacceptably high level of sickness and social disruption'. They added that the drinking behaviour of teenagers and adolescents was of particular concern as:

- young people were often involved in risk taking behaviours with little understanding of the potential effects of these choices;
- teenagers and adolescents were inexperienced with drinking and were at an earlier stage of brain and body development; and
- there was evidence that early onset of drinking was associated with long term alcohol consumption levels into adulthood.¹⁷

2.17 Based on the above findings, the AMA concluded that any level of risky drinking behaviour by teenagers and adolescents was problematic.¹⁸

14 NHMRC, *Submission 17*, p. 2.

15 NHMRC, *Submission 17*, p. 2.

16 Professor John Currie, *Proof Committee Hansard*, 12 June 2008, p. CA95.

17 AMA, *Submission 33*, pp 2–3.

18 AMA, *Submission 33*, p. 3.

2.18 The vulnerability of young people was supported by Professor Ian Webster, Alcohol Education and Rehabilitation (AER) Foundation, who told the Committee there were a range of vulnerabilities:

They are vulnerable in the sense that they can be persuaded or affected in their behaviour by a range of pressures from advertising and peers. They are vulnerable in the sense that their psychological processes are still developing, their social development is still taking place and their educational development is still taking place. We have increasing evidence, and I have no doubt you have had some of that before you, about the neurobiology of the brain and the degree to which that can be affected by alcohol and for that matter other drugs. So that is an important area for our society and governments in particular to be responding to, because the young are the future and, as I have said, they are highly vulnerable.¹⁹

The changes to the alcohol excise regime

2.19 On 27 April 2008 the tax rate applying to alcohol known as 'other excisable beverages not exceeding 10 per cent by volume of alcohol' ie. RTDs, was increased from \$39.36 to \$66.67 per litre of alcohol. Prior to 27 April 2008, RTDs were taxed at the same rate as full strength beer, although in comparison to beer, RTD products did not receive an exemption on the first 1.15 points of alcohol by volume.²⁰

2.20 The government says that this measure closes a loophole created in 2000 with the introduction of the GST which made RTDs cheaper than if consumers bought the spirits and mixed them themselves. The excise increase means that RTDs are now taxed at the same volumetric rate as bottled spirits, so that now consumers buying spirits and a cool drink and mixing them themselves can do so more cheaply than if they buy pre-mixed RTDs.

2.21 The Minister for Health and Ageing noted that the Government had:

moved to close the previous tax loophole on ready-to-drink products. This was a loophole that was opened up in 2000 by the previous government. It is a loophole that makes no sense because it treats alcopops differently to other spirits and it has led to an explosion in young women in particular drinking these products.²¹

2.22 On 13 May 2008, the Minister for Health and Ageing tabled Excise Tariff Proposal (No.1) 2008 and Customs Tariff Proposal (No.1) 2008 which contained alterations to the *Excise Tariff Act 1921* and *Customs Tariff Act 1995*. The proposals

19 Professor Ian Webster, *Proof Committee Hansard*, 11 June 2008, p. CA27.

20 Treasury Executive Minute dated 14 May 2008 'Information paper on the costing of the impact of the increase in excise on 'other excisable beverages'', tabled by the Minister for Health and Ageing in the House of Representatives on 15 May 2008.

21 The Hon Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 14 May 2008, pp 61–62.

formally placed before Parliament changes to both acts to increase the rate of excise and customs duty applying to 'other excisable beverages not exceeding 10 per cent by volume of alcohol' on and from 27 April 2008.²²

2.23 Under the new tax regime, RTD drinkers will, by 2011–12, pay roughly the same total amount of excise as beer drinkers. The Government advised that this measure will result in an estimated gain to revenue of approximately \$3.1 billion over the forward estimates period.²³

2.24 This measure has raised the question of whether a price rise can be expected to improve the public health outcomes related to harmful alcohol consumption. This question is addressed below and in chapter three.

Treasury modelling

2.25 On 15 May 2008, Treasury modelling was tabled by the Minister for Health and Ageing which assumed a four per cent slowdown in RTD sales resulting in a reduction of growth by 42.7 million 375ml bottles in 2008–09. The financial implications provided by Treasury show the corresponding revenue would be \$640.1 million in 2008–09.²⁴

2.26 At Senate Budget Estimates, Treasury officials noted that their task was to estimate the impact of the policy on the budget. Officials noted the key assumption they made was the price elasticity of demand for RTDs and they used a known price elasticity of demand at minus 0.4 which was derived from a number of academic studies in Australia and overseas on the price elasticity demand for alcohol.²⁵

2.27 Submissions from industry questioned the assumptions used by Treasury in the modelling and suggested the estimates of the revenue may be overstated by as much as 40 per cent.²⁶ Submissions also noted that the Treasury modelling assumed zero substitution of other alcohol products.²⁷

2.28 In response to questions on the assumed zero substitution at Senate Estimates, Treasury officials argued that with different alcoholic beverages some are substitutes

22 The Hon Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 13 May 2008, p. 45.

23 The Hon Nicola Roxon MP, Minister for Health and Ageing, *House of Representatives Hansard*, 13 May 2008, p. 45.

24 Treasury Executive Minute dated 14 May 2008 'Information paper on the costing of the impact of the increase in excise on 'other excisable beverages'', tabled by the Minister for Health and Ageing in the House of Representatives on 15 May 2008.

25 Mr Nigel Ray, Acting Executive Director, *Estimates Hansard*, 3 June 2008, p. E50.

26 Independent Distillers Australia, *Submission 22*, p. 2.

27 DSICA, *Submission 27*, p. 42.

and some are complements and there was no evidence that substitution effects would dominate.

When you look at relevant studies in this area you will find that some of them have positive cross-price elasticities and some of them find negative cross-price elasticities and that is because of the pattern of the relationship between different alcoholic beverages – some are substitutes and in some circumstances they are complements – and on balance we did not have a reasonable reason to move away from zero.²⁸

Conclusion

2.29 The Committee notes that Treasury declined to provide a submission to the inquiry, so further discussion on the modelling and assumptions is not possible. However, the Committee also notes that the Treasury modelling was done to estimate the effect of the measure on the budget and the question of revenue is not central to the inquiry. The measure had already been announced in response to health evidence from researchers, health and medical professionals. The health evidence is addressed in chapter three and the issue of substitution is addressed in chapter four.

Responsiveness to price

2.30 In a speech to the National Press Club, The Treasurer, Mr Wayne Swan said the measure had been introduced to target teenage consumption of the drinks. 'And all of the medical evidence and all of the behavioural evidence indicates that they are responsive to price'.²⁹

2.31 The link between increasing price and lowering consumption was supported by a number of organisations. Overseas experiences are outlined in chapter three. Drug Awareness (NSW) noted there is substantial research to show that the sale of alcohol is price responsive.³⁰ The Chief Executive Officer of the Alcohol Education and Rehabilitation Foundation (AER), Mr Daryl Smeaton has stated:

International evidence demonstrates that taxing alcopops at the same rate as bottled spirits will change the consumption patterns amongst young people and lead to less alcohol-related harm. AER has economic modelling data which demonstrates that young binge-drinkers prefer to drink Ready-to-Drink (RTD) spirits because they offer the most alcohol for the cheapest price. As the National Household Drug Survey shows, teenagers and teen girls, especially are exploiting this loophole to binge drink with alarming regularity.³¹

28 Mr Nigel Ray, *Estimates Hansard*, 3 June 2008, p. E52.

29 Michelle Gratton and Tim Colebatch, 'Opposition threatens to block alcopop tax rise', *The Age*, 15 May 2008, p. 1.

30 Drug Awareness (NSW), *Submission 4*, p. 1.

31 Media Release, The Alcohol Education and Rehabilitation Foundation, 'AER welcomes Alcopop tax as first step towards a fairer alcohol taxation system', 27 April 2008.

2.32 The Royal Australasian College of Physicians (RACP) also noted that tax and price controls were among the most effective and cost-effective strategies to reduce rates of alcohol consumption and harm and could have a profound and rapid effect. They pointed to the conclusions from a number of studies which found that, while the effect varied for different countries and beverages, no other single policy had the same potential to reduce the social, health and economic costs of excess alcohol use as much as alcohol taxation.³²

2.33 The Australian Drug Foundation (ADF) agreed there was strong evidence that the use of pricing and taxation to increase the real price of alcohol was one of the most effective strategies to influence alcohol consumption, particularly among young and heavy drinkers.³³

2.34 The National Drug Research Institute (NDRI) asserted that even small price changes had an effect on reducing alcohol consumption. Furthermore, that evidence indicated high risk populations such as young people were sensitive to price changes.³⁴

2.35 The AER noted that studies in Australia and overseas showed that consumers with a greater propensity to drink at risky levels were more price sensitive than moderate drinkers.³⁵ However, they pointed out the potential for consumers to swap to other alcohol products and this is addressed in chapter four.

2.36 The Australian General Practice Network (AGPN) also supported the measure and indicated that higher priced alcohol was associated with per capita decline in consumption and 'in particular, younger people and those who drink at risk levels were sensitive to price changes'.³⁶ Ms Kate Carnell, AGPN Chief Executive Officer, stated:

There is starting to be some evidence—I accept comments that were made earlier that there is no definitive evidence yet—that we are seeing a change in the sorts of drinking that young people are engaging in based upon the price of the particular beverage.³⁷

2.37 The AGPN cautioned that the tax should be carefully regulated to ensure it kept ahead of increases in disposable income.³⁸

32 Royal Australasian College of Physicians, *Submission 25*, p. 2.

33 Australian Drug Foundation, *Submission 28*, p. 3.

34 National Drug Research Institute, *Submission 15*, p. 5.

35 AER, *Submission 14*, p. 1.

36 AGPN, *Submission 11*, p. 5.

37 Ms Kate Carnell, *Proof Committee Hansard*, 12 June 2008, p. CA23.

38 AGPN, *Submission 11*, p. 5.

2.38 The AMA supported the measure and also noted long term research conducted in many countries indicating that alcohol behaved like other commodities and was responsive to changes in price. In particular the AMA quoted the British Medical Association which concluded that 'the relationship between the affordability of alcohol and the level of consumption provides an effective tool for controlling levels of consumption and reducing levels of alcohol-related harm'.³⁹

2.39 The National Drug and Alcohol Research Centre believed that the excise increase was likely to arrest the increase in RTD sales. While they questioned whether this would reduce overall rates of risky consumption, they noted:

This does not indicate, however, that the Government's decision was wrong: going part of the way is not the same as going the wrong way.⁴⁰

2.40 Professor Robin Room, Alcohol and other Drugs Council of Australia, told the Committee that:

...we find in the literature that there is some responsiveness to price. It is not a perfect responsiveness across the whole drinking spectrum. Obviously someone who has less money in their pocket will be more affected by price than someone who has a lot of money in their pocket. In particular, teenagers and the marginalised heavy drinkers are both quite responsive to price against a lot of assumptions, simply because they lack the resources.⁴¹

2.41 Professor Steve Allsop from the NDRI told the Committee:

Alcohol availability of course can be influenced particularly by price and, by inference, tax... It is probable, based on other evidence, that the recent increase in tax for RTDs will place downward pressure on consumption...⁴²

2.42 In their submission the Department of Health and Ageing noted that there was clear domestic and international evidence that price levels could be employed to reduce alcohol consumption.⁴³ The Department referred to evidence and reported that even with substitution, overall alcohol consumption was still lowered and high risk groups such as heavy drinkers and young people appeared to be price sensitive. The Department concluded:

Alcohol taxes are capable of being designed explicitly to target the types of alcohol known to be the subject of abuse and to discriminate in favour of types associated with lower levels of abuse. Given that young people are more influenced by the price of alcohol, increasing the tax rate on alcoholic

39 AMA, *Submission 33*, p. 4.

40 Christopher Doran and Anthony Shakeshaft, 'What price for public health: using taxes to curb drinking in Australia, National Drug and Alcohol Research Centre, University of NSW, *The Lancet*, June 2008, p. 4. Tabled by NDARC at the 11 June 2008 hearing.

41 Professor Robin Room, *Proof Committee Hansard*, 11 June 2008, pp CA7–8.

42 Professor Steve Allsop, *Proof Committee Hansard*, 12 June 2008, p. CA59.

43 Department of Health and Ageing, *Submission 35*, p. 3.

drinks which are specifically targeted at the youth market (for example, ready to drink alcohol products) is likely to be effective.⁴⁴

2.43 At the hearing the Department of Health and Ageing told the Committee there was a good body of evidence which looked at the effect of price increases on consumption and which generally found that:

Particularly for price-sensitive groups like young people...that an increase in the price of an alcoholic product will lead to a decrease in consumption. The studies also acknowledge that there is a degree of substitution—that, once the price of a preferred product goes up, some groups will switch to a different brand or type of product that is cheaper. But the general conclusion from the evidence seems to indicate that overall, taking into account substitution, consumption levels are lower than the sort of baseline data.⁴⁵

Conclusion

2.44 The Committee notes that although there is some discussion about the precise degree of the responsiveness of alcohol consumption to price there is substantial evidence to indicate that alcohol behaves like other commodities and consumption is responsive to price, particularly among young and heavy drinkers. The Committee accepts that the price of alcohol affects consumption. The data supporting the measure and a summary of findings from overseas are addressed in chapter three.

Consumption patterns since excise increase

2.45 Data released by the Distilled Spirits Industry Council of Australia (DSICA) on 29 May 2008, drawn from the latest Nielson ScanTrak survey of liquor retailers and independent bottle shops, reported that sales of 'alcopops' fell by almost 40 per cent in the fortnight after the tax increase. However, they noted that these figures had been offset by a 20 per cent increase in spirit sales. The data reported that sales of dark-spirit alcopops (mixing scotch, rum and bourbon with cola), favoured by males over the age of 25 dropped by 39 per cent, indicating that older male drinkers were being affected by the policy aimed at teenagers. The light-spirit drinks (containing vodka, gin and white rum) preferred by females dropped by 37 per cent.⁴⁶

2.46 The media noted that DSICA reported:

Not only have consumers simply substituted full-strength spirits for RTDs, the real problem is that self-mixing drinks makes it near impossible to know how much alcohol is being served and consumed.⁴⁷

44 Department of Health and Ageing, *Submission 35*, p. 6.

45 Ms Virginia Hart, Assistant Secretary, Drug Strategy Branch, *Proof Committee Hansard*, 12 June 2008, p. CA87.

46 DSICA, *Submission 27*, p. 9.

47 Ben Packham, 'Pre-mixed down, but spirits up', *Herald Sun*, 29 May 2008, p. 19.

2.47 Regarding these and similar short-term findings, the Public Health Association of Australia (PHAA) cautioned that there was a risk in taking short-term findings and using them to make long-term decisions. However, they noted that the very early indications were that this approach was effective in reducing introduction to alcohol among young women and arresting growth in RTD sales, but urged follow-up research.⁴⁸

Conclusion

2.48 The Committee notes the figures released by the DSICA on the sales of RTDs cover a very short period only and believes this period is not sufficient to draw long term conclusions. In the next chapter the Committee will turn to a description and discussion of the data supporting the measure. The issue of substitution is addressed in chapter four.

48 Public Health Association of Australia, *Submission 24*, p. 7.

CHAPTER 3

The evidence

3.1 Various studies undertaken in recent years show consumption patterns in relation to alcohol use. Some of those studies also provide statistics in relation to the use of alcohol broken down by both age and gender. There are additional studies that outline the health and social effects of alcohol use by young people. Some work has also been done to identify alcoholic drink preferences by type, age and gender. The Committee has considered considerable evidence on alcohol consumption patterns and its effects on young people from a number of such sources, and some of these are discussed below.

Alcohol consumption patterns

3.2 In 2007, approximately 83 per cent of the population aged 14 years and over were current drinkers, meaning they had consumed alcohol in the past 12 months.¹ The first results of the 2007 National Drug Strategy Household Survey released in April 2008, found that between 1991 and 2007, the consumption patterns for people aged 14 or older remained largely unchanged (see table 3.1 below).

Table 3.1—Alcohol Drinking Status: proportion of the population aged 14 years or older, Australia, 1991 to 2007. ²

Drinking status	1991	1993	1995	1998	2001	2004	2007
	(per cent)						
Daily	10.2	8.5	8.8	8.5	8.3	8.9	8.1 #
Weekly	41.0	39.9	35.2	40.1	39.5	41.2	41.3
Less than weekly	30.4	29.5	34.3	31.9	34.6	33.5	33.5
Ex-drinker ^(a)	12.0	9.0	9.5	10.0	8.0	7.1	7.0
Never a full serve of alcohol	6.5	13.0	12.2	9.4	9.6	9.3	10.1 #

(a) Has consumed at least a full serve of alcohol, but not in the previous 12 months.

Difference between 2004 result and 2007 result is statistically significantly (2-tailed $\alpha = 0.05$).

3.3 The Australian Institute of Health and Welfare (AIHW) noted that while the consumption patterns overall remained largely unchanged, drinking patterns varied considerably across age and sex³ as the following evidence shows.

1 AIHW, *Submission 23*, p. 2.

2 Australian Institute of Health and Welfare, *2007 National Drug Strategy Household Survey, First Results*, April 2008, p. 18.

3 AIHW, *Submission 23*, p. 3.

Drinking patterns by sex and age

3.4 The survey found that consumption patterns for those aged 14 years or older varied considerably between males and females. It showed that males were almost twice as likely as females to drink daily (see table 3.2 below).

Table 3.2—Alcohol Drinking Status: proportion of the population aged 14 years or older, by sex, Australia, 2004, 2007.⁴

Drinking status	Males		Females		Persons	
	2004	2007	2004	2007	2004	2007
	(per cent)					
Daily	12.0	10.8 #	5.8	5.5	8.9	8.1 #
Weekly	47.6	46.8	35.0	35.9	41.2	41.3
Less than weekly	27.5	28.3	39.4	38.5	33.5	33.5
Ex-drinker ^(a)	6.0	5.8	8.2	8.1	7.1	7.0
Never a full glass of alcohol	6.9	8.2 #	11.6	12.1	9.3	10.1 #

(a) Has consumed at least a full serve of alcohol, but not in the previous 12 months.

Difference between 2004 result and 2007 result is statistically significantly (2-tailed $\alpha = 0.05$).

3.5 The survey also found that the proportion of daily drinkers increased with age; the peak for daily drinkers was for those aged 60 years or older, and the peak for less-than-weekly drinkers was among teenagers (see table 3.3 below).

Table 3.3—Alcohol Drinking Status: proportion of the population aged 14 years or older, by age, Australia, 2007.⁵

Drinking status	Age group						
	14–19	20–29	30–39	40–49	50–59	60+	14+
	(per cent)						
Daily	1.0	2.3	4.6	8.5	11.8	15.6	8.1
Weekly	20.9	47.8	47.5	46.8	43.8	34.6	41.3
Less than weekly	49.1	37.0	35.7	32.3	30.4	25.1	33.5
Recent drinker ^(a)	71.0	87.1	87.8	87.6	86.0	75.3	82.9
Ex-drinker ^(b)	3.0	4.3	5.8	5.9	7.1	12.4	7.0
Never a full serve of alcohol	26.0	8.6	6.3	6.5	7.0	12.3	10.1

(a) Has consumed at least a full serve of alcohol in the previous 12 months.

(b) Has consumed at least a full serve of alcohol, but not in the previous 12 months.

Note: Statistical significance testing was not undertaken for this table.

3.6 The survey further found that in relation to young people:

4 Australian Institute of Health and Welfare, *2007 National Dug Strategy Household Survey, First Results*, April 2008, p. 19.

5 Australian Institute of Health and Welfare, *2007 National Dug Strategy Household Survey, First Results*, April 2008, p. 20.

- young adults (aged 18 to 19 years) were the most likely to consume alcohol (see table 3.4 below); and
- three in ten young people (aged 12 to 15 years) were current drinkers in 2007, with the same proportion for girls and boys.⁶

Table 3.4—Alcohol Drinking Status: proportion of the population aged 12 years or older, by age, Australia, 2007.⁷

Drinking status	Age group				
	12–15	16–17	18–19	12–19	12+
	(per cent)				
Daily	0.2	0.8	1.6	0.7	7.9
Weekly	2.1	17.8	41.1	15.9	40.0
Less than weekly	27.8	57.0	46.3	39.8	32.8
Ex-drinker ^(a)	2.4	4.2	1.7	2.7	6.8
Never a full serve of alcohol	67.5	20.3	9.2	40.9	12.5

(a) Has consumed at least a full serve of alcohol, but not in the previous 12 months.

Note: Statistical significance testing was not undertaken for this table.

Underage drinking

3.7 Despite the sale of alcohol being restricted to those over the age of 18, the consumption of alcohol by adolescents was shown to be common, and the proportion of teenagers drinking at least weekly was around 22 per cent.⁸ The Australian secondary school students' use of alcohol in 2005 (ASSAD) report described the results of the eighth national survey on the use of alcohol by secondary school students. It found that alcohol was widely used by secondary school students, specifically:

- by age 14, around 86 per cent of students had tried alcohol and by the age of 17, 70 per cent of students had consumed alcohol in the month prior to the survey;
- 30 per cent of 15 year olds and 44 per cent of 17 year olds had consumed alcohol at the levels recommended for adults in the previous week;
- spirits in either premixed or non-premixed form were the most common types of drinks consumed by current drinkers of all ages; and
- more females than males drank premixed spirits and more males than females drank non-premixed spirits.⁹

6 AIHW, *Submission 23*, p. 3.

7 Australian Institute of Health and Welfare, *2007 National Drug Strategy Household Survey, First results*, April 2008, pp 20–21.

8 Australian Institute of Health and Welfare, *2007 National Dug Strategy Household Survey, First Results*, April 2008, p. xi.

9 Department of Health and Ageing, *Australian secondary school students' use of alcohol in 2005*, June 2006, p. 1.

3.8 However, the 2007 National Drug Strategy Household Survey argued that estimates of alcohol use by younger people should be interpreted with caution due to the low prevalence and smaller sample sizes for these age groups. It found that:

- in 2007, over two in three 12 to 15 year olds (67.5 per cent) had never consumed a full serve of alcohol;
- rates of abstinence fell from two thirds for 12 to 15 year olds to a rate for 18 to 19 year olds closer to the rate of abstinence for all people aged 12 years or older (12.5 per cent);
- rates of daily alcohol consumption increased with age but did not reach the 'population' rate (of 7.9 per cent for those aged 12 years or older); and
- in the age group 12 to 15 years, higher proportions of females than males consumed alcohol daily and weekly. In the age groups 16 to 17 and 18 to 19, higher proportions of females than males consumed alcohol less than weekly.¹⁰

Risky drinking

3.9 A study by Heale et al. of the proportion of alcohol drinkers in Australia drinking to levels that were likely to risk harm found that in young adults (18 to 24 years):

90 per cent of all alcohol was consumed in high-risk patterns, primarily due to drinking in ways which placed the drinker at risk of acute harm. The elevated rate of high-risk drinking in the young adult age group is due to young people being more likely to drink a large amount of alcohol in a short space of time, typically on weekends.¹¹

3.10 Australian Bureau of Statistics (ABS) data from 2004–05 on alcohol consumption found that:

- among teenagers aged 14 to 19 years drinking at risky/high levels in the long term, 77 per cent of boys usually consumed regular strength beer while 85 per cent of girls usually consumed bottled spirits and liqueurs; and
- among risky/high risk drinkers aged 18 to 24 years, 75 per cent drank ready-to-drink spirits and liqueurs compared to 56 per cent of low risk drinkers of the same age.¹²

3.11 This data serves to highlight that ready-to-drink alcohol beverages (RTDs) are the preferred drink of choice for many young high risk drinkers, particularly for three

10 Australian Institute of Health and Welfare, *2007 National Drug Strategy Household Survey, First results*, April 2008, pp 20–21.

11 Ministerial Council on Drug Strategy, *The Prevention of Substance use, risk and harm in Australia*, January 2004, p. 28.

12 Australian Bureau of Statistics, *4832.0.55.001 – Alcohol Consumption in Australia: A snapshot, 2004-05*, 25 August 2006, p. 4 and p. 7.

quarters of women in the 18 to 24 year age group, who seem to prefer them over other alcoholic drinks. This is a significant finding and the consumption of RTDs by younger people will be discussed in more detail later in this chapter.

3.12 A recent report from the Australian National Council on Drugs (ANCD), which combined several major statistical studies on substance abuse, found that young people engaging in risky drinking behaviour was the biggest problem faced by families. The report found:

- with the exception of tobacco, alcohol was the most widely used substance by young people with high rates of risky drinking reported across all surveys (and increasing with age);
- in any given week approximately 1 in 10 (or 168 000) 12 to 17 year olds reported risky drinking/drinking at harmful levels;
- in any given week 1 in 10 (or 31 325) 15 year olds reported risky drinking/drinking at harmful levels;
- in any given week 1 in 5 (or 54 116) 16 year olds drank at harmful levels; and
- in any given week 1 in 5 (or 59 176) 17 year olds reported risky drinking/drinking at harmful levels.¹³

3.13 At the release of the report on 25 February 2008, ANCD Chairman, Dr John Herron, noted that 'drug and alcohol use by young people has become normalised and is often seen as a rite of passage to adulthood'.¹⁴ The report argued that alcohol and substance abuse was less likely among young people whose parents actively disapprove of alcohol use. The report's findings indicated that a significant proportion of teenagers of non-legal drinking age were risking serious potential harm to themselves and others by engaging in risky drinking behaviour. The findings effectively showed that 10 per cent of all 12 to 17 year olds and 20 per cent of all 16 year olds were drinking at harmful levels. Therefore, the Committee agrees that any policy measures which are designed with the intent to help reduce risky drinking behaviours in young people are worth considering.

3.14 Concerns were raised during the inquiry about some of the differences in survey results across various studies. Yet as Adjunct Professor Michael Moore told the inquiry:

There has been a great deal of debate on whether or not there has been an increase in the harmful use of alcohol amongst teenagers. In fact, I think it is a side issue. I think it is really important for us to recognise that there is harmful use of alcohol going on extensively with young people and with older people as well. Whilst that harmful use of alcohol is going on,

13 ANCD Research Paper No. 15, *Supporting the families of young people with problematic drug use*, Chapter 1, 2008.

14 Media Release, Dr John Herron, Chairman of the Australian National Council on Drugs, 'Families in need of support', 25 February 2008.

whether it has increased in the last four or five years or not, it is something that does need to be dealt with.¹⁵

3.15 Ms Kate Carnell, Chief Executive Officer of the Australian General Practice Network (AGPN), pointed out to the Committee that, while evidence did not suggest that problem drinking levels were worse now than they were 10 years ago, there was evidence to suggest that they were far too high now and that they were far too high 10 years ago. She stated:

...we do have evidence to suggest that at the pointy end, the serious damage and the hospitalisations have increased quite significantly. We anecdotally believe there is evidence to suggest that younger children are drinking more regularly—the 12- to 16-year-olds—which came out of our survey and others. That will in the end produce bad health outcomes for those young people, but we do not have evidence.¹⁶

3.16 Dr Tanya Chikritzhs, Senior Research Fellow at the National Drug Research Institute (NDRI), argued that the evidence did not necessarily point to a static rate of consumption. She told the Committee:

...when you look at the secondary school surveys, consumption has not been stable. The proportion of young people who drink overall has gone down somewhat, but—and this often gets misquoted in the media—the proportion of young people who are underage and drink at risky and high-risk levels for an adult, which is more than four and six standard drinks, is greater than it has been since the mid-1980s. This is based on national secondary school surveys. So, again, the proportion of young people drinking at risky and high-risk levels is greater than it has been since it began to be measured, and I think that is something we need to keep in mind. What that survey also showed is that young people's drinking preferences, particularly young women's, have shifted markedly from wine to premixed drinks, and that coincides quite well with the other. What I am saying is that the increased preference for premixed drinks coincides quite well with the increase in the proportion of young people who are drinking at risky and high-risk levels.¹⁷

3.17 As can be seen from the surveys presented above, evidence clearly shows there is a widespread problem with the illegal consumption of alcohol by underage drinkers or minors. Therefore, any policy measures which can be practically implemented to assist in curbing this problem, including the specific measure being examined by this inquiry, are viewed positively by the Committee.

15 Adjunct Professor Michael Moore, PHAA, *Proof Committee Hansard*, p. CA15.

16 Ms Kate Carnell, *Proof Committee Hansard*, 12 June 2008, p. CA27.

17 Dr Tanya Chikritzhs, *Proof Committee Hansard*, 12 June 2008, p. CA66.

The consumption patterns of ready-to-drink alcohol beverages

3.18 It was suggested to the Committee that a number of factors have contributed to the popularity of RTDs with young drinkers, including:

- being cheaper in relation to other alcoholic beverages with comparative alcohol content;
- being flavoured with fruit or confectionery flavours, often heavily sweetened to mask the bitter and astringent taste of alcohol and appeal to the taste preferences of young people; and
- being attractive to young drinkers who were planning to get drunk because many 'premium' premixed spirits now comprised seven per cent alcohol by volume (ABV) so a bottle or can contained two standard drinks.¹⁸

3.19 The National Centre for Education and Training on Addiction (NCETA) raised concerns in their submission that RTDs appeared to be marketed primarily at young drinkers because the products contained:

- sweet fruity flavours;
- screwtops for easy portability;
- bright colours to assist in brand identification;
- high alcohol content (up to 18%) for rapid intoxication; and
- relatively low price and general widespread availability.¹⁹

3.20 A recent study of 12 to 30 year olds examined the acceptability to them of a range of different RTD's and found that, among the youngest age groups in the study, RTDs were the most commonly first used and most preferred alcoholic beverage.²⁰

3.21 Recent data by the ABS released 18 April 2008 showed consumption of RTDs for persons aged 15 and over rose from 15.4 million litres in 2005 to 18.1 million litres in 2007.²¹ The Alcohol Education and Rehabilitation Foundation (AER) noted that these figures made it the fastest growing category of all drinks and resulted in Australia having the highest per capita consumption of RTDs in the world, double that of the next biggest consumers Britain and New Zealand.²²

18 Australian Drug Foundation, The Cancer Council Victoria and VicHealth, *Submission 28*, p. 2.

19 NCETA, *Submission 10*, p. 5.

20 Copeland, J. et al. 'Young Australians and alcohol: the acceptability of ready-to-drink (RTD) alcoholic beverages among 12-30 year olds', *Addiction*, Society for the Study of Addiction, 2007, 102, p. 1744.

21 Australian Bureau of Statistics, *4307.0.55.001 – Apparent consumption of Alcohol*, Australia 2006–07, 18 April 2008.

22 Media Release, The Alcohol Education and Rehabilitation Foundation, 'AER welcomes 2020 Summit 'Big Ideas' to tackle binge drinking', 23 April 2008.

3.22 The Australian Medical Association (AMA) also highlighted some of the evidence that showed an increase in RTD consumption by younger people. In their submission they stated:

The 2006 ASSAD survey indicates that there has been an increasing preference for RTDs among 12 to 17 year old males and females between 1999 and 2005. The 2007 National Drug Household Survey findings show that in 2007 females between 12 and 17 years had a very strong preference for drinking pre-mixed spirits and bottled spirits, stronger than for males in that age range.²³

3.23 A research report *Alcohol consumption patterns among Australian 15 to 17 year olds from 2000 to 2004*, commissioned by the Department of Health and Ageing, found that for females the share of consumption for pre-mixed spirits/liqueurs increased across surveys from 11 per cent in 2000 to 55 per cent in 2004. For males, the consumption of pre-mixed drinks/liqueurs increased to over a third of the share of consumption.²⁴ The report found that:

- over three in five female drinkers reported consuming pre-mixed spirits on their last drinking occasion in 2004 (62 per cent). There was a large increase across surveys in the proportion of female drinkers consuming spirits, including pre-mixed spirits; and
- just over half of male drinkers reported in the 2004 survey that they consumed spirits and/or beer on their last drinking occasion (spirits 54 per cent and beer 55 per cent).²⁵

3.24 The ASSAD report found that more girls than boys drank RTDs. The report stated that female drinkers from all of the age groups surveyed were more likely to report that they usually drank premixed spirits in 2005 than they did in 1999.²⁶ The survey found that 47 per cent of girls and 14 per cent of boys aged 12 to 17 had drunk RTDs in the previous week.²⁷ *Choice* also found that RTDs were the most commonly consumed form of alcohol among 12 to 17 year old girls.²⁸ Analysis by the AIHW of the 2001, 2004 and 2007 National Drug Strategy Household Surveys showed variations in the preferences of alcoholic drinks consumed by different age groups and sexes across time. See tables 3.5 and 3.6 below.

23 AMA, *Submission 33*, p. 3.

24 Department of Health and Ageing, Research Report, *Alcohol consumption patterns among Australian 15–17 year olds from 2000–2004*, March 2005, p. 6.

25 Department of Health and Ageing, Research Report, *Alcohol consumption patterns among Australian 15–17 year olds from 2000–2004*, March 2005, p. 2.

26 Victoria White and Jane Hayman, *Australian secondary school students' use of alcohol in 2005*, Report prepared for Drug Strategy Branch, Australian Government Department of Health and Ageing, June 2006, p. 2.

27 Drug Awareness (NSW), *Submission 4*, p. 2.

28 Drug Awareness (NSW), *Submission 4*, p. 2.

Table 3.5–Trends in preferences for specific alcoholic drinks, 2002–2007, males (per cent)²⁹

Alcohol type	Year	Age group						Total
		12–15	16–17	18–19	20–29	30–39	40+	
Cask wine	2007	6.1	8.2	7.5	7.0	7.1	16.0	12.0
	2004	9.5	8.0	9.1	7.7	9.4	22.1	15.9
	2001	10.0	11.7	5.9	7.7	11.0	22.2	16.0
Bottled wine	2007	11.9	10.1	18.9	34.1	47.7	52.6	45.1
	2004	17.2	8.3	21.0	36.2	46.0	49.4	43.4
	2001	21.4	14.6	15.2	34.2	42.3	45.0	39.7
Regular strength beer	2007	29.0	50.6	63.9	68.0	61.0	40.1	49.8
	2004	34.9	51.2	67.8	68.6	55.3	35.7	47.0
	2001	44.2	62.9	71.7	67.1	59.1	38.2	50.1
Low alcohol beer	2007	13.5	12.5	5.7	11.0	17.5	29.4	22.3
	2004	23.7	14.2	5.5	12.7	23.1	33.6	26.0
	2001	21.4	18.4	8.9	15.4	26.3	36.1	28.3
Bottled spirits and liqueurs	2007	30.6	47.6	54.0	54.5	40.3	32.0	38.7
	2004	35.5	42.9	63.1	51.9	37.1	31.9	38.0
	2001	44.4	58.0	67.6	58.4	40.9	30.3	40.4
Pre-mixed spirits in a can	2007	36.9	56.3	60.7	47.6	28.5	10.9	24.3
	2004	50.2	55.7	65.3	42.0	27.9	9.3	23.0
	2001	43.8	57.9	53.5	34.8	19.5	5.5	18.2
Pre-mixed spirits in a bottle	2007	25.8	29.9	33.3	26.4	11.6	3.8	11.5
	2004	21.1	32.0	41.7	22.7	10.0	3.6	10.8
	2001	24.1	31.9	35.6	21.2	9.1	1.7	9.6

Notes:

1. Preferences are inferred from responses to the question 'What type of alcohol do you usually drink?'; respondents could select more than one usual drink.
2. The 2001 survey did not include 12–13 year olds. In this table, 14–15 year olds are shown in the 12–15 age group column for 2001. Therefore the trend for this column should be interpreted with caution. The totals for 2001 are for 14 years and over.

Source: AIHW analysis of National Drug Strategy Household Surveys.

3.25 For males, it was clear that RTDs were the preferred form of beverage for younger males than for those in older age groups. The Department summarised a key element of the findings, stating:

When looking across the younger male age groups, where pre-mixed spirits in a bottle have been nominated as the preferred beverage, there is an observed increase in this preference with age: 25.8 per cent in 2007 among 12–15 year olds, 29.9 per cent among 16–17 year olds, peaking at 33.3% among males aged 18–19 years.³⁰

²⁹ AIHW, *Submission 23*, p. 5.

³⁰ Department of Health and Ageing, *Submission 35*, p. 7.

Table 3.6—Trends in preferences for specific alcoholic drinks, 2002–2007, females (per cent)³¹

Alcohol type	Year	Age group						Total
		12–15	16–17	18–19	20–29	30–39	40+	
Cask wine	2007	3.8	7.3	9.7	10.7	10.9	19.3	15.2
	2004	8.8	11.0	16.0	13.6	14.8	26.8	20.8
	2001	12.4	15.8	18.4	14.9	19.8	30.3	23.9
Bottled wine	2007	15.4	16.5	28.0	60.0	69.0	70.2	63.8
	2004	19.5	21.0	32.7	54.4	62.0	66.8	59.8
	2001	24.7	20.1	30.7	57.3	62.0	61.6	57.3
Regular strength beer	2007	9.8	9.6	17.3	25.6	19.8	9.0	14.3
	2004	12.1	17.2	24.9	26.5	18.1	8.2	14.4
	2001	8.9	15.1	26.2	29.3	17.6	8.4	15.1
Low alcohol beer	2007	5.8	3.6	6.3	5.9	7.7	10.8	8.8
	2004	7.8	5.2	4.6	7.9	10.8	12.7	10.8
	2001	12.9	5.6	3.0	8.1	11.9	14.4	11.9
Bottled spirits and liqueurs	2007	53.3	54.4	73.9	58.3	44.2	33.5	42.4
	2004	46.1	64.4	69.8	61.5	43.1	34.4	43.5
	2001	51.7	59.1	76.8	64.4	48.8	33.4	45.4
Pre-mixed spirits in a can	2007	59.4	57.0	60.8	37.1	22.8	9.7	21.3
	2004	43.0	61.7	57.3	37.1	21.9	7.5	20.1
	2001	55.5	57.2	62.0	32.5	19.2	5.5	18.6
Pre-mixed spirits in a bottle	2007	49.9	68.5	68.9	47.3	28.7	11.0	25.4
	2004	55.1	80.8	75.4	51.8	27.2	10.5	26.8
	2001	63.6	70.8	76.4	47.7	25.3	7.1	24.7

Notes:

1. Preferences are inferred from responses to the question 'What type of alcohol do you usually drink?'; respondents could select more than one usual drink.
2. The 2001 survey did not include 12–13 year olds. In this table, 14–15 year olds are shown in the 12–15 age group column for 2001. Therefore the trend for this column should be interpreted with caution. The totals for 2001 are for 14 years and over.

Source: AIHW analysis of National Drug Strategy Household Surveys.

3.26 For females, the results showed that young females had a higher preference for RTDs than males. The preference for RTDs by females aged between 12 to 19 years ranged from 43 per cent to 76 per cent, compared with males whose preference for RTDs ranged between 21 per cent and 65 per cent.

3.27 The general attractiveness of RTDs was also evident in the sales figures. RTDs increased from three per cent of total alcohol sales in 1997 to 15 per cent of total sales in 2006, an increase of more than 450 per cent. The value of RTDs sold went from \$942 million in 1997 to \$5 134 million in 2006.³² This was a significant increase and showed the popularity rise in these types of drinks over the last ten years or more. Prior to the introduction of the Government's recent measure to increase the

31 AIHW, *Submission 23*, p. 6.

32 Doran, Christopher M., and Shakeshaft, Anthony P., 'What price for public health: using taxes to curb binge drinking in Australia', *The Lancet*, in press, p. 2 and p. 5.

excise on RTDs, it was expected that RTD sales would surpass wine sales over a forecast period to 2012.³³ It is yet to be determined what result the Government's recently introduced measure will have on long term sales of RTD alcoholic beverages.

3.28 The Public Health Association of Australia (PHAA) commented about the effect the Government's measure had on RTD consumption since its introduction on 27 April 2008. While initial findings showed a 40 per cent decrease in RTD sales in the first month, and that early indications were that the approach seemed effective in some areas, they urged more follow up was needed.³⁴

3.29 The Committee believes the measure shows some early signs of success in curbing the consumption increase of RTDs and agrees that more time is needed to evaluate its effectiveness.

Alcohol as a health and social issue

3.30 Evidence has clearly demonstrated the links between the misuse of alcohol and the resulting health effects and anti-social behaviour. The negative health effects of alcohol misuse are well established in medical literature, and young people are not immune to problems generally only associated with older, long term alcohol misusers. In addition to health problems, dangerous and criminal behaviour, accidents and violence are shown to be the unfortunate consequences of high risk drinking or other misuse of alcohol. Therefore, any measures which discourage the misuse of alcohol by young people and help protect them from the consequences of both the short and long term misuse of alcohol need to be encouraged.

Health consequences

3.31 AIHW reported that among young people aged 10 to 19 years, the proportion of total treatment episodes for which alcohol was the principal drug of concern increased from 15 per cent to 23 per cent over the past five years.³⁵

3.32 Tobacco and alcohol use contributed to the majority of preventable health problems associated with drug use.³⁶ The report by the Ministerial Council on Drug Strategy on the Prevention of Substance Use, Risk and Harm in Australia found that:

Alcohol causes the deaths and hospitalisation of slightly more children and young people than do all the illicit drugs combined and many more than

33 'Alcoholic Drinks in Australia', *Euromonitor International*, January 2008, p. 45.

34 PHAA, *Submission 24*, p. 7.

35 AIHW, *Submission 23*, p. 1.

36 Ministerial Council on Drug Strategy, *The Prevention of Substance use, risk and harm in Australia*, January 2004, p. 32.

tobacco. These deaths are almost invariably caused by either intentional or unintentional injuries.³⁷

3.33 As well as the long term risks associated with excessive alcohol consumption, there were a range of short term risks including: death by alcohol overdose; alcohol poisoning; unsafe sex; sexual assault; physical violence; motor vehicle deaths and accidents and additional risks to activities such as swimming, diving and surfing.³⁸

3.34 The Australian Psychological Society pointed out that mental health issues needed to be considered in the overall context of harm resulting from risky drinking behaviour. They stated:

The patterns of alcohol use by young people are of concern because the majority of the alcohol consumed by young people is drunk at levels that exceed the recommended levels for adults. Research associates current adolescent binge drinking patterns with brain damage, and we currently have the largest cohort of young women binge drinkers in our history.³⁹

3.35 The Royal Australian College of Physicians (RACP) told the Committee that young people were 'particularly vulnerable to the harmful effects of alcohol because of the combination of inexperience of drinking, and the frequent combination of high risk drinking with high risk activity and potential accidental injury'. They went on to say that 'fortunately, most teenagers drinking at high risk manage to survive a usually brief period of adolescent turbulence without clinical interventions. Some however, will continue to drink at high risk levels and some will suffer irreparable harm'.⁴⁰

3.36 Emeritus Professor Ian Webster of the Alcohol Education and Rehabilitation Foundation (AER) advised the Committee that evidence showed the earlier young people started drinking, the more likely they were to have 'continuing problems around alcohol and other drugs and to have subsequent mental health problems and that this in itself justified concern about RTDs and young people in general'.⁴¹ He also advised the Committee:

In the health system and in public health generally we have a measure we call the burden of disease. The burden of disease measures the extent of lives lost from a particular health event and the degree of disablement—in

37 Ministerial Council on Drug Strategy, *The Prevention of Substance use, risk and harm in Australia*, January 2004, p. 31.

38 List compiled from Professor Sandra Jones and Parri Gregory, 'The impact of more visible standard drink labelling on youth alcohol consumption: Helping young people drink (ir)responsibly?', tabled at public hearing on 15 May in Canberra at the Alcohol Toll Reduction Bill 2007 inquiry, p. 3 and Fact Sheet on Alcohol and Young People available at: [http://www.alcoholguidelines.gov.au/internet/alcohol/publishing.nsf/Content/743098662DA39D68CA25718E0081F1D9/\\$File/fs-young.pdf](http://www.alcoholguidelines.gov.au/internet/alcohol/publishing.nsf/Content/743098662DA39D68CA25718E0081F1D9/$File/fs-young.pdf) accessed on 28 May 2008.

39 The Australian Psychological Society Ltd, *Submission 20*, p. 12.

40 The Royal Australian College of Physicians, *Submission 25*, p. 4.

41 Emeritus Professor Ian Webster, *Proof Committee Hansard*, p. CA28.

other words, the lack of productive life. When you look at the young age group, nine out of 10 of the causes of the burden of disease in young men are related to mental health problems, alcohol and drug problems; and eight out of 10 in young women. So substance use and its link to mental health problems is a predominant and major problem for the development of risks for young people whatever way you look at it, and it is an important area for our society to focus on.⁴²

3.37 Research conducted by the National Drug Research Institute (NDRI) showed that alcohol was a major contributing cause of death and hospitalisation for young people, with the majority of alcohol related harms caused by episodes of drinking to intoxication. It revealed that:

- in the ten years from 1993–2002, an estimated 2 643 young Australians aged 15 to 24 died from alcohol attributable injury and disease due to risky/high risk drinking (about 15 per cent) of all deaths in that age group;
- from 1993–94 to 2001–02 there were an estimated 101 165 alcohol-attributable hospitalisations for young people, accounting for one-in-five (about 22%) of all hospitalisations in that age group;
- among under-aged drinkers, those in the 14 to 17 year age group, more than 80 per cent of all the alcohol was consumed at risky/high risk levels for acute harm; and
- over the ten years from 1993–2002, an estimated 501 underage drinkers (aged 14 to 17) died from alcohol attributed injury and disease caused by risky/high risk drinking in Australia, and another 3 300 were hospitalised for alcohol attributable injury and disease in 1999–00.⁴³

3.38 A study of hospital admissions in Victoria showed that the rate of alcohol-caused hospital admissions between 1998–99 and 2005–06 increased significantly in those aged 16 to 24 years for both males and females. Females aged 18 to 24 years showed the highest increase in alcohol-caused hospital admissions from a rate of 6.0 per 10 000 persons in 1998–99 to 14.6 per 10 000 persons in 2005–06.⁴⁴ This increase in alcohol related hospital admissions in young people is of serious concern and serves to remind the Committee that any efforts to tackle risky drinking behaviour in young people can be justified simply on health grounds alone.

3.39 In responding to the Victorian study, Adjunct Professor Michael Moore, Chief Executive Officer of PHAA, stated:

The data did show an upward trend in alcohol related harm among young Victorians aged 16 and over, because that is what the researcher, Michael

42 Emeritus Professor Ian Webster, *Proof Committee Hansard*, p. CA27.

43 NDRI, *Submission 15*, p. 2.

44 Livingston, Michael, 'Risky alcohol consumption and young people', *Australian and New Zealand Journal of Public Health*, 2008 Vol. 32 No. 3, p. 269.

Livingston, was looking at, and he was looking at it specifically in Victoria. The hospital emergency data showed a substantial increase in harm for young people, both male and female, between 16 and 24 and a particularly sharp increase amongst females aged 18 to 24... The real debate is: is there harmful and hazardous use of alcohol, what should the Government be doing about it, and should the Senate support that or not? I think that that survey does strengthen the view that an intervention is appropriate.⁴⁵

3.40 Professor Steve Allsop, Director of the NDRI argued that the current costs of alcohol related harm were intolerable to the community and that previous research indicated that 'on average 50 young people under the age of 18 die each year due to alcohol, and if we look at 15 to 24 year olds this figure increases to 250 people on average dying each year and approximately 10 000 hospitalised each year'.⁴⁶

3.41 As the Australian Drug Foundation, the Cancer Council Victoria and VicHealth told the Committee regarding the misuse of alcohol by young people:

The harmful use of alcohol by young people is of concern to our organisations. Risky levels of alcohol use by young people are linked to increased risk of long term developmental damage and chronic disease including cancer. It can also give rise to increased risk of acute harms such as injury, and violence, as well as impacting negatively on the wider community.⁴⁷

Social consequences

3.42 The Australasian Therapeutic Communities Association summarised, from a number of sources, a range of social consequences associated with substance abuse including alcohol. They stated in their submission that:

Substance use is associated with problems beyond those experienced by the individual and poses considerable harm to the wider Australian community. For example, it is estimated that for every one person who drinks alcohol in large and/or frequent quantities, at least four other people are negatively affected. Harmful substance use can have a major impact on families through neglect, violence, separation, and financial and legal problems. It can affect work colleagues through absenteeism, loss of productivity, and work accidents, and the wider community through accidents and crime. Depending on the definitions used, up to 70% of crime is related to substance use.⁴⁸

3.43 Alcohol use and the incidence of crime was an issue of major concern to most communities. Statistics on the prevalence of alcohol use among detainees was collated

45 Adjunct Professor Michael Moore, *Proof Committee Hansard*, 11 June 2008, p. CA16.

46 Professor Steve Allsop, *Proof Committee Hansard*, 12 June 2008, p. CA59.

47 Australian Drug Foundation, The Cancer Council Victoria and VicHealth, *Submission 28*, p. 2.

48 Australasian Therapeutic Communities Association, *Submission 12*, p. 5.

through Drug Use Monitoring in Australia (DUMA) who conducted annual data collection and reporting on the age of first, and regular, illegal use for nine classes of drugs, including alcohol. Data released by DUMA in 2007 on the age of first reported alcohol use and the age of first arrest showed the average age of first alcohol use by detainees was 14 years for both males and females. The report stated that the average age at which detainees first tried alcohol was younger compared to the general population, who first consumed alcohol at around 17 years of age.⁴⁹

3.44 While the report does not demonstrate a direct link between alcohol consumption and the actual crime detained for, its findings serve to highlight that detainees have, on average, been exposed to alcohol use at a much earlier age than the general population. As evidence presented earlier in this chapter shows, RTDs appear to be the most attractive form of alcohol for younger drinkers. Therefore any measures which decrease their attractiveness and help prevent younger people from starting to drink at an early age may also assist to prevent them from engaging in future criminal and antisocial behaviours.

3.45 Professor Steve Allsop of NDRI pointed out to the Committee that a large proportion of police time was devoted to alcohol related problems.⁵⁰ He stated:

It is not about the small number of people who are severely alcohol dependent. Of course we need to have effective responses to them, but quite a lot of the harm in the community occurs from people who occasionally drink too much. They might not consider themselves heavy drinkers but, if you look, young people are highly over-represented in drink-driving accidents and mortality rates. You would not, by any definition, categorise them as regular, heavy, alcoholic drinkers, but occasionally very heavy drinking creates substantial harm for themselves and for the broader community. As I said, current levels of harm should be unacceptable to the broader community. It is a cost for all of us.⁵¹

Overseas experience

3.46 Underage drinking and heavy episodic drinking by young adults was a significant problem in all developed countries. Australia was not the only country undertaking measures to combat drinking problems. There was an unprecedented push underway to combat the effects of heavy drinking worldwide. In January 2008 the World Health Organisation (WHO) agreed to develop a strategy to tackle the problem, and in 2007 WHO issued a report which concluded that:

The evidence shows that young people's [alcohol] consumption is particularly sensitive to price. Policies that increase alcohol prices have

49 Australian Institute of Criminology web site, *Drug Use Monitoring in Australia: 2006 Annual report on drug use among police detainees*, http://www.aic.gov.au/publications/rpp/75/05_overview.html#selfo, accessed 10 June 2008.

50 Professor Steve Allsop, *Proof Committee Hansard*, 12 June 2008, p. CA 63.

51 Professor Steve Allsop, *Proof Committee Hansard*, 12 June 2008, p. CA 68.

been shown to reduce the proportion of young people who are heavy drinkers, to reduce underage drinking, and to reduce per occasion binge drinking. Higher prices also delay intentions among younger teenagers to start drinking and slow progression towards drinking larger amounts.⁵²

3.47 The NDRI advised the Committee that international evidence consistently indicated that 'increases in excise on alcohol has a significant effect on overall levels of alcohol consumption'.⁵³ Similarly, the Department of Health and Ageing told the inquiry that international literature suggested there were positive effects on the reduction of alcohol-related harms when price was increased. The Department stated that:

Several studies examining the impact of beer excise taxes in the United States concluded that increases in beer tax would significantly reduce youth motor vehicle fatalities. Research examining the increase in excise tax on distilled spirits in the United States showed a reduction in deaths for alcohol-related liver cirrhosis. A change in tax reform in Switzerland led to a decrease in the price on foreign spirits, in turn leading to an increase in consumption of spirits. The increase in consumption was consistent across all subgroups, except those aged 60 years or over.⁵⁴

3.48 There were also claims that in Britain, where taxes on 'alcopops' were raised in 2002, sales fell by 40 per cent.⁵⁵ Emeritus Professor Ian Webster told the Committee:

I was in Britain within the last month, and I noticed that some of the senior police officers of some of the counties in England were advocating the banning of RTDs. I am not advocating that but I am pointing out that this a problem which has been recognised in other places.⁵⁶

3.49 Further international evidence was referred to by the AMA who submitted:

Studies of consumption patterns in Australia, New Zealand, Canada, Finland, Ireland, Norway, Sweden, the United Kingdom, and the United States have consistently shown that when other factors remain unchanged, a rise in alcohol prices has generally led to a drop in the consumption of alcohol. There is clear evidence that this basic economic theory of price influencing demand is applicable to the demand for alcohol beverages, despite their dependence inducing capability.⁵⁷

52 World Health Organisation, *WHO Expert Committee on problems related to alcohol consumption* 2007, http://www.who.int/substance_abuse/expert_committee_alcohol_trs944.pdf, accessed 6 June 2008, p. 27.

53 NDRI, *Submission 15*, p. 3.

54 Department of Health and Ageing, *Submission 35*, p. 5.

55 Julian Lee, 'Cheap wine looks to be on a winner', *Sydney Morning Herald*, 29 April 2008, p. 2.

56 Professor Ian Webster, *Proof Committee Hansard*, 11 June 2008, p. CA 26.

57 AMA, *Submission 33*, p. 4.

3.50 The RACP also advised the Committee that the size of the effect of tax and price controls varied for different countries and different beverages, but that 'the direction of the effect is highly consistent'.⁵⁸

3.51 The Committee understands that the application of a tax, or excise, on various types of alcohol is often adopted by other countries as a useful measure to help combat the misuse of alcohol and to assist in harm minimisation.

Conclusion

3.52 While the majority of evidence to date shows that alcohol consumption in general remains largely steady, within specific categories of alcohol consumption there are some concerning trends especially in relation to RTDs. The Committee views the overall evidence as strongly indicating that action needs to be taken to prevent both the health and social consequences of risky drinking behaviour in young people.

3.53 Although the various studies of risky drinking behaviour may vary somewhat in their individual results, there are widespread indicators that young people are commonly engaging in risky drinking behaviour at unacceptable levels. While there may be some discussion on the interpretation of the results, this does not detract from the fact that action needs to be taken to help protect what appears to be a significant proportion of young people from the harms and social consequences resulting from drinking to excess.

58 The Royal Australian College of Physicians, *Submission 25*, p. 3.

CHAPTER 4

Issues raised during the inquiry

4.1 The majority of evidence presented to the Committee expressed support for the excise increase on spirit-based RTD beverages. In addition, the issue most raised with the Committee was whether the measure goes far enough. It was suggested that other measures would also be of benefit in addressing the issue of risky and high risk drinking by young people as part of a comprehensive approach. There were also a number of questions and concerns about unintended consequences presented which will be detailed below.

Towards a comprehensive approach

4.2 While supporting the measure as a first step, the majority of submissions argued that raising alcohol taxes needed to be part of a comprehensive approach to address the harmful and hazardous use of alcohol which included controlling supply as well as reducing demand. The only people who did not support the measure and argued it was a retrograde step were from the industry.

4.3 The National Drug and Research Institute (NDRI), while recognising the potential of the increase in the excise on RTD alcoholic beverages, drew the Committee's attention to the body of evidence that showed a package of measures are required to address the issue most effectively.¹ This was supported by the Australian Medical Association (AMA) which believed that a stronger and multi-faceted approach is required to change harmful drinking patterns which included the use of price signals to discourage alcohol consumption.²

4.4 The Curtin Centre for Behavioural Research in Cancer Control noted that reviews of international literature indicated that a combination of policy, economic, educational and environmental measures was required to obtain maximum results.³

4.5 The Royal Australasian College of Physicians (RACP), which supported the measure as the most cost-effective, cited evidence which found that:

Modelling health-related reforms to taxation of alcoholic beverages has demonstrated that alcohol tax reform on its own is not effective and must be carried out in conjunction with other strategies.⁴

4.6 The Alcohol Education and Rehabilitation (AER) Foundation believed that a holistic solution was required to address excessive alcohol consumption and that it

1 NDRI, *Submission 15*, p. 9.

2 AMA, *Submission 33*, p. 1.

3 Curtin Centre for Behavioural Research in Cancer Control, *Submission 19*, p. 1.

4 RACP, *Submission 25*, p. 8.

should not be limited to young people.⁵ The need to address other age groups was supported by the Victorian Alcohol and Drug Association which also highlighted the need to acknowledge the cultural context of alcohol use in strategy development:

Strategies to address excessive and harmful alcohol consumption by young people need to acknowledge the role alcohol plays in young people's lives as they transition from youth to adulthood. Equally important, strategies need to address broader cultural attitudes to alcohol and set about effecting change in attitudes and behaviours across age groups.⁶

4.7 Dr Raymond Seidler, a specialist in addiction medicine, suggested that a comprehensive national strategy should also address the underlying issues of alcohol dependence in Australia generally and for young people in particular.⁷ This approach was supported by the AMA which noted the harmful consumption of alcohol has become part of the culture and this must be addressed. To do so they advocated a strategy that addressed social norms in the same way as the efforts to reduce smoking have produced new social norms.⁸

4.8 Submissions noted that all the players involved in the alcohol issue should be part of the strategy and they encouraged industry to play a key role.⁹ Submissions from industry pointed out that risky and high risk drinking is an industry wide issue which requires an industry wide solution.¹⁰ The Committee notes that evidence from industry representatives indicated a willingness to be part of a process to produce a comprehensive strategy.¹¹

4.9 A number of submissions suggested a range of possible additional measures to address harmful alcohol consumption and this is dealt with in further detail below.

Work underway

4.10 The Government has already acknowledged that a range of measures are required to address harmful alcohol consumption in the community, that this measure is a first step, and has noted there is significant work already underway in this area including:

- The National Alcohol Strategy 2006–2009 which was developed through collaboration between Australian governments, non-government and industry

5 AER, *Submission 14*, p. 3.

6 Victorian Alcohol and Drug Association, *Submission 16*, p. 5.

7 Dr Raymond Seidler, *Submission 1*, p. 2.

8 AMA, *Submission 33*, p. 5.

9 ADCS, *Submission 13*, p. 9.

10 Independent Distillers Australia, *Submission 22*, p. 2.

11 Mr Gordon Broderick, DSCIA, *Proof Committee Hansard*, 12 June 2008, p.CA2 and Mr Douglas McKay, Independent Distillers Australia, *Proof Committee Hansard*, 12 June 2008, p. CA49.

partners and the broader community. It outlines priority areas for coordinated action to develop drinking cultures that support a reduction in alcohol-related harm in Australia;¹²

- The National Binge Drinking Strategy was announced by the Prime Minister on 10 March 2008. In particular, it announced three measures to reduce alcohol misuse and 'binge drinking' among young Australians:
 - community level initiatives to confront the culture of 'binge drinking', particularly in sporting organisations;
 - earlier intervention to assist young people and ensure they assume personal responsibility for their 'binge drinking';
 - advertising that confronts young people with the costs and consequences of 'binge drinking';¹³
- On 26 March 2008, COAG asked the Ministerial Council on Drug Strategy to report to COAG in December 2008 on options to reduce binge drinking such as: closing hours, responsible service of alcohol, reckless secondary supply and the alcohol content in RTDs. To acknowledge the urgency required to address alcohol abuse, this work has now been brought forward to July 2008.¹⁴ COAG also asked the Australia New Zealand Food Regulation Ministerial Council to request Food Standards Australia New Zealand to consider mandatory health warnings on packaged alcohol.¹⁵

4.11 A comprehensive list of forums considering alcohol issues is available in the Senate Community Affairs Report on the Alcohol Toll Reduction Bill 2008.

Further measures

4.12 Witnesses reinforced the need to look at additional options to reduce binge drinking. Submissions suggested a number of areas including:

- packaging/labelling;¹⁶

12 Information Available at: <http://www.alcohol.gov.au/internet/alcohol/publishing.nsf/Content/nas-06-09> accessed on 5 June 2008.

13 Media Release, Prime Minister of Australia, 'National Binge Drinking Strategy', 10 March 2008.

14 Ministerial Council on Drug Strategy Joint Communique, 23 May 2008.

15 Information available at: <http://www.coag.gov.au/meetings/260308/index.htm#binge> accessed on 3 June 2008.

16 See Kypros, Kypri et al, Ingredient and nutrition information labelling of alcoholic beverages: do consumers want it?, *MJA*, Volume 187 Number 11/12, 3/17 December 2007, p. 669; Mr Leonard Matthews, *Submission 9*, p. 5; Australian General Practice Network, *Submission 11*, p. 7; Independent Distillers Australia, *Submission 22*, p. 22; AMA, *Submission 33*, p. 2; and Australian Wine Research Institute, *Submission 7*, p. 2.

- strategically designed education programs on the health and social harms to reduce consumption;¹⁷
- ensure uniform laws, involving heavy penalties, on the provision of alcohol to teenagers;¹⁸
- law enforcement initiatives;¹⁹
- legislation to place limitations on the density of liquor outlets;²⁰
- control the time limit for purchase of alcohol as well as the rate/volume purchased;²¹
- modifications to the rules governing advertising, marketing, promotion, media and sponsorship;²²
- consideration of the promotional links between alcohol and sport;²³
- the role of parents as role models and supervisors;²⁴
- reducing the allowable alcohol content in RTDs to no more than three per cent;²⁵
- reducing the availability of alcohol;²⁶
- raising or gradually raising the drinking age to 21 as by this age the brain is better protected from brain damage as a result of alcohol consumption;²⁷ and

17 See Academy of Health Education Victoria, *Submission 3*, p. 1; Mrs Glenda Amos, *Submission 8*, p. 5; Mr Leonard Matthews, *Submission 9*, p. 5; Dr Raymond Seidler, *Submission 1*, p. 2; Victorian Alcohol and Drug Association, *Submission 16*, p. 6; Australian Psychological Society, *Submission 20*, p. 3; Independent Distillers Australia, *Submission 22*, p. 22; AMA, *Submission 33*, p. 2; and Department of Health and Ageing, *Submission 35*, p. 25.

18 See Woman's Christian Temperance Union of WA, *Submission 2*, p. 2.

19 ADCA, *Submission 13*, p. 10.

20 AER, *Submission 14*, p. 3.

21 See Mr Stephen McIntosh, *Submission 5*, p. 2; and Australian Psychological Society, *Submission 20*, p. 11.

22 See Independent Distillers Australia, *Submission 22*, p. 22; AMA, *Submission 33*, p. 2; Australian Drug Foundation, *Submission 28*, p. 9; Alcohol and other Drugs Council of Australia, *Submission 13*, p. 13; Willetton and District Local Drug Action Group, *Submission 18*, p. 1; Curtin Centre for Behavioural Research in Cancer Control, *Submission 19*, p. 2; and Department of Health and Ageing, *Submission 35*, p. 24.

23 See AMA, *Submission 33*, p. 6; Australian Drug Foundation, *Submission 28*, p. 9.

24 See Australian General Practice Network, *Submission 11*, p. 8; and AHA, *Submission 31*, p. 2.

25 See Woman's Christian Temperance Union of WA, *Submission 2*, p. 2; Mrs Glenda Amos, *Submission 8*, p. 5.

26 See Mrs Glenda Amos, *Submission 8*, p. 5; Australian General Practice Network, *Submission 11*, p. 8; NDRI, *Submission 15*, pp 7–8; Willetton and District Local Drug Action Group, *Submission 18*, p. 1; and Australian Psychological Society, *Submission 20*, p. 3.

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- review of alcohol taxation (addressed in more detail below).²⁸

4.13 The RACP informed the Committee that an evaluation of international literature found the following list of nine 'best practices' to deal with alcohol related problems:

Alcohol control policies

- alcohol taxes;
- minimum legal purchase age;
- government monopoly of retail sales;
- restriction on hours or days of sale;
- outlet density restrictions.

Drink-driving countermeasures

- sobriety check points;
- lowered blood alcohol content limits;
- administrative license suspension;
- graduated licensing for novice drivers.²⁹

4.14 Submissions also mentioned a comprehensive strategy taking into consideration associated issues such as the role of primary care and the pressure placed on treatment services for alcohol related issues and workforce development.³⁰

4.15 The question of the responsibility of parents was discussed during the hearings primarily due to the AIHW finding that among underage drinkers of RTDs, alcohol is usually sourced from a friend or acquaintance, or from a parent.³¹ Professor Robin Room, Alcohol and other Drugs Council of Australia, acknowledged that parents face a difficult task regarding the most appropriate ways to introduce and control the consumption of alcohol. In response to questions from the Committee he advised:

27 See Drug Awareness (NSW), *Submission 4*, p. 1; People Against Drink Driving, *Submission 6*, pp 22–23; and Academy of Health Education Victoria, *Submission 3*, p. 1.

28 See AER, *Submission 14*, p. 3; NDRI, *Submission 15*, p. 9; and Australian Psychological Society, *Submission 20*, p. 9.

29 The Royal Australian College of Physicians, *Submission 25*, p. 7.

30 See ADCA, *Submission 13*, p. 11; Australian General Practice Network, *Submission 11*, p. 7; and Australian Psychological Society, *Submission 20*, p. 11.

31 AIHW, *Submission 23*, p. 9.

I think it is appropriate for a parent to be reminding their children of the law that applies at least outside their own home. Within their own home, again, there are going to be differences.³²

4.16 Professor Michael Moore, Chief Executive Officer, Public Health Association of Australia, told the Committee that he thought governments could support parenting by giving them ideas to consider and to that end any marketing campaign should also reach parents as well as young people. He also emphasised the significant influence of parents as role models.³³

4.17 The NDRI noted that Australians are currently more receptive to measures to address alcohol-related harm. They cited the 2007 National Drug Strategy Household Survey findings that there has been a significant increase in public support for changes in alcohol related policy, including support for increasing the price of alcohol and increasing the tax on alcohol to pay for health, education and treatment of alcohol related problems.³⁴ The issue of hypothecated tax is addressed later in this chapter.

Conclusion

4.18 The Committee notes the consistent argument from witnesses that the measure to raise the price of RTDs, although a positive step, would be more effective if it was part of a comprehensive strategy to address the harms associated with alcohol consumption for not only young and underage drinkers but all at-risk drinkers. This comprehensive strategy would involve all the stakeholders and the Committee particularly commends the willingness of industry to be involved.

4.19 The Committee also notes the government has already acknowledged that a range of measures will be required to address harmful alcohol consumption. The Committee commends the work currently underway in this area including the announcement of the National Binge Drinking Strategy and the targeted work being undertaken for COAG regarding options to reduce binge drinking with an interim report now due in July 2008. The Committee is aware that some of the additional measures raised in evidence to this inquiry will be included through the COAG work but strongly supports the whole range being considered as part of the review.

4.20 The Committee also supports the work being undertaken for COAG to raise a proposal to consider mandatory health advisory labels on packaged alcohol. The Committee is pleased to note the receptiveness of the public to measures to address alcohol related harm found in the National Drug Strategy Household Survey and urges the Government to take into consideration the increased public support for changes in alcohol related policy.

32 Professor Robin Room, *Proof Committee Hansard*, 11 June 2008, p. CA11.

33 Professor Michael Moore, *Proof Committee Hansard*, 11 June 2008, pp. CA17–18.

34 National Drug Research Institute, *Submission 15*, p. 9.

Recommendation 1

4.21 The Committee supports the introduction of the excise increase on spirit based RTDs, and does so in acknowledgement that it is one in the context of a range of measures undertaken or to be considered to address harmful alcohol consumption by young people.

Recommendation 2

4.22 The Committee notes that some of the additional measures suggested to the Committee will be included in the work being undertaken for COAG but strongly supports the whole range being considered as part of the review.

Interpreting the data

4.23 Some submissions questioned the conclusions drawn from data from the AIHW and the NDSH Survey. They suggested the evidential link between increasing the price of RTDs and a reduction in binge drinking among young women is tenuous at best. Organisations such as Diageo, Australian Hotels Association, the Winemakers' Federation of Australia and Wine Grape Growers' Australia pointed out that overall alcohol consumption fell between 2004 and 2007 and that between 1991 and 2007 for those aged 14 years or older, alcohol consumption patterns remained largely unchanged. They contend that there is no evidence to support the current crisis over the levels of risky drinking of either gender.³⁵

4.24 Industry also noted that 75 per cent of RTDs are dark spirits mainly favoured by men aged 24 years or older³⁶ and of the remaining market for light RTDs, they asserted approximately 29 per cent of the volume was consumed by males.³⁷

Conclusion

4.25 The Committee notes some confusion caused by interpretations of data by various stakeholders and the tendency to highlight minor variations between individual studies. Despite this debate on data, which will no doubt continue, there is no mistaking the unanimous conclusion of the health and medical professionals that there are unacceptably high rates of risky and high risk alcohol consumption by young people, rising rates of alcohol-related harm and hospitalisations and increasing social costs.

4.26 The Committee does not accept that there is no evidence for undertaking the measure to increase the excise on spirit-based RTDs. The Committee acknowledges the data showing overall alcohol consumption remaining largely unchanged. It also

35 See Diageo, *Submission 29*, p. 1; Australian Hotels Association, *Submission 26*, p. 3; and Australian Hotels Association (WA), *Submission 31*, p. 3.

36 DSICA, *Submission 27*, p. 11.

37 Independent Distillers Australia, *Submission 22*, p. 6.

notes that within this, the drinking patterns and preferences vary considerably across age and sex as described in the previous chapter. The Committee agrees there are widespread indicators that young people commonly engage in risky drinking behaviour at unacceptable levels and that action must be taken to protect what appears to be a significant proportion of young people from the harms resulting from drinking to excess.

4.27 The Committee recognises that RTDs are not exclusively consumed by adolescents and teenagers and they are not the sole alcohol product preferred by this age group. The Committee notes that the RTD data from industry understandably does not cover underage drinking and therefore turns to the data presented in detail in chapter three for this age group. In particular the Committee notes RTDs are of concern as they are one of the most popular alcoholic beverages, the most common first-used alcoholic beverage among younger age groups and are the preferred drink for young people who drink at risky levels.

4.28 In reaching this conclusion the Committee notes data such as the 2006 ASSAD survey which showed an increasing preference for RTDs among 12 to 17 year old females. AIHW data also showed a significant increase in the consumption of RTDs. There was also a clear preference among females in the 16 to 17 age group for premixed spirits in a can and premixed spirits in a bottle which was the highest preference for that age group. The NDSHS also showed a strong preference among females between 12 to 17 for pre-mixed spirits and bottled spirits. The Committee notes the conclusion from the AMA that this data indicated 'a policy focus on RTDs is justified as part of a total alcohol strategy'.³⁸

4.29 The Committee also notes the research on behaviour cited in submissions such as the NDRI which reported that when adolescents consume alcohol, most do so at risky levels with 85 per cent of alcohol consumption for females aged 14 to 17 years and 18 to 24 years at risky or high risk levels for acute harm.³⁹ More recent data confirmed these findings in a number of studies and surveys all showing high rates of harmful drinking.⁴⁰ The Committee notes the results from the recent NDSHS indicating that 9.1 per cent of 14 to 19 year olds (and a greater proportion of girls than boys) drink at risky or high risk levels at least once a week. The AMA noted that while this survey did not indicate an increase in risky and high risk drinking in this age range since 2004, the findings were still a matter for significant concern due to the

38 AMA, *Submission 33*, p. 3.

39 Chikritzhs et al, *Australian alcohol indicators, 1990-2001: Patterns of alcohol use and related harms for Australian states and territories*, Curtin University of Technology National Drug Research Institute and Turning Point, Alcohol and Drug Centre Inc, Victoria, 2003, p. x.

40 Australian National Council on Drugs, *Supporting the Families of Young People with Problematic Drug User: Investigating Support Options*, Research Paper 15, January 2008, p.ix.

increased vulnerability of this age group to the effects of alcohol and increased risk of harm.⁴¹

4.30 In addition to drinking preference changes and associated health effects, the Committee also notes the high levels of harm due to alcohol consumption outlined in chapter three. The Committee agrees that the current levels of risky and high risk alcohol consumption by young and particularly underage drinkers are unacceptably high. The evidence strongly indicates that action needs to be taken to prevent both the health and social consequences of risky drinking behaviour in young people.

4.31 The Committee notes that industry has acknowledged the level of public concern with the voluntary action to reduce the amount of alcohol to two standard drinks in their RTD products. Despite this voluntary action evidence from organisations including the Australian Psychological Society contended that self regulation did not appear to be working.⁴² The Committee notes that the industry acknowledged that reducing the incidence of intoxication of young people should be a priority area and have shown a willingness to provide input, work in partnership and be part of the solution.⁴³

Potential for substitution

4.32 Submissions noted that the increase in growth of RTDs had come at the expense of bottled full strength spirits and full strength beer⁴⁴ and that if pre-mixed spirits became too expensive those who wished to binge drink would move down the alcohol cost curve and simply substitute RTDs with other, cheaper alcohol. Submissions cautioned that while certain customers may respond to price increases by altering their total consumption, others would respond by varying their choice of type or quality.

4.33 Industry sources, including Diageo, noted that one alternative would be for the customer to purchase a bottle of full strength spirits and use mixers to make their own RTD which is likely to result in non-standard drinks which make it difficult to keep track of alcohol consumed.⁴⁵

4.34 AHA agreed that instead of a reduction in alcohol consumption there would be a shift to other products such as bottles of spirits or beer. They further stated that an increase in alcohol was a blunt instrument which merely disadvantaged that product in the market as consumers move to other options.⁴⁶ The Australian Wine Research

41 AMA, *Submission 33*, p. 3.

42 Australian Psychological Society, *Submission 20*, p. 8.

43 DSICA, *Submission 27*, p. 1.

44 DSICA, *Submission 27*, p. 11.

45 See Diageo, *Submission 29*, p. 5; and Independent Distillers Australia, *Submission 22*, p. 5.

46 AHA, *Submission 26*, pp 4–5.

Institute also cautioned that reductions in sales could be mitigated by substitution between beverage types.⁴⁷

4.35 To address this issue various groups have called on the Government to impose a higher uniform tax across all alcohol types to discourage 'drink hopping'.⁴⁸ Drug Awareness (NSW) also believed there was potential for young people to switch to other spirits and mix their own drinks and that this highlighted the need for much higher taxes on all alcohol.⁴⁹ The issue of alcohol taxation is addressed in more detail later in this chapter.

4.36 The NDRI noted the importance of the taxation strategy because where discrepancies exist, those who seek intoxication at the lowest price may engage in substitution. However, they noted that it was important to place the issue of substitution in a wider context as the degree to which this undermined the overall effect of restrictions on the availability of alcohol was likely to be limited.⁵⁰ A recent review of alcohol restrictions noted:

A minority of drinkers, retailers and producers will always seek to find a way around restrictions, but it is nonetheless possible to anticipate how and where substitution practices may occur and to implement strategies to limit their impact.⁵¹

4.37 Professor Robin Room, ADCA, told the Committee that some consumers will switch to another alcoholic beverage which is cheaper but it won't be a complete switch. He summarised:

You certainly will be able to find people who will say, 'Now I drink something else.' But that does not mean that the tax has not had an effect. It is very likely to have some kind of effect, partly on ground of taste and partly on grounds of whatever choices people make in their lives.⁵²

4.38 Professor Michael Moore, PHAA, acknowledged the potential for substitution but told the Committee:

The fundamental question we are asking is: how can we reduce the level of harm associated with heavy drinking of alcohol? And, fundamentally, it comes back to a cost-benefit analysis that says that, even though some people will move to hard spirits, we believe that this first step on the taxation of these particular drinks is likely to reduce harm overall and that a more comprehensive approach will be much more effective in reducing the

47 The Australian Wine Research Institute, *Submission 7*, p. 1.

48 Mark Metherall, 'Forget alcopops, we want the hard stuff', *Sydney Morning Herald*, 29 May 2008, p. 3.

49 Drug Awareness (NSW), *Submission 4*, p. 1.

50 National Drug Research Institute, *Submission 15*, p. 5.

51 National Drug Research Institute, *Submission 15*, p. 6.

52 Professor Robin Room, *Proof Committee Hansard*, 11 June 2008, p. CA5.

harmful use of alcohol. We see this as a good first step, but only as a first step.⁵³

4.39 Regarding the potential for substitution Professor Steve Allsop, NDRI, advised monitoring and pointed out to the Committee that mixing your own drinks was already a cheaper option available to young people prior to the increase in taxation.

Even before the increase in taxation, it was cheaper to buy a bottle of spirits and to buy your own mixer. So it was not a widespread practice then; there is no evidence that it will become a widespread practice subsequently.⁵⁴

4.40 Dr Tanya Chikritzhs, NDRI, emphasised that substitution effects are to some degree inevitable but:

The overall finding for all of the studies that we have been able to review is that the substitution effects are minimal compared to the overall benefits that are brought about by the restrictions.⁵⁵

4.41 Dr Alexander Wodak, RACP, told the Committee that a small proportion of the population consumed a disproportionate amount of the alcohol consumed in the community and concluded:

When we have relatively small changes in availability or price relative to income, we have large changes in consumption, with a lot of that consumption accounted for by people drinking immoderately and therefore exposing themselves and other to great harm.⁵⁶

4.42 Ms Virginia Hart, Assistant Secretary, Drug Strategy Branch, Department of Health and Ageing told the Committee during estimates hearings that they were in the process of designing an evaluation for all components of the binge drinking strategy and also the increase in excise.⁵⁷ At the hearing the department reinforced that:

...the RTD excise is only one lever being used to tackle adolescent binge drinking. We are in the process of now trying to devise an evaluation to look at how all the initiatives that we have set out will contribute to tackling binge drinking.⁵⁸

53 Professor Michael Moore, *Proof Committee Hansard*, 11 June 2008, p. CA24.

54 Professor Steve Allsop, *Proof Committee Hansard*, 12 June 2008, p. CA61.

55 Dr Tanya Chikritzhs, *Proof Committee Hansard*, 12 June 2008, p. CA62.

56 Dr Alexander Wodak, *Proof Committee Hansard*, 11 June 2008, p. CA42.

57 Ms Virginia Hart, *Estimates Hansard*, 4 June 2008, p. CA80.

58 Department of Health and Ageing, *Proof Committee Hansard*, p. CA91.

Recommendation 3

4.43 The Committee notes the potential for alcohol substitution to occur and supports the government's commitment to evaluate the effectiveness of the measure increasing the excise on spirit-based RTDs and all components of the binge drinking strategy.

Conclusion

4.44 The Committee acknowledges the potential for substitution of RTDs with other alcoholic beverages, particularly by those whose sole purpose is to become intoxicated. The Committee notes the data released by DSCIA over a two week period which may indicate a tendency for this to occur for some consumers but concludes the timeframe is too short to draw meaningful conclusions. The Committee also notes the evidence by organisations such as the NDRI that the degree to which substitution undermines the overall effect of restrictions on the availability of alcohol is likely to be limited. The Committee was also cognisant of international data outlined in chapter three which appears to support this. The Committee supports the government's plan to evaluate the increase in excise and urges the government consider additional strategies as required.

Alcohol taxation issues

4.45 The majority of submissions drew attention to the anomalies that existed in the alcohol taxation system, which do not help to achieve good health policy outcomes and called for these inconsistencies to be addressed.

4.46 Below is a detailed description of the current tax system by DSICA:

All categories of alcohol are subject to the GST at the general rate of 10 per cent. In addition to the GST, wine, beer and spirits are subject to different Commonwealth alcohol taxation regimes. Beer, spirits and ready-to-drink alcohol beverages below 10 per cent alcohol content are subject to excise or customs duty. Australian produced beer, spirits and pre-mixed products are subject to excise duty, collected by the Australian Taxation Office. Imported beer, spirits and pre-mixed spirit products are subject to customs duty collected by the Australian Customs Service. However, imported spirits and pre-mixed spirits (but not beer) are also subject to an additional 5 per cent ad valorem customs duty, or protective tariff. Excise duties and customs duties (excluding the 5 per cent ad valorem tariff) are set on a volumetric basis, ie. levied on the actual amount of alcohol in the product. Excise duty and the volumetric component of the customs duty are set at the same level for each alcohol category, and are automatically increased twice a year (1 February and 1 August) to take account of movement in the consumer price index in the previous six months. All wine (including cask and bottled wine, other grape wine products such as marsala and vermouth, mead and sake, and traditional cider) is subject to the Wine Equalisation Tax (WET). WET applies at the rate of 29 per cent of the last wholesale selling price (usually the last sale from the wholesaler to the retailer). The taxation of wine differs to the tax situation in relation to beer, spirits and

ready-to-drink products in two significant ways. Firstly the WET is levied on an ad valorem basis (ie. a tax on value) rather than on the alcohol content of the product. Secondly, there is no automatic six monthly indexation of the WET as there is for spirits and beer.⁵⁹

4.47 The majority of submissions called for a comprehensive review and reform of alcohol taxation. The overwhelming view from public health advocates and some elements of industry was that alcohol taxation should be largely based on alcohol content and as much as possible this should be true within and between beverage classes. Submissions argued that from a public health perspective, there was no basis to discriminate between alcohol beverages.

4.48 The National Drug Research Institute (NDRI) noted that:

The most effective taxation strategy to prevent and reduce alcohol related problems is one where all alcoholic beverages are taxed according to their alcohol content.⁶⁰

4.49 The Alcohol Education and Rehabilitation (AER) Foundation welcomed the Government's move to tax RTDs at the same volumetric rate as bottled spirits as the first step to a fairer alcohol taxation system. The CEO, Daryl Smeaton, urged that further action needed to be taken to address taxation inconsistencies around products such as cask wine, cheap fortified wines such as port and full strength beer which continued to have advantageous tax rates and has urged the government to undertake a full alcohol taxation review.⁶¹ AER proposed that all alcohol products should be taxed according to the amount of alcohol contained in the package:

Imposing a consistent tax by volume regime across all beverage types will help change the consumption patterns that lead to binge drinking in both young and old.⁶²

4.50 The Australian Drug Foundation also called for a volumetric based taxation regime, arguing that the current system facilitated the sale of high-alcohol products at cheap prices.⁶³ The volumetric approach was also supported by the Public Health Association of Australia⁶⁴ and Independent Distillers Australia⁶⁵ among others.

59 Information available at: <http://www.dsica.com.au/sections/issues/tax.html> accessed 23 May 2008.

60 National Drug Research Institute, *Submission 15*, p. 5.

61 Media Release, The Alcohol Education and Rehabilitation Foundation, 'AER Welcomes Alcopop Tax as first step towards a fairer alcohol taxation system', 27 April 2008.

62 Media Release, The Alcohol Education and Rehabilitation Foundation, 'AER welcomes 2020 Summit 'Big Ideas' to tackle Binge Drinking', 23 April 2008.

63 Australian Drug Foundation, *Submission 28*, p. 9.

64 Public Health Association of Australia, *Submission 24*, p. 1.

65 Independent Distillers Australia, *Submission 22*, p. 3.

4.51 The NDRI suggested a tiered volumetric tax where the base tax was determined according to alcohol content and an additional 'harm index' was applied to beverages shown to be particularly problematic and/or associated with high levels of harm.⁶⁶

4.52 Higher taxes on strong beverages was supported by Professor Robin Room who suggested the general principle of 'taxing according to the volume of pure alcohol in the beverage and setting taxes high enough to mildly discourage consumption'.⁶⁷ He advocated modification of these general principles in the following ways:

- a higher tax for strong beverages of 20 per cent alcohol and higher to reflect the much greater possibility of overdose from these beverages;
- a lower tax for weak beverages below 3.5 per cent to encourage switching to low-alcohol beverages;
- a higher tax to respond to problematic fashions and social trends such as beverages favoured by young binge drinkers; and
- the imposition of a minimum price level on each type of beverage which particularly affects underage and heavy drinkers.⁶⁸

4.53 Ms Kate Carnell, AGPN, suggested an escalation approach which has incentives for industry to produce low-alcohol products with under 3.5 per cent alcohol.⁶⁹

4.54 Those industry groups which modelling shows would be most advantaged strongly supported a volumetric tax. Diageo also described the current tax system as unnecessarily complex and called for volumetric tax as the most effective, efficient and equitable way to tax alcohol as:

The effect on the body is the same whether the alcohol is consumed from a beer, a wine or a spirit.⁷⁰

4.55 DSICA contended that the current different types and rates of taxation did not achieve positive social and health and outcomes and would add to the issue as it provided stronger incentives to produce and consume alternative and cheaper beverages.⁷¹

4.56 The AER told the Committee a comprehensive review of the alcohol taxation system is required as:

66 National Drug Research Institute, *Submission 15*, p. 6.

67 Professor Robin Room, *Proof Committee Hansard*, 11 June 2008, p. CA3.

68 Professor Robin Room, *Proof Committee Hansard*, 11 June 2008, pp CA3–4.

69 Ms Kate Carnell, *Proof Committee Hansard*, 12 June 2008, p. CA31.

70 Diageo, *Submission 29*, p. 6.

71 DSICA, *Submission 27*, p. 5.

It is broken. It is unfair. It is inconsistent. And it does not tax alcohol as alcohol. It taxes beverages according to the way they are made; and, of course, in the case of wine, according to the value put on that wine by the manufacturers.⁷²

4.57 Modelling was provided by the AER⁷³ (see diagram below) which shows volumetric taxation would mean significant changes for the industry. It shows a hypothetical tax rate calculated at a uniform volumetric rate of \$25.25 per litre of pure alcohol.

4.58 Mr Daryl Smeaton, Chief Executive Officer AER, emphasised the modelling was not a recommendation but an example of what a single rate of taxation would look like that produced revenue neutrality and reduced consumption. He added:

I think there are a whole range of models that should be looked at, but they must all have one fundamental element to them—that is, they must tax the alcohol as alcohol and not as wine, beer or spirits. There is no difference in the alcohol in beer or wine or spirits in terms of the potential harm its excessive consumption can cause. That is the fundamental reason for a comprehensive review of the taxation system. It should not be based on how the product is made, who makes it or what its economic benefits or disbenefits are; it should be reviewed from a public health perspective. This is an industry that gets \$30 billion a year in alcohol sales and that creates, on a very conservative estimate, \$15.3 billion worth of harm—and we think that is a very conservative estimate.⁷⁴

4.59 The Brewers Association for Australia and New Zealand provided the Committee with independent modelling from Access Economics on volumetric taxation which found that this system would result in the fall of prices of all spirits and beer and wine prices would rise. On this basis the association submitted that there were industry, agriculture and health policy reasons to reject volumetric taxation as compared to the range of spirits and wine products, 'all beer is low alcohol'.⁷⁵

72 Mr Daryl Smeaton, *Proof Committee Hansard*, 11 June 2008, p. CA27.

73 Tabled document, AER, 11 June 2008.

74 Mr Daryl Smeaton, *Proof Committee Hansard*, 11 June 2008, p. CA30.

75 The Brewers Association for Australia and New Zealand, *Submission 34*, pp 3–5.



Changing the way we drink

Alcohol Taxation Chart
Current and Hypothetical
Tax Rate Comparison

	Current Tax Rate	Hypothetical Tax Rate
 1.5 375ml Full Strength Packaged Beer 4.9% Alc/Vol	\$0.55	\$0.46
 1 375ml Mid Strength Packaged Beer 3.5% Alc/Vol	\$0.35	\$0.33
 0.8 375ml Light Packaged Beer 2.7% Alc/Vol	\$0.20	\$0.26
 1 285ml Middy/Pot Full Strength Draught Beer 4.9% Alc/Vol	\$0.30	\$0.35
 0.7 285ml Middy/Pot Mid Strength Draught Beer 3.5% Alc/Vol	\$0.14	\$0.25
 0.5 285ml Middy/Pot Light Draught Beer 2.7% Alc/Vol	\$0.02	\$0.19
 1.6 425ml Schooner Draught Full Strength Beer 4.9% Alc/Vol	\$0.44	\$0.53
 1.2 425ml Schooner Draught Mid Strength Beer 3.5% Alc/Vol	\$0.21	\$0.38
 0.9 425ml Schooner Draught Light Beer 2.7% Alc/Vol	\$0.04	\$0.29
 7 750ml Bottle of Wine 12% Alc/Vol	\$3.63	\$2.12
 1 100ml Standard Serve of Wine 12% Alc/Vol	\$0.04	\$0.30
 1.8 180ml Average Restaurant Serve of Wine 12% Alc/Vol	\$0.93	\$0.55
 1.5 170ml Standard Serve of Sparkling Wine/Champagne 11.5% Alc/Vol	\$0.82	\$0.45
 0.9 60ml Port/Sherry Glass 18% Alc/Vol	\$0.15	\$0.23
 1.5 375ml Pre-mix Spirits 5% Alc/Vol	\$1.25	\$0.47
 1.5 340ml Alcoholic Soda 5.5% Alc/Vol	\$1.25	\$0.47
 22 700ml Bottle of Spirits 40% Alc/Vol	\$18.67	\$7.07
 1 30ml Shot of Spirits 40% Alc/Vol	\$0.80	\$0.30
 22 700ml Bottle of Brandy 40% Alc/Vol	\$17.43	\$7.07
 1 30ml Standard Serve of Brandy 45% Alc/Vol	\$0.75	\$0.30
 38 4 Litres Cask Wine 12% Alc/Vol	\$1.89	\$12.12

Note: Wine Equalisation Tax is calculated on notional wholesale price. Cask priced at \$12.99, Wine and Champagne priced at \$25.00, Port priced at \$13.00.

All statistics are sourced from the Australian Taxation Office.

ABS Excise Tariffs Schedule April 2008

Excise on alcohol products not subject to wine equalisation tax

Wine Equalisation Tax Ruling

The hypothetical tax rates have been calculated at a uniform volumetric rate of \$25.25 per litre of pure alcohol.

4.60 The rejection of volumetric taxation was supported by the Winemakers' Federation of Australia and Wine Grape Growers' Australia which argued that taxation was a blunt instrument which did not distinguish between responsible and harmful drinking. They contended that wine was not attractive to younger drinkers and therefore not the product of choice for most underage drinkers.⁷⁶ This was observed in the data from the AIHW where it was shown that this change in drinking pattern picked up when consumers reached their twenties.⁷⁷ A number of submissions, however, called for measures to address harmful alcohol consumption in all age groups.

4.61 The wine sector also noted that any measures to increase taxation in the wine sector or change the way the product is taxed would have a negative effect on employment and regional communities which were already dealing with the challenges associated with the drought and water prices.⁷⁸

4.62 When speaking to the Committee Mr Stephen Strachan, Chief Executive, Winemakers' Federation of Australia, highlighted the following effects of a volumetric tax for the wine industry:

A uniform volumetric tax at, say, the beer rate would lead to an increase in the price of a \$12.50 cask of wine to \$28; an increase in price for all bottled wine that currently sells below \$25, which accounts for about 98 per cent of all the wine that we sell in Australia, including cask wine; a reduction in wine demand, resulting in a drop of about 250,000 tonnes of grapes required by the industry for the domestic market; and about 3,500 fewer employees—in terms of the people who are employed by that part of the business. It would also of course result in a drop in the price of spirits and would result, at the beer rate, in a modest drop in government taxation revenue, although it would be very modest. A revenue neutral volumetric type tax across all alcohol would necessarily be slightly higher than the beer rate, and that would obviously lead to even more pronounced impacts on the wine industry.⁷⁹

4.63 While sensitive to the concerns of industry, in response to questioning from the Committee on the effect of volumetric taxation on the wine industry, Professor Richard Mattick, Director, National Drug and Alcohol Research Centre, told the Committee:

I think you have to think about what the severity of the impact might be. The example given here was that a 10 per cent increase might affect consumption by less than 10 per cent. It is not stopping five per cent of

76 Winemakers' Federation of Australia and Wine Grape Growers' Australia, *Submission 21*, p. 3.

77 AIHW, *Submission 23*, p. 6.

78 Winemakers' Federation of Australia and Wine Grape Growers' Australia, *Submission 21*, p. 22.

79 Mr Stephen Strachan, Winemakers Federation of Australia, *Proof Committee Hansard*, 11 June, p. CA61.

people drinking; it is reducing consumption overall by five per cent, and that is the desired effect. A five per cent reduction in consumption would be, I would suggest, something that the industry could bear. It has seen good growth over time. One has to ask: does the industry have the unbridled right to grow and complain when anybody calls attention to this issue and calls foul, or are we thinking, ‘Hang on, the consumption in Australia is getting to be high’—and it has been high for a long time—and thinking about some reasonable measures which respect the industry’s right to continue to employ and to produce? Also, the industry makes a lot of money by exporting overseas, and presumably some of these tax measures will not be affecting it there. But I still think that the government needs to have some control over consumption.⁸⁰

4.64 Dr Anthony Shakeshaft, Senior Lecturer, National Drug and Alcohol Research Centre, argued that a volumetric taxation system would provide the opportunity for industry to better align with public health goals:

From a public health perspective, what we want to see is an overall reduction in average consumption—how much people drink all the time—as well as a reduction in how much people drink on one occasion. That is the idea of the long-term harm as opposed to the short-term harm. We think once you take out the price differential, then there is an opportunity to get the industry to compete on things other than price that, as I said, would align better with public health. For example, you could get them to promote things like lower alcohol beverages. They could compete to increase in their market share on issues that use those kinds of strategies rather than just on price.⁸¹

4.65 Ms Karen Price, Manager of Operations and Development, National Drug and Alcohol Research Centre, emphasised that aligning public health goals with industry goals would be the optimal outcome. She stated:

Part of the reason that it [data] is tricky and confusing is that you have two different groups telling you different messages because they have different goals. You should have them swinging behind the same goal, and I think a taxation discussion about alcohol should be about that.⁸²

4.66 On the issue of alcohol taxation, the Department of Health and Ageing stated that in the context of harm minimisation:

there is support for a tax system that provides incentives for the production, sale and consumption of lower alcohol content beverages and for using taxation and price to maximise harm minimisation outcomes. The evidence indicates this can have the impact of reducing overall alcohol consumption

80 Professor Richard Mattick, *Proof Committee Hansard*, 11 June 2008, p. CA98.

81 Dr Anthony Shakeshaft, *Proof Committee Hansard*, 11 June 2008, p. CA86.

82 Mr Karen Price, *Proof Committee Hansard*, 11 June 2008, p. CA95.

and correspondingly reducing related problems for individuals and communities.⁸³

4.67 While supporting a move towards a volumetric tax, Dr Alexander Wodak, RACP, cautioned that the tax relief for low-alcoholic beverages should not be removed.⁸⁴

Hypothecated tax

4.68 A number of submissions strongly advocated spending more of the alcohol profits on education programs and public health campaigns to encourage everyone to drink safely. Submissions also suggested directing a proportion of the revenue collected from taxes on alcohol towards funding the Government's response to the health, social and economic harms resulting from alcohol misuse. The RACP noted that this measure had been shown to reduce the level of alcohol-related harm.⁸⁵ This was also supported by organisations including the AMA⁸⁶, the Royal Australasian College of Physicians⁸⁷, the Australian Drug Foundation,⁸⁸ the Australasian Therapeutic Communities Association,⁸⁹ and the Victorian Alcohol and Drug Association⁹⁰ among others.

4.69 Witnesses at the hearing also spoke strongly about the benefits of a hypothecated tax. Professor Room, ADCA, told the Committee:

It makes sense to use part of these revenues [from alcoholic beverages] for prevention and treatment programs aimed specifically at alcohol problems. Such programs should be based on evidence about what is effective and cost-effective. The rest of the revenues might well be used to support general health and social welfare services. Alcohol consumption places great burdens on these systems in terms of emergency department visits, hospital admissions, family welfare and child protection assistance and so on. The revenues from increased alcohol taxes would go some way toward paying for these externalities which alcohol consumption imposes on Australian society.⁹¹

4.70 The Public Health Association believed that government recognition should be given to the revenue from the excise increase to be used as part of a complete

83 Department of Health and Ageing, *Submission 35*, p. 21.

84 Dr Alexander Wodak, *Proof Committee Hansard*, 11 June 2008, p. CA44.

85 RACP, *Submission 25*, p. 5.

86 AMA, *Submission 33*, p. 1.

87 RACP, *Submission 25*, p. 5.

88 Australian Drug Foundation, *Submission 28*, p. 7.

89 Australasian Therapeutic Communities Association, *Submission 12*, p. 1.

90 Victorian Alcohol and Drug Association, *Submission 16*, p. 6.

91 Professor Robin Room, *Committee Hansard*, 11 June 2008, p. CA4.

package to address the problem and that the funds raised should go towards 'a comprehensive approach to harmful and hazardous use of alcohol'.⁹²

4.71 At the hearing the Ms Jennifer Bryant, First Assistant Secretary, Population Health Division, Department of Health and Ageing told the Committee that:

Minister Roxon has stated on the public record that the government will be looking to direct a substantive proportion of the funds raised through the excise measure to preventative health activities. Exactly what those activities will be is still a matter for decision by government...⁹³

Conclusion

4.72 The Committee notes the concerns about using tax to control alcohol consumption as well as the call to tax alcohol content equally, regardless of product. The Committee also recognises that the support for volumetric taxation is not unanimous and notes the differing modelling submitted to the Committee. The Committee fully supports the inclusion of the examination of alcohol taxation in the current review of the taxation system being chaired by Mr Ken Henry.⁹⁴

4.73 The Committee notes that although wine is a product of choice for an older age group, this would not deter those whose prime motivation is drinking to become intoxicated. The Committee also notes the wine industry concerns regarding potential changes to the alcohol taxation system and urges the government to take these concerns into consideration during the examination of alcohol taxation.

Recommendation 4

4.74 The Committee supports the call for a review of alcohol taxation and notes that an examination of alcohol taxation will be included in the comprehensive review of the tax system currently underway (the Henry Review).

Other issues

4.75 The Committee noted the submission from the Chrisco Group which raised the effect of the excise increase on retailers which have pre-sold RTDs at a fixed price established prior to the increase in the excise.⁹⁵

92 Professor Michael Moore, Public Health Association, *Proof Committee Hansard*, 11 June 2008, p. CA19.

93 Ms Jennifer Bryant, *Committee Hansard*, 12 June 2008, p. CA91.

94 Media Release, The Hon Wayne Swan MP, 'Australia's Future Tax System', No. 36, 13 May 2008; Senator the Hon. Stephen Conroy, *Estimates Hansard*, 3 June 2008, p. E70.

95 Chrisco Group, *Submission 30*.

Conclusion

4.76 The Committee is of the view that the measure undertaken by the Government to increase the excise on spirit-based RTDs, and this inquiry, have contributed to the important debate of the role of alcohol in society and the negative effects of harmful consumption, particularly for young people. The Committee is aware of and shares the high level of public concern regarding the unacceptable rates of risky and high risk alcohol consumption of young and underage drinkers. Young people are particularly vulnerable to alcohol in terms of its effect on their development, their lack of experience of drinking and the increased likelihood to engage in risky behaviour which may result in their harm or the harm of others. The Committee recognises that the vast majority of submissions from researchers, health and medical professionals supported raising the excise as a significant step to address this public health issue.

4.77 While some evidence focussed on the drinking patterns of older males and RTDs the primary aim of the Committee was the effect of alcohol on the short and long term health of young people. The Committee acknowledges data which shows the relatively stable consumption patterns for people aged 14 years or older; however, it also recognises that within this data, drinking patterns and preferences vary considerably across age and sex. The evidence shows a widespread problem with the illegal consumption of alcohol by underage drinkers. Evidence also shows that a significant proportion of underage drinkers are risking harm to themselves and others by engaging in risky drinking behaviour.

4.78 There has been a growth in new alcohol products over recent years and the Committee notes the significant growth in the consumption of RTDs and that they are being consumed at risky and high risk levels by young drinkers. While this increase may have been at the expense of other alcoholic beverages there is no denying the attractiveness of RTDs for young and underage drinkers. They are often their first drinks, their most preferred, they mask the taste of alcohol which makes them palatable to very young drinkers, have colourful packaging and a relatively high alcohol content for those whose objective is rapid intoxication. Young females in particular display a preference for sweet tasting and colourful RTDs. The Committee agrees that measures need to consider the drinking preference of at-risk adolescents and teenagers where evidence indicates that RTDs are particularly appealing.

4.79 The data from surveys and studies shows young females have stronger preferences for pre-mixed drinks in a can or bottle when compared to young males. Across a number of surveys RTDs have become more popular, showing a substantial increase in consumption, particularly among young girls. However, the Committee notes the figures are concerning for both sexes. The attractiveness of RTDs is also evident in the sales figures with an increase of more than 450 per cent between 1997 and 2006.

4.80 The Committee notes some confusion caused by interpretations of data by various stakeholders and the tendency to highlight minor variations between individual studies. Despite this debate, which will no doubt continue, there is no

mistaking the unanimous conclusion of the health and medical professionals that there are unacceptably high rates of risky and high risk alcohol consumption by young people and rising rates of alcohol-related harm and hospitalisations.

4.81 The Committee agrees there are widespread indicators that young people commonly engage in risky drinking behaviour at unacceptable levels and that action must be taken to protect what appears to be a significant proportion of young people from the harms resulting from drinking to excess.

4.82 The level of public concern has been recognised by the industry itself as evidenced by the voluntary action taken to reduce the amount of alcohol to two standard drinks in their RTD products in response to the level of concern. Despite this voluntary action the Committee notes evidence that this appears to be having minimal effect, however, the Committee commends the willingness of industry to be part of the solution.

4.83 Evidence clearly demonstrates the high levels of risky and high risk drinking behaviour and the consequences of this can be found in ongoing negative health effects, including motor accidents and hospitalisations. The data on treatment episodes, preventable health problems, deaths and hospitalisations all clearly show unacceptable increases for young people. These health findings alone justify the measure undertaken by the government. In addition to the negative health effects, evidence also shows an increase in the levels of sexual assaults, physical violence and criminal activity which affects not only the young people involved but also the broader community.

4.84 The Committee agrees that the current levels of risky and high risk alcohol consumption by young and particularly underage drinkers are unacceptably high. The evidence strongly indicates that action needs to be taken to prevent both the health and social consequences of risky drinking behaviour in young people.

4.85 The effect of alcohol taxes on risky and high risk alcohol consumption by young and underage drinkers is a complex question and the Committee acknowledges the potential for drink substitution to occur. DSICA put forward data collected over a two week period to support this argument. However, the Committee concludes that the timeframe is too short to draw meaningful conclusions. The Committee also notes the evidence by NDRI and others which argued that the degree to which substitution undermined the overall effect of restrictions on the availability of alcohol was likely to be limited. Therefore, the Committee urges the government to monitor and evaluate this aspect and consider additional strategies as required.

4.86 The Committee notes the consistent argument from witnesses that while supportive of the measure to raise the price of spirit-based RTDs it would be more effective as part of a comprehensive approach to address the harms associated with alcohol consumption by young and underage drinkers. The Committee notes the government has already acknowledged that a range of measures are required to address harmful alcohol consumption in the community through the implementation

of the National Binge Drinking Strategy and looks forward to the outcomes of the targeted work being undertaken for COAG regarding further options to reduce 'binge drinking' due in July 2008. The Committee is aware that some of the additional measures raised will be included through the COAG work but strongly supports the whole range be considered as part of the review. In formulating any additional measures, the Committee urges the government take advantage of the increased public support for changes in alcohol related policy to address alcohol related harm found by the National Drug Strategy Household Survey.

4.87 The inquiry has also highlighted the inconsistencies in the current alcohol taxation system. The Committee acknowledges the concerns about using tax to control alcohol consumption as well as the call to tax alcohol content equally, regardless of product. The Committee recognises the call for volumetric taxation was not universal and there were variations between a flat or tiered level of taxation by its advocates. The concerns expressed by the wine industry and the suggestions for exemptions and modelling provided were noted by the Committee. The Committee supports the examination of alcohol taxation being included in the Henry review of the taxation system and urges government to consider the concerns raised and the evidence for and against volumetric taxation submitted to the inquiry.

4.88 The public health issues of problematic drinking among young people are clear and each action that reduces such drinking makes a contribution in public health terms. For all the reasons listed above the Committee agrees with the vast majority of evidence presented to the Committee, particularly by health and medical professionals, which was supportive of the measure to increase the price of spirit-based RTDs as one of a range of measures to address harmful alcohol consumption in the community and particularly among young people. The Committee notes this is a complex issue and one that will require further effort and input from governments, professional bodies, researchers, treatment and prevention services, media, industry and the community to develop the next steps.

Senator Claire Moore
Chair

June 2008

Ready-to-Drink Alcoholic Beverages Inquiry

Dissenting report by Liberal Senators

Introduction

Liberal senators acknowledge that the abuse of alcohol, especially by the young, is a major social, health and economic challenge confronting all Australians. Accordingly governments at all levels must be prepared for tough, comprehensive measures to address this challenge and to empower communities and individuals to wind back what witnesses called the “write-off culture” of drinking in our society. As the community’s focus on this issue sharpens, it is critical that government set an example of good policy setting and evidence-based action. Initiatives which are poorly thought through, which appear opportunistic or which alienate the very cohorts whose behaviour they are designed to modify are likely to fail. Public cynicism about the motives of governments, particularly where measures involve the raising of taxes, can seriously undermine the objectives these measures pursue.

The increase in the tax rate applying to ready-to-drink alcohol beverages (RTDs) will impose a \$3.1 billion tax burden on Australian consumers. Even assuming positive health implications from this increase, there are certainly potential downsides in terms of employment in the alcohol and hospitality industries, unanticipated deleterious behavioural changes by those who abuse alcohol and greater financial pressures on those who consume alcohol responsibly.

For this reason Liberal senators believe that an onus must fall on the Federal Government’s shoulders to demonstrate that a step of this magnitude is likely to achieve overall positive outcomes in the fight against alcohol abuse. We reject the notion that “doing something” about alcohol abuse is a sufficient justification for a measure which carries such serious potential downsides as does this excise increase. Evidence of a net benefit should be clear and unambiguous.

Liberal senators however believe that the evidence before the inquiry was indeed ambiguous. On the test suggested above, therefore, since the evidence is not conclusive or clear, the case for the tax is not made out.

Further, much of the support for the tax from the public health sector was conditional on the Government implementing a broad suite of policies relating to alcohol, a suite which it is clear does not presently exist and the resourcing for which has not yet been allocated.

In this dissenting report we outline a number of areas where the case supporting the tax is either weak or at best marginal.

Lack of evidence that consumption is increasing

One of the key points made by the Australian Institute of Health and Welfare (AIHW) on their analysis of the National Drug Strategy Household Survey data was that the overall drinking status of the Australian population has been stable over the past two decades (see Table 1 below).

Table 1–Alcohol Drinking Status: proportion of the population aged 14 years or older, Australia, 1991 to 2007.¹

Drinking status	1991	1993	1995	1998	2001	2004	2007
	(per cent)						
Daily	10.2	8.5	8.8	8.5	8.3	8.9	8.1 #
Weekly	41.0	39.9	35.2	40.1	39.5	41.2	41.3
Less than weekly	30.4	29.5	34.3	31.9	34.6	33.5	33.5
Ex-drinker ^(a)	12.0	9.0	9.5	10.0	8.0	7.1	7.0
Never a full serve of alcohol	6.5	13.0	12.2	9.4	9.6	9.3	10.1 #

(a) Has consumed at least a full serve of alcohol, but not in the previous 12 months.

Difference between 2004 result and 2007 result is statistically significantly (2-tailed $\alpha = 0.05$).

In support of this finding the Distilled Spirits Industry Council of Australia (DSICA) made the following points:

- Australia's per capita global alcohol consumption ranking has been falling;
- On a per capita basis, alcohol consumption in Australia has fallen by over 20 per cent since a 30 year peak reached in the early 1980s; and
- Alcohol consumption on a per capital basis has not increased significantly since the tax reforms in 2000 which included the tax on RTDs.²

DSICA provided a table to demonstrate that the growth in popularity of RTDs must be set against a decline in overall alcohol consumption (see Figure 1).

Independent Distillers Australia (IDA) also commented that:

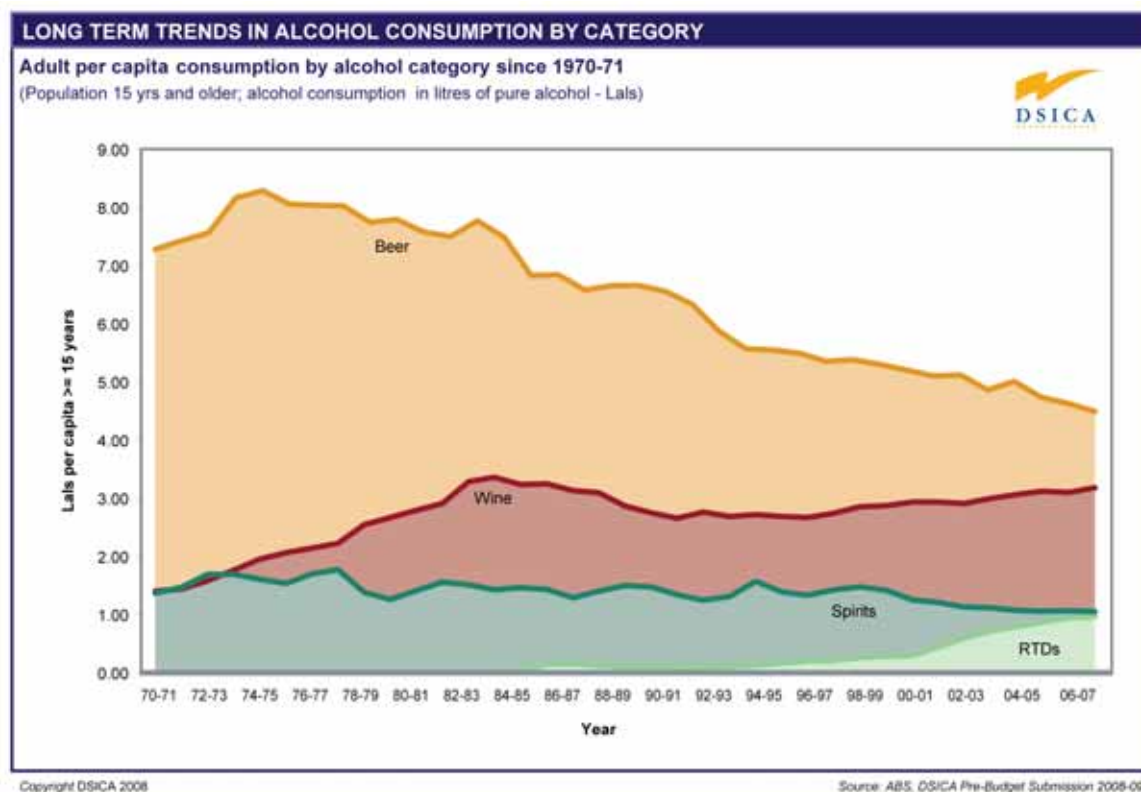
It is important to note that drinking at risky levels has been decreasing over the last six years as measured by the Government's own statistics, including among young females.³

1 Australian Institute of Health and Welfare, *2007 National Drug Strategy Household Survey, First Results*, April 2008, p. 18.

2 DSICA, *Submission 27*, p. 7.

3 Independent Distillers Australia, *Submission 22*, p. 2.

Figure 1: Australia's adult per capita alcohol consumption by alcohol category (1971-71 to 2006-07)



Source: Submission No. 27 (Distilled Spirits Industry Council of Australia), p.69.

Mr Terry Mott, Chief Executive Officer, Australian Liquor Stores Association (ALSA) pointed out that:

It appears from evidence from the Australian Institute of Health and Welfare, the ABS and the New South Wales Department of Health's secondary schools survey that there does not appear to be a significant, growing problem with youth drinking, and that information does not seem to have been contested. ALSA does not for a minute shy away from the fact that there may be young people misusing alcohol, but it does not appear to be an endemic, growing problem. Even if there were an epidemic of teenage binge drinking, we are not of the belief that taxation, as a blunt instrument, will give any real solution to solve that sort of problem.⁴

Mr Daryl Smeaton, Chief Executive, Alcohol Education and Rehabilitation (AER) Foundation, told the Committee that a comprehensive approach was needed as:

...clearly our biggest drinkers are not teenagers; they are the 20- to 30-year-olds.⁵

4 Mr Terry Mott, ALSA, *Proof Hansard*, 12 June 2008, p. 38.

5 Mr Daryl Smeaton, AER, *Proof Hansard*, 11 June 2008, p. 31.

Mr Smeaton further noted:

We have focused this particular issue around young women but excessive consumption is a problem across a very broad range. It is not just young women.⁶

While none of this constitutes a reason for inaction on excessive drinking, it does suggest that a rushed or under-researched response to this problem is not warranted. The anecdotal evidence of a surge in dangerous drinking offered by some witnesses to the inquiry needs to be set against the less emphatic data available from bodies such as AIHW.

The 'link' between RTDs and risky alcohol use

The AIHW noted the preference for RTDs has increased slightly over the period 2001–2007, particularly in older age groups, but the trend among those aged under 18 years is unclear (see Table 2 and Table 3).

The AIHW also found that there has been virtually no change in the pattern of risky drinking over the period 2001–2007, including among young Australians.⁷

Given these findings the AIHW concluded that 'given the stable prevalence of risky drinking, and the lack of any clear trend regarding preferences for RTDs, the increased availability of RTDs does not appear to have directly contributed to an increase in risky alcohol consumption'.⁸

IDA pointed out that the Government has publicly relied on the findings from the National Drug Strategy Household Survey to justify the excise increase saying the figures showed an 'explosion' of binge drinking among teenage girls. They noted:

The Government has misinterpreted the findings of this report and mistakenly endeavoured to correlate growth in popularity of RTDs with binge drinking. We are yet to see any evidence to support this assertion.⁹

6 Mr Daryl Smeaton, AER, *Proof Hansard*, 11 June 2008, p. 33.

7 AIHW, Submission 23, p. 8.

8 AIHW, Submission 23, p. 8.

9 Independent Distillers Australia, *Submission 22*, p. 19.

Table 2—Trends in preferences for specific alcoholic drinks, 2002–2007, males (per cent)¹⁰

Alcohol type	Year	Age group						Total
		12–15	16–17	18–19	20–29	30–39	40+	
Cask wine	2007	6.1	8.2	7.5	7.0	7.1	16.0	12.0
	2004	9.5	8.0	9.1	7.7	9.4	22.1	15.9
	2001	10.0	11.7	5.9	7.7	11.0	22.2	16.0
Bottled wine	2007	11.9	10.1	18.9	34.1	47.7	52.6	45.1
	2004	17.2	8.3	21.0	36.2	46.0	49.4	43.4
	2001	21.4	14.6	15.2	34.2	42.3	45.0	39.7
Regular strength beer	2007	29.0	50.6	63.9	68.0	61.0	40.1	49.8
	2004	34.9	51.2	67.8	68.6	55.3	35.7	47.0
	2001	44.2	62.9	71.7	67.1	59.1	38.2	50.1
Low alcohol beer	2007	13.5	12.5	5.7	11.0	17.5	29.4	22.3
	2004	23.7	14.2	5.5	12.7	23.1	33.6	26.0
	2001	21.4	18.4	8.9	15.4	26.3	36.1	28.3
Bottled spirits and liqueurs	2007	30.6	47.6	54.0	54.5	40.3	32.0	38.7
	2004	35.5	42.9	63.1	51.9	37.1	31.9	38.0
	2001	44.4	58.0	67.6	58.4	40.9	30.3	40.4
Pre-mixed spirits in a can	2007	36.9	56.3	60.7	47.6	28.5	10.9	24.3
	2004	50.2	55.7	65.3	42.0	27.9	9.3	23.0
	2001	43.8	57.9	53.5	34.8	19.5	5.5	18.2
Pre-mixed spirits in a bottle	2007	25.8	29.9	33.3	26.4	11.6	3.8	11.5
	2004	21.1	32.0	41.7	22.7	10.0	3.6	10.8
	2001	24.1	31.9	35.6	21.2	9.1	1.7	9.6

Notes:

1. Preferences are inferred from responses to the question 'What type of alcohol do you usually drink?'; respondents could select more than one usual drink.
2. The 2001 survey did not include 12–13 year olds. In this table, 14–15 year olds are shown in the 12–15 age group column for 2001. Therefore the trend for this column should be interpreted with caution. The totals for 2001 are for 14 years and over.

Source: AIHW analysis of National Drug Strategy Household Surveys.

Table 3—Trends in preferences for specific alcoholic drinks, 2002–2007, females (per cent)¹¹

Alcohol type	Year	Age group						Total
		12–15	16–17	18–19	20–29	30–39	40+	
Cask wine	2007	3.8	7.3	9.7	10.7	10.9	19.3	15.2
	2004	8.8	11.0	16.0	13.6	14.8	26.8	20.8
	2001	12.4	15.8	18.4	14.9	19.8	30.3	23.9
Bottled wine	2007	15.4	16.5	28.0	60.0	69.0	70.2	63.8
	2004	19.5	21.0	32.7	54.4	62.0	66.8	59.8
	2001	24.7	20.1	30.7	57.3	62.0	61.6	57.3
Regular strength beer	2007	9.8	9.6	17.3	25.6	19.8	9.0	14.3
	2004	12.1	17.2	24.9	26.5	18.1	8.2	14.4
	2001	8.9	15.1	26.2	29.3	17.6	8.4	15.1
Low alcohol beer	2007	5.8	3.6	6.3	5.9	7.7	10.8	8.8
	2004	7.8	5.2	4.6	7.9	10.8	12.7	10.8
	2001	12.9	5.6	3.0	8.1	11.9	14.4	11.9
Bottled spirits and liqueurs	2007	53.3	54.4	73.9	58.3	44.2	33.5	42.4
	2004	46.1	64.4	69.8	61.5	43.1	34.4	43.5
	2001	51.7	59.1	76.8	64.4	48.8	33.4	45.4
Pre-mixed spirits in a can	2007	59.4	57.0	60.8	37.1	22.8	9.7	21.3
	2004	43.0	61.7	57.3	37.1	21.9	7.5	20.1
	2001	55.5	57.2	62.0	32.5	19.2	5.5	18.6
Pre-mixed spirits in a bottle	2007	49.9	68.5	68.9	47.3	28.7	11.0	25.4
	2004	55.1	80.8	75.4	51.8	27.2	10.5	26.8
	2001	63.6	70.8	76.4	47.7	25.3	7.1	24.7

Notes:

1. Preferences are inferred from responses to the question 'What type of alcohol do you usually drink?'; respondents could select more than one usual drink.
2. The 2001 survey did not include 12–13 year olds. In this table, 14–15 year olds are shown in the 12–15 age group column for 2001. Therefore the trend for this column should be interpreted with caution. The totals for 2001 are for 14 years and over.

Source: AIHW analysis of National Drug Strategy Household Surveys.

Mr Douglas McKay, Executive Chairman, Independent Distillers Australia told the Committee:

RTDs have been part of the national alcohol landscape for 40 years in Australia. Unarguably, the convenience and other benefits of RTDs have helped augment their popularity. But this increasing popularity does not necessarily mean increasing alcohol abuse and the two things seem confused in much of this debate. RTDs are a minority part of the liquor industry and there is no compelling evidence linking them to an increase in alcohol abuse. Levels of risky drinking remain largely unchanged or slightly down according to the most comprehensive and long-running research by the AIHW.¹²

¹¹ AIHW, *Submission 23*, p. 6.

¹² Mr Douglas McKay, IDA, *Proof Hansard*, 12 June 2008, p. 49.

Mr Terry Mott, Chief Executive Officer, ALSA also questioned the link that has been drawn between RTDs and alcohol abuse as:

A tenuous interpretation of the statistics, as they fail to compare what young people may have been consuming and mixing for themselves in earlier statistics....it does seem a long bow to draw to suggest that, even if there were a significant trend in alcohol misuse, that is has been caused by a particular product or category.¹³

Liberal senators assume that if RTDs are indeed a ‘Trojan horse’ to young Australians, ushering them into higher or more dangerous levels of alcohol use than before, there would be evidence of increased rates of overall drinking in these age groups. There is no such evidence. The evidence is consistent with this generation of young drinkers having switched to RTDs from, say, the beer or sparkling wine preferences of earlier generations, but not at overall greater consumption levels than their predecessors.

Were health considerations uppermost in the Government’s mind?

Liberal senators note the lack of a submission from Treasury to the inquiry despite the modelling being included specifically in the terms of reference at (g). Questioning of Treasury officials during Estimates revealed their task was only to estimate the impact on the budget of the measure using a range of studies of the price elasticity demand for alcohol.¹⁴ Treasury officials also commented on the involvement of Health:

Senator COLBECK—Mr Ray, you said before that you did not speak to the Department of Health in relation to this. Why would you not talk to the agency that has all the figures in relation to this matter?

Mr Ray—With respect to my colleagues in the department of health, they did not have the data that we needed in order to do the costing.

Senator COLBECK—What data was that?

Mr Ray—As I explained earlier, it is ATO data on clearances.¹⁵

IDA argued that the Government's revenue and health policy objectives will not be achieved.

The Government's economic modelling to support the tax increase is not based on solid research – Treasury themselves acknowledge broad assumptions have been made in formulating their revenue projections.¹⁶

13 Mr Terry Mott, ALSA, *Proof Hansard*, 12 June 2008, p. 38.

14 Mr Nigel Ray, Acting Executive Director, Treasury, Senate Economics Committee, *Estimates Hansard*, 3 June 2008, pp. E50-51.

15 Senate Economics Committee, *Estimates Hansard*, 3 June 2008, p.66.

16 Independent Distillers Australia, *Submission 22*, p. 2.

IDA further commented that sales data since the excise increase calls the modelling by Treasury into question:

Treasury estimated that RTD volume would decline by 4%. Current sales trends, however, indicate that Treasury estimates of the revenue from the new tax could be overstated by as much as 40%.¹⁷

Mr Warwick Ryan, Director, Government relations, KPMG told the Committee:

But certainly sales of 375 ml and 200 ml containers of full-strength spirits have gone up about 20 per cent since the tax increase. Certainly the zero cross-price elasticity assumption which Treasury used in their modelling is not a number that has been applied in overseas countries and it is not the cross-price elasticity or the transference factor which you refer to that will be used in the modelling undertaken for DSICA. Certainly the evidence in the market of substitution of full-strength spirits, beer and wine shows that that zero transference factor is not credible.¹⁸

Liberal senators note with concern that Health was not a party to the cabinet submission which approved the RTD excise increase. We conclude from this extraordinary omission that the Government's chief objective was revenue-specific, not health-specific.

Revenue windfall not matched by investment in prevention/education strategies

Treasury modelling showed the financial implications of the increase in excise for RTDs. The total revenue increased from \$97.9 million in 2007-08 to \$892.6 million in 2011-12.¹⁹ By contrast, the Prime Minister's National Binge Drinking Strategy has a budget of just \$53 million.

IDA noted that none of the revenue will go to the National Binge Drinking Strategy:

The Budget shows the RTD tax changes are expected to raise \$3.1 billion. Despite the increased revenue from the excise increase, Budget papers reveal the National Binge Drinking Strategy will not receive any of this. Instead, 2008-09 Budget Papers say the Strategy will be 'met from within the existing resourcing of the Department of Health and Ageing'.²⁰

IDA further noted the lack of clarification regarding the use of the revenue:

Minister Roxon has said that a proportion of the \$3.1 billion revenue will be directed to general preventative health programs. The Government has not

17 Independent Distillers Australia, *Submission 22*, p. 2.

18 Mr Warwick Ryan, *Proof Hansard*, 12 June 2008, p. 13.

19 Treasury Executive Minute dated 14 May 2008 'Information paper on the costing of the impact of the increase in excise on 'other excisable beverages'', tabled by the Minister for Health and Ageing in the House of Representatives on 15 May 2008.

20 Independent Distillers Australia, *Submission 22*, p. 13.

outlined how much constitutes a 'proportion' or if alcohol strategies or programs will benefit.²¹

Mr Smeaton, AER noted:

You asked me what my understanding was. As I have said, the government have said on a number of occasions that some of the revenue from this particular increase in taxation will be directed back to preventative health. I have not sought, nor have they offered, an amount. There is a National Preventative Health Strategy task force working on these issues, and it is due to report, I think, initially by the end of this year. I expect that some of the recommendations will need funding and some of those things will be funded, I expect, from that revenue stream.²²

The Government appears at this point to be putting virtually all its eggs in the tax increase basket, despite the strong urgings of public health groups that a multi-faceted approach is required. Liberal senators can understand why Australians would be cynically attracted to the view that revenue is the Government's primary motivation here.

Indicator-by-indicator examination of the effects on drinking patterns of the RTD tax

Consumption patterns since measure introduced shows total alcohol sales only marginally reduced, if at all

DSCIA provided the Committee with early market reaction to the tax change as reported by the AC Nielson Liquor Scan Track Service for the two week period ending 11 May 2008. This showed:

- A 39 per cent decrease in the sales of dark spirit-based RTDs (such as whisky, rum and bourbon preferred by male drinkers aged over 25);
- A 37 per cent decrease in the sales of light spirit-based RTDs (such as vodka, gin and white rum preferred by females); and
- A 20 per cent increase in the sales of full strength spirits.²³

Mr Mott, ALSA told the Committee that while it is not yet possible to determine the long term effect of the measure:

...from the data that is available to date it may well be that the net total consumption of alcohol has increased...²⁴

21 Independent Distillers Australia, *Submission 22*, p. 14.

22 Mr Daryl Smeaton, AER, *Proof Hansard*, 11 June 2008, p. 36.

23 DSICA, *Submission 27*, pp. 9–10.

24 Mr Terry Mott, ALSA, *Proof Hansard*, 12 June 2008, p. 39.

Mr Mott further commented:

As I said, in some areas there seems to have been a lift in sales of beer, but it is hard to measure, and also increased sales of sweeter styles of wine. The beer would be, typically, four to five per cent alcohol and the wines, typically, six to 12 per cent ABV. So, while it is too early to tell if the net amount of alcohol consumed—or, more importantly, any alcohol misuse—has risen or declined, it does not appear that there has been any significant public health benefit from this measure; it is simply a further distortion in the nature of the beverages sold in the market place.²⁵

This evidence is in contrast to the conclusions of other witnesses, eg the Public Health Association which postulated that early indications are that the tax “is effective in reducing introduction to alcohol amongst young women...”²⁶ In fact there appears to be no clear evidence on consumption levels at this early stage, with the market no doubt discovering and adjusting to the excise increase. DSICA commented:

I think it is a novel concept that people would stop drinking...²⁷

Liberal senators believe that careful analysis will be required into whether alcohol sales actually reduce, and in particular whether such reductions are attributable to the decisions of young drinkers or of adult ones who currently make up the majority of consumers of RTDs.

Substitution and the popularity of spirits among younger drinkers

The industry asserts that in recent years there has been a change in product preference but not a change in consumption:

It can be seen the increase in the popularity of RTDs has been primarily in substitution for bottled full-strength spirits and full-strength beer, and is not due to an overall increase in consumption.²⁸

This was echoed in the comments of Dr Anthony Shakeshaft, National Drug and Alcohol Research Centre:

So when you just look at the drinking habits of underage people – and the date we have got is for 12- to 17-year-olds – they tend to be very price inelastic around alcohol, so they have got a clear preference for spirits.²⁹

Mr Warwick Ryan, Director, Government Relations, KPMG told the committee:

Certainly the market evidence here in Australia that we have included in our submission has shown a very significant substitution of full-strength

25 Mr Terry Mott, ALSA, *Proof Hansard*, 12 June 2008, p. 40.

26 PHAA, *Submission 24*, p. 7.

27 Mr Gordon Broderick, Executive Director, DSICA, *Proof Hansard*, 12 June 2008, p. 4.

28 DSICA, *Submission 27*, p. 11.

29 Dr Anthony Shakeshaft, *Proof Hansard*, 11 June 2008, p. 88.

spirits, and there is anecdotal evidence that there has been substitution of beer and wine products as well. We are not aware of any international evidence that shows that there would be a reduction in total alcohol consumption as a result of a tax increase on one category of product.³⁰

In support Mr Michael McShane, Managing Director, Brown-Forman Australia, stated:

Yes, there has been a migration. Our experience so far is that there has been a definite reduction in the amount of sales of RTD products since the imposition of the tax, but equally there has been a significant shift into full-strength spirits since that date. We also have anecdotal evidence to suggest that there is switching going on into other categories, and I think the opening comments in the *Four Corners* program on Monday night would have shown that. Our experience is that there is definite shifting going on.³¹

IDA pointed out that while RTD consumption may decrease as a result of the excise increase:

There is clear evidence through retail sales data since the increase of the excise that there will be almost a direct substitution to beer, cider (same strength), wine (three times stronger) and spirits (seven to 10 times stronger).³²

IDA concluded that:

There is already sound evidence that the new RTD tax has simply caused a shift in consumption from RTDs to the same or potentially larger quantities of alcohol in the form of spirits, wine, cider and beer.³³

Mr McKay from IDA described the early evidence to the Committee:

The early evidence is indicating that the overall consumption of alcohol will not be affected by this tax, as RTD consumers merely substitute RTDs for other forms of mostly higher strength and/or cheaper alcohol.³⁴

Mr Mott from ALSA noted that:

Although the early reports fully indicate a drop in sales of RTDs, we are, as I have said, somewhat concerned at the lift in sales of full-strength bottled spirits and other forms of alcohol beverages. Our members have also noticed that, along with the increased sales of bottled spirits, sales of soft drink mixers have also risen, suggesting a practice that may not result in the stated benefits of the measure. It seems that the highly mobile 18 to 24

30 Mr Warwick Ryan, *Proof Hansard*, 12 June 2008, p. 4.

31 Mr Michael McShane, *Proof Hansard*, 12 June 2008, p. 5.

32 Independent Distillers Australia, *Submission 22*, p. 4.

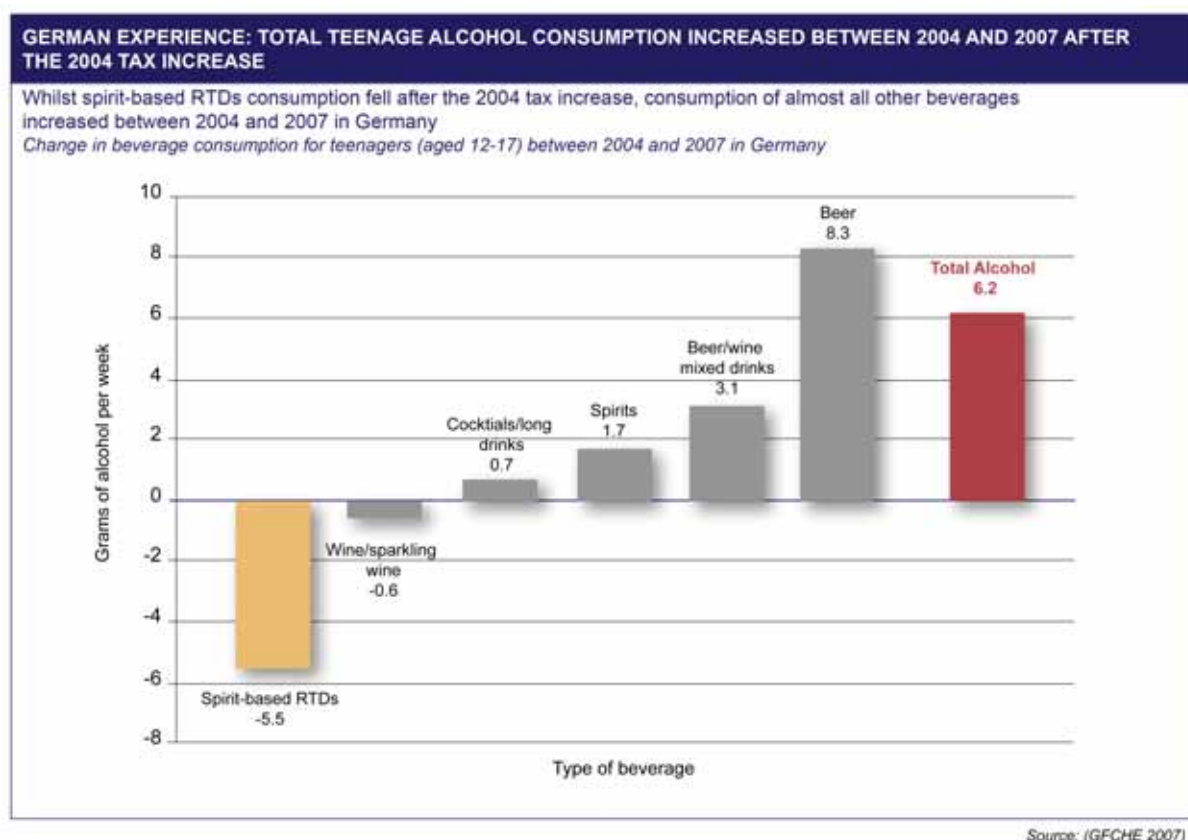
33 Independent Distillers Australia, *Submission 22*, p. 5.

34 Mr Douglas McKay, IDA, *Proof Hansard*, 12 June 2008, p. 49.

population are now buying full-strength spirits and mixing on the run. People in that age group do not necessarily carry measuring jiggers with them to mix. It seems highly unlikely that they will be accurately measuring the proportion of alcohol in the mixed drink, resulting in disturbing variable and potentially risky strengths of alcohol in their drinks. If they are mixing on the run, it is almost impossible for them to accurately calculate the amount of alcohol that is going into their drinks and the drinks of whoever they are sharing it with. At least with prepackaged products it was a set amount of alcohol and it was clearly labelled with the number of standard drinks.³⁵

The experience of tax increases in other countries here is illuminating. DSICA cites the case of a tax on RTDs introduced in Germany in August 2004 which had the following impact over 3 years on total teenage alcohol consumption (see Figure 2).

Figure 2: German experience: Total teenage alcohol consumption increased between 2004 and 2007 after the 2004 tax increase



Source: Submission No. 27 (Distilled Spirits Industry Council of Australia), p.49.

If there is a preference among young drinkers for spirits or spirit-based drinks, as both “sides” of this debate seem to concede, one would expect a considerable problem with younger drinkers shifting from RTDs to spirits to avoid the tax. Those problems may

35 Mr Terry Mott, ALSA, *Proof Hansard*, 12 June 2008, pp. 39–40.

include an impaired capacity to count standard drinks and a greater incidence of drink-spiking. These factors need to be included on the debit side of the ledger when the tax's implications are tallied.

Capacity to count standard drinks and the avoidance of drink-spiking

At the hearing DSICA told the committee about the unintended consequences of the excise increase: Mr Gordon Broderick, Executive Director of DSICA stated:

The government's 70 per cent tax increase on a limited range of alcohol products has created some potentially dangerous unintended consequences, and these effects are already evident in the community. The consequences are real and current and include inexperienced consumers being driven to purchasing and mixing their own, stronger spirits and younger drinkers opting for cheaper wine pops and cask wine, which contain twice the alcohol and are taxed at half the rate. Young girls are facing the real risk of being victims of drink spiking; highly respected medical experts are already warning that teenagers are at risk of being drugged as they opt for buying open drinks over the bar or at parties rather than safeguarding against drink spiking by consuming drinks already premixed in a can or a bottle. There is increased abuse by young men of full-strength beer, with the potential for greater street and domestic violence. The tax hike trial has failed not only because it does not achieve its objective but also, more dangerously, because it has created a series of problems that continue as long as the trial continues.³⁶

IDA noted that:

Most RTD products on the market are actually at the lower end of the scale at about the same strength as beer and provide a safer alternative than straight or home-mixed spirits.³⁷

Mr McKay outlined the benefits of RTDs:

Our benefits really are the benefits you associate with RTD products—convenience, a premeasured serving of alcohol, clear labelling, and a safe and secure pack.³⁸

Substitution to illicit substances

Some witnesses expressed concern that one form of substitution that could be expected is to illicit drugs, which in some cases may become cheaper than RTDs. DSICA cited a 1997 study whose findings suggest:

...high school students (the majority of whom initiated their alcohol and drug use earlier) treat alcohol and marijuana as substitutes...³⁹

36 Mr Gordon Broderick, Executive Director, DSICA, *Proof Hansard*, 12 June 2008, pp. 1–2.

37 Independent Distillers Australia, *Submission 22*, p. 12.

38 Mr Douglas McKay, IDA, *Proof Hansard*, 12 June 2008, p. 53.

Lack of evidence on which excise decision based

The Australian Hotels Association believed there was a lack of evidence for the increase on the excise stating:

The Commonwealth Government has consistently highlighted binge-drinkers as being young females, yet all the evidence suggests the real consumers of pre-mixed alcohol products are 25+ single males.⁴⁰

The AHA further asserted that 'there has been no evidence presented by the Commonwealth that links price structure of the pre-mixed alcohol market with binge-drinking' and 'there has been no evidence presented by the Commonwealth that links the increasing popularity of the pre-mixed sector with problem drinking patterns in young drinkers'.⁴¹

IDA also concluded that the basis for the 'singling-out of RTD products is not backed up by research'. They argued:

There is limited published Australian research or data on the role of specific alcoholic products on risky drinking behaviours and none of it, that IDA is aware of, specifically nominates RTDs as the root cause of binge drinking.⁴²

IDA recommended that there needs to be better understanding of the role played by not only RTDs but other alcoholic products in drinking behaviours across both sexes and all age groups.⁴³

IDA also pointed out that this measure will have a considerable effect on their industry as RTD drinkers switch to other forms of high strength and/or cheaper alcohol.

The Federal Government's excise increase on RTDs has the potential to significantly impact the company; putting 480 jobs at risk, including more than 250 jobs in Australia.⁴⁴

Liberal senators believe that given the potentially negative consequences, such as the potential loss of revenue and jobs for the industry, such consequences should be carefully weighed and the evidence should be conclusive.

³⁹ Chaloupka & Laixuthai, *Do Youth Substitute Alcohol and Marijuana? Some Econometric Evidence*, Eastern Economic Journal, Summer, 1997; 23, 3, p. 253, cited in DSICA, *Submission 27*, p. 47.

⁴⁰ AHA, *Submission 31*, p. 3.

⁴¹ AHA, *Submission 31*, p. 3.

⁴² Independent Distillers Australia, *Submission 22*, p. 9.

⁴³ Independent Distillers Australia, *Submission 22*, p. 10.

⁴⁴ Independent Distillers Australia, *Submission 22*, p. 4.

Issue of aligning alcohol taxes with a volumetric approach

The Alcohol Education and Rehabilitation (AER) Foundation argued that all alcohol should be taxed under one, consistent volumetric regime which would save administrative costs and not favour any particular alcoholic beverages.⁴⁵

The AER provided the Committee with a diagram (available in chapter four of the majority report) indicating a hypothetical tax rate to show what a single rate of taxation would look like that produces revenue neutrality but taxes by alcoholic content, not by drink type. Mr Daryl Smeaton, Chief Executive Officer, AER, told the Committee that:

From a purist's point of view, the foundation has said that it does tax the alcohol in RTDs at the same rate as the alcohol and spirits. But, as our hypothetical tax rate does show, when you apply a tax to the alcohol—whether it is in beer, wine or spirits—at the same rate, you clearly cannot tax them at the spirits rate. That would treble the amount of revenue that the government would get and it would not make much change at all to unsafe consumption, other than the fact that most people would not be able to afford to buy alcohol any longer. One of the effects of applying an across-the-board tax rate is that certain products would reduce in price, and spirits are one of those products. But, as I pointed out earlier, the spirits share the alcoholic market is only two per cent by volume; the beer market is still by far the biggest part of the market, and I expect it would continue to be so.⁴⁶

Regarding alcohol taxation, Mr Smeaton further stated:

...But the fact is that the alcohol taxation system is broken. It does not achieve anything other than a revenue stream for government. I have no doubts that governments need to maintain revenue, but if we looked at the alcohol taxation system from a public health perspective, as well as from an economic perspective, then I think we could come up with a much better system that would serve Australia equally well in both areas.⁴⁷

Several witnesses welcomed the excise increase as a step towards a volumetric approach to alcohol taxation. It is however clear from the AER submission that this is not true; AER suggests that a revenue neutral volumetric level of taxation on RTDs would equate to a tax per standard drink of 47cents. In fact the recent increase has raised the tax to \$1.25.

Ironically the tax level was closer to a revenue neutral volumetric approach *before* the increase than it is now.

Other witnesses, notably those representing beer and wine interests, highlighted the dramatic price changes across categories that would stem from a shift to a pure,

45 AER *Submission*, 14, p. 3.

46 Mr Daryl Smeaton, AER, *Proof Hansard*, 11 June 2008, p. 29.

47 Mr Daryl Smeaton, AER, *Proof Hansard*, 11 June 2008, p. 30.

revenue neutral volumetric tax model. Australasian Associated Brewers Inc provided modelling, verified by Access Economics, which indicated the significant price increases beer and wine products would face, compared with significant price reductions for spirit based categories under a revenue neutral volumetric tax regime (see table 4).

Table 4 – Price effects of volumetric taxation in dollar terms

BEVERAGE	CURRENT PRICE	VOLUMETRIC PRICE	+ / –
Spirits (700ml)	\$32.40	\$20.40	– \$12.00
RTD> 7% (carton)	\$72.03	\$45.85	– \$26.18
RTD< 7% (carton)	\$72.03	\$53.33	– \$18.70
Wine (cask)	\$15.14	\$31.23	+ \$16.09
Wine (bottle)	\$11.81	\$13.22	+ \$1.41
Light Beer (schooner)	\$2.92	\$3.61	+ \$0.69
Light Beer (carton)	\$32.10	\$35.90	+ \$3.80
Mid Beer (schooner)	\$3.34	\$3.91	+ \$0.57
Mid Beer (carton)	\$30.15	\$32.40	+ \$2.25
Full Beer (schooner)	\$3.85	\$4.34	+ \$0.49
Full Beer (carton)	\$37.85	\$39.02	+ \$1.17
Premium Beer (schooner)	\$5.01	\$5.43	+ \$0.42
Premium Beer (carton)	\$40.43	\$41.53	+ \$1.10

Source: Submission No.34 (AAB), p.4.

Several witnesses indicated that a strictly volumetric approach could be tempered by variations. DSICA posed the options of an excise-free threshold, the phasing in of volumetric rates and, in particular, a "series of tiered rates ...whereby lower content beverages are taxed at lower volumetric rates."⁴⁸ It is important to note however that even if a moderately tiered arrangement were adopted in the future, the excise on RTDs recently imposed would be way out of kilter with such a scheme.

Conversely, the excise imposed on RTDs would be consistent with a volumetric approach if the Government were to lift overall taxation levels on alcoholic products substantially. This may have health benefits but is not part of any general strategy which has yet been spelt out to the community. The Committee is conscious that the Henry Review might encompass such options; Liberal senators trust there will be appropriate consultation with affected industries and the broader community before such a move is adopted as the Government's policy.

48 DSICA, *Submission 27a*, p. 4.

Support of many health groups conditional on Government's "follow up" with an across-the-board volumetric approach – little evidence that this will occur

Although many health groups supported the excise measure, their support was conditional that this was just one measure to address harmful alcohol consumption of young people and should be part of a comprehensive suite of measures such as volumetric taxation.

The AMA noted the focus on RTDs alone may provide 'perverse incentives for young people to shift their preferences to potentially more harmful behaviours or alcohol substitutes' and advocated:

Uniform application of a volumetric alcohol tax to ensure that there are no incentives for people to shift their drinking preferences to cheaper, but higher alcohol volume products.⁴⁹

The AMA stressed that raising the excise tax on RTDs should not be applied in isolation and a multi-faceted strategy should address controlling supply and reducing demand.⁵⁰ They further noted the 'RTD tax increase alone will not solve the problem and it is simplistic to suggest otherwise'.⁵¹

Similarly, the Australian General Practice Network qualified its position on the new tax:

To summarise our position, we do support the current approach, although we would not support it if that was the end of it. We do support it if it is part of a broader approach to risky behaviour with alcohol amongst young people. We do support a volumetric approach and we would like to see, in that approach, incentives to produce lower alcohol products. We also believe very strongly that there need to be targeted strategies to increase the capacity of the primary health-care sector in dealing with risky alcohol consumption.⁵²

Professor Michael Moore of PHAA also struck a note of caution:

We just described it as a first step and we continue to describe it as a first step because, as we stated in our submission on the alcohol toll bill, we believe that a comprehensive approach is critical. That comprehensive approach should include pricing measures.⁵³

Liberal senators saw scant indication of the broader prevention and education measures which might be expected under such a multi-faceted strategy. Officers of the

⁴⁹ AMA, *Submission 33*, p. 1.

⁵⁰ AMA, *Submission 33*, p. 4.

⁵¹ AMA, *Submission 33*, p. 5.

⁵² *Committee Hansard* 12.6.08, p.25 (Ms Carnell, AGPN).

⁵³ *Committee Hansard* 11.6.08, p.16 (Mr Moore, PHAA).

Department of Health told the Committee that the task force working on a preventive health strategy is not due to report for more than a year.⁵⁴

Lack of any present device to measure the ongoing success of this excise increase

Ms Virginia Hart, Assistant Secretary, Drug Strategy Branch, Department of Health and Ageing told the Committee during estimates hearings that they were in the process of designing an evaluation for all components of the binge drinking strategy and also the increase in excise.⁵⁵ At the hearing the department reinforced that:

...the RTD excise is only one lever being used to tackle adolescent binge drinking. We are in the process of now trying to devise an evaluation to look at how all the initiatives that we have set out will contribute to tackling binge drinking.⁵⁶

No timeline for completion of an evaluation instrument was provided. Liberal senators were disturbed to hear that no device was available or was being contemplated by the Government to test its new tax's effectiveness. They further suggest that the blending of other anti-binge drinking measures into the purview of an eventual evaluation instrument will make isolating the success or failure of this measure even harder.

Evidence of sweetness as a "hook" for RTDs

Regarding the attractiveness of RTDs to young palates due to their sweetness, Mr Broderick from DSICA told the committee:

I think the high sugar content is an assertion. I have not seen any scientific data saying that the ready-to-drinks have higher sugar content than any fruit juices or soft drinks. The most common component of the ready-to-drinks is probably cola. I do not think they are artificially highly sweetened for any devious purpose. This strawberry wine would be very sweet. People could well migrate to that.⁵⁷

DSICA later added:

A 375 ml can of Coca Cola has 39.8 grams of sugar compared with 33.4 grams in a 375 ml can of Jim Beam and cola, which is representative of DSICA member pre-mixed products. That is, the 375 ml can of Jim Beam and cola has 16% less sugar than the same size can of Coca Cola soft drink.⁵⁸

⁵⁴ Department of Health and Ageing, *Proof Committee Hansard*, p. CA91.

⁵⁵ Ms Virginia Hart, *Estimates Hansard*, 4 June 2008, p. CA80.

⁵⁶ Department of Health and Ageing, *Proof Committee Hansard*, p. CA91.

⁵⁷ Mr Gordon Broderick, Executive Director, DSICA, *Proof Hansard*, 12 June 2008, p. 8.

⁵⁸ *Supplementary Submission No.27 (DSICA)*, p.4.

Mr McShane supported this and stated:

Over 90 per cent of the ready-to-drink products in Australia are actually served with cola, and those are cola bases which could carry similar sorts of sugar levels and caffeine levels, for example, as a standard cola that you would buy in a supermarket.⁵⁹

Mr McShane also added that sweetness is not necessarily an inducement to drink more:

There is a term that we use in the industry: 'sessionable'. You cannot drink too much sweet product because it just becomes sickly on the palate, and so, in fact, sweetness is not necessarily an inducer. It can actually be a negative. So excessive sweetness is not necessarily a good thing.⁶⁰

Support by Australians for other strategies

Liberal senators note that Australians polled by AIHW rate a number of measures to combat alcohol abuse well ahead of increases in tax levels (see Table 5)

Table 5 – Support^(a) for alcohol measures: proportion of the population aged 14 years or older, by sex, Australia, 2004, 2007

Measure	Males		Females		Persons	
	2004	2007	2004	2007	2004	2007
	(per cent)					
Increasing the price of alcohol	16.1	20.5 #	25.5	27.7 #	20.9	24.1 #
Reducing the number of outlets that sell alcohol	22.7	27.9 #	34.2	36.3 #	28.5	32.2 #
Reducing trading hours for pubs and clubs	27.3	35.4 #	36.6	42.4 #	32.0	38.9 #
Raising the legal drinking age	35.4	42.5 #	45.9	50.0 #	40.7	46.3 #
Increasing the number of alcohol-free public events	56.9	56.4	69.5	68.3	63.3	62.5
Increasing the number of alcohol-free dry zones	59.1	58.9	67.4	67.0	63.3	62.5
Serving only low-alcohol beverages at sporting events	53.8	54.5	67.2	65.5 #	60.6	60.1
Limiting TV advertising until after 9.30 p.m.	66.3	67.2	76.3	77.0	71.4	72.2
Banning alcohol sponsorship of sporting events	37.8	41.7 #	54.1	55.2	46.1	48.5 #
More severe penalties for drink driving	80.4	81.5	91.1	91.0	85.9	86.3
Stricter laws against serving drunk customers	79.9	79.9	87.7	86.8	83.8	83.3
Restricting late night trading of alcohol	45.5	54.0 #	58.1	61.9 #	51.9	58.0 #
Strict monitoring of late night licensed premises	68.4	72.4 #	75.7	77.9 #	72.1	75.2 #
Increasing the size of standard drink labels on alcohol containers	60.3	60.7	72.4	70.7 #	66.4	65.8
Adding national drinking guidelines to alcohol containers	63.9	66.1 #	75.7	75.7	69.9	70.9
Increasing tax on alcohol to pay for health, education and treatment of alcohol-related problems	31.5	35.5 #	45.5	47.0	38.6	41.3 #

(a) Support or strongly support (calculations based on responses of 'strongly support', 'support', 'neither support nor oppose', 'oppose' and 'strongly oppose').

Difference between 2004 result and 2007 result is statistically significantly (2-tailed $\alpha = 0.05$).

Source: AIHW 2007 National Drug Strategy Household Survey: first results, April 2008.

59 Mr Michael McShane, *Proof Hansard*, 12 June 2008, p. 8.

60 Mr Michael McShane, *Proof Hansard*, 12 June 2008, p. 8.

Respondents listed "More severe penalties for drink driving", "Stricter laws against serving drunk customers" and "Strict monitoring of late night licensed premises" as their highest priorities. These measures attracted support at about twice the rate of "Increasing tax on alcohol".

Liberal senators are unaware of any moves by the Government to address the alcohol-related measures supported by most Australians, even to the extent of encouraging their colleagues in the state and territory governments to contemplate action.

Conclusion

Given the evidence for the excise increase is not clear and that there are potential negative consequences such as substitution, punishing responsible drinkers, and potential industry job losses, the question of whether the tax should proceed is problematic based on the evidence.

Liberal senators are not opposed in principle to strong new weapons to attack the culture of alcohol abuse. Indeed they acknowledge that such measures must be seriously contemplated by all levels of government, for example liquor trading hours and the number of retail outlets need to be on the table for examination. But any measure adopted must pass a basic test of commonsense and adequately-researched efficacy. We remain concerned that this has not occurred here.

We support close examination of a volumetric method of alcohol taxation, or variations thereof, such as a scaled approach that gives low alcohol products a market advantage. We are not however convinced that the Government's RTD tax is part of such a strategy.

Accordingly, Liberal senators **recommend that the RTD excise increase be reversed until the Henry Review of Australia's tax system has reported and a response devised.**

Senator Gary Humphries, Deputy Chair

Senator Sue Boyce

Senator the Hon Richard Colbeck

Senator Simon Birmingham

Additional Comments

Senator Andrew Murray

1 Price and behaviour

The Australian Democrats have long been campaigners for comprehensive alcohol review and consequent reform. The Hansard record will show years of campaigning on alcohol issues, including extensive amendments to improve the system.

The Democrats have no issue with the price of alcohol being increased via excise if the social intent is to reduce the harmful consumption of alcohol. We support measures including price measures that will actually significantly reduce the harm caused by excessive consumption of alcohol. The Democrats have no set level of excise or alcohol tax in mind that will achieve this goal. The level at which excise is set is always going to be a matter of judgement, a behavioural guess, and the Treasury are as good at that sort of estimate as any.

What we take issue with are excise actions in one alcohol category in isolation of action in other alcohol categories which are capable of easy substitution for the targeted category.

The behavioural logic is easy. Price affects consumption. Raising the price should lower consumption. However if there are easy substitutes no significant fall in consumption will occur. So you have to raise the price of all substitutes too.

What was disturbing at both the June Senate Budget Estimates¹ and at the Committee Inquiry is that the question of substitution has been largely swept aside or been diminished in importance. Yet it is central to the question of whether this pre-mixed drink excise increase will work at all in reducing the harmful consumption of pre-mix drinks, particularly by young people. Issues relating to the RTD tax increase were discussed at length during the Economics Committee's session. Extracts from the exchanges on these issues are at Attachment 1.

At the time of the announcement of this excise increase for pre-mixed drinks the Democrats said it must be matched by other action. We said that the government had correctly identified price as helping curb alcohol abuse. When certain products are flavoured, sweetened, packaged and marketed to attract the young, then price is an obvious weapon to use to restrict consumption. Unfortunately young people also can and do binge drink on beer and wine, as do adults that binge drink.

Despite helpful reform in the last decade, the federal government's alcohol tax policy lacks integrity and consistency. In 2002 I had this to say on the matter, and I drew out five main conclusions in my Supplementary Remarks:

¹ Budget Estimates, Senate Standing Committee on Economics, *Proof Committee Hansard*, 3 June 2008, pp. 50-55 and 63-80 <http://www.aph.gov.au/hansard/senate/committee/S10862.pdf>.

-
- The Government's new alcohol tax system is a considerable improvement on the former regime (an improvement furthered by this Bill);
 - Further improvements to the alcohol tax regime could make a material contribution to improved health outcomes;
 - The value-added Wine Equalisation Tax (WET) is a failure in two respects. It has created a low-price cheap-alcohol cask market that is at the centre of alcohol abuse, and it is punishing the premium and small business bottled wine sector;
 - The Government's low-alcohol policy is poor, since it only focuses on beer, when there are clear opportunities for incentives to encourage low alcohol RTDs and wines; and
 - There are significant continuing inequities and anomalies in excise taxation, among others in RTDs, Brandy, Cider, and mid strength beer.²

The previous Coalition Government did nothing to address these policy weaknesses, nor did it follow up on the unanimous Senate Economic Committee's later recommendation in 2006 that a pricing regime be introduced to encourage the consumption of low-alcohol RTDs.³

Alcohol is alcohol, whatever its source. Yet the alcohol pricing regime is selective between and within alcohol categories on random grounds. The detrimental effect of alcohol comes from the amount consumed, not from its type, its packaging or its flavour.

Labor has shown it has the courage to take on the spirits lobby. It now needs courage to take on the wine and beer lobbies. Three principles must be followed:

- All products in the same product category should be taxed the same. For instance, brandy should be taxed at the same rate as whisky, rum and white spirits, which it is not.
- All products with the same alcohol level should be taxed the same. Full-strength beer (which is determined at 4.65+ percent) should be taxed the same as pre-mix drinks at 4.65 percent. If increasing excise curbs binge drinking on RTDs, then beer excise should also be increased immediately to curb binge drinking on beer; plus wine should be taxed volumetrically not by value to achieve a similar outcome.
- The low-alcohol and mid-strength beer excise should be matched with a low-alcohol and mid-strength RTD excise rate.

² Senate Economics Legislation Committee, *Provisions of the Excise Tariff Amendment Bill (No. 1) 2002 and Provisions of the Customs Tariff Amendment Bill (No. 2) 2002*, October 2002, http://www.aph.gov.au/Senate/committee/economics_ctte/completed_inquiries/2002-04/tariff_02/report/report.pdf.

³ Senate Economics Legislation Committee, *Report on the Provisions of the Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006 and three related bills*, June 2006, p.10. http://www.aph.gov.au/senate/committee/economics_ctte/completed_inquiries/2004-07/fuel_3/report/report.pdf

Recommendation 1:

That the Henry Tax Review examining alcohol taxation have regard to these three general principles:

- **all products in the same product category should be taxed at the same rate;**
- **all products with the same alcohol level should be taxed at the same rate; and**
- **the low-alcohol and mid-strength beer excise should be matched with a low-alcohol and mid-strength RTD excise rate.**

If this government is really serious about alcohol policy, when is it going to announce its response to the Senate's unanimous call, agreed to on 13 March 2008, for a full review? The Senate motion said:

(1) That the Senate, noting concern in the community at the abuse of alcohol, asks that the Government refer the following matter to a parliamentary committee, an appropriate body or a specially-established task force for inquiry and report: The need to significantly reduce alcohol abuse in Australia, especially in geographic or demographic hot spots, and what the Commonwealth, States and Territories should separately and jointly do with respect to:

(a) the pricing of alcohol, including taxation; (b) the marketing of alcohol; and (c) regulating the distribution, availability and consumption of alcohol.

(2) In undertaking the inquiry, regard is to be had to: (a) economic as well as social issues; (b) alcohol rehabilitation and education; (c) the need for a flexible responsive and adaptable regulatory regime; and (d) the need for a consistent harmonised Australian approach.

Recommendation 2:

That the Government comply with the Senate motion of 13 March 2008 calling for a comprehensive holistic review of all aspects of alcohol.

Political and industry concern with respect to the RTD increase has been two-fold:

- that this excise increase is actually a revenue measure disguised as a social policy; and
- that this is a tokenistic response to a serious issue which will not work because substitution will occur.

The Democrats are prepared to give the Government the benefit of the doubt that they do desire to significantly reduce harmful drinking. Even so, there are real weaknesses in their approach.

In an important sense, the alcopops issue is not a side-issue. It is a worrying signal that the new Government has already dropped its approach of a principles-based or alternatively an evidence-based policy response to significant social and economic problems. If it does that elsewhere or more broadly, then Australia is headed for troubled policy waters.

Raising price to tackle over-use is a legitimate behavioural tool, and is commonly used in sin taxes (drinking, smoking, and gambling) but there is no policy consistency here. If you raise the price on one alcohol category you have to raise the price on all categories, otherwise the substitution effect will undo your policy intention.

Imagine you are a teenage girl (...well try), and the price of pre-mix vodka and lemon goes up 70% - do you stop drinking; drink less; switch to much cheaper wine with a higher alcohol content (cask wine is hardly taxed at all); switch to cheaper beer with the same alcohol content (beer is preferentially taxed); switch to cheaper cider (preferentially taxed); or buy a spirits bottle and a cool drink bottle and mix your own much cheaper vodka and lemon?

The evidence in the Majority Report is that the jury is not yet in, the evidence is still being collected, but there will be behavioural changes, including some present RTD drinkers drinking less or drinking less harmfully. My own very long experience in this policy field still leads me to expect that the majority of those who drink for the alcohol effect will simply switch from RTDs to cheaper products.

This view was supported by evidence provided to the inquiry including the following real life example from Dr Raymond Seidler, specialist in addiction medicine practising in Kings Cross NSW and Secretary of the Eastern Sydney Division of General Practice:

'Recently, our division of general practice hosted a youth Forum for all the high schools in our area. Attendees included 75 students from variety of private and public schools. My presentation was on intoxication and the subject of premixed alcopops came up in discussion. The consensus of opinion amongst the young people was that raising the excise on premixed drinks would do nothing to reduce the level of binge drinking amongst their cohort. Many of the young women said they would just resort to cheap drinks or buy their own spirits, and at the same time purchase a bottle of soft drink to mix with either vodka, bourbon or whisky. They also explained to me and to their teachers that they would seek out cheaper alcohol alternatives like wine in casks which they explain could be procured for around \$10 for 4 Litres.'⁴

The majority of evidence to the committee expressed the opinion that the RTD measure should not stand alone but should be part of a comprehensive suite of measures to address the harmful consumption of alcohol.

2 A summary of Democrats' views on alcohol

Alcohol is the most commonly used drug in Australia and the second greatest cause of drug-related deaths and hospitalisations after tobacco. Almost three and a half thousand deaths are attributed to alcohol consumption each year. The financial cost of alcohol misuse in Australia has been estimated at more than \$15 billion per year.⁵ A comprehensive national alcohol strategy is needed that focuses on causes and effects and remedial responses; on regulation, controls, and education; and on more effective taxation. Our national health depends on it.

In the 2007 federal election the Australian Democrats outlined their 'Action Plan'. This was framed in the following way:

⁴ Dr Raymond Seidler, *Submission 1*, p. 1.

⁵ AMA, *Submission 33*, p. 6.

Implement and properly fund the National Alcohol Strategy informed by:

- An inquiry into what Commonwealth, States and Territory governments should separately, jointly and consistently do with respect to the pricing marketing and regulation of alcohol;
- A comprehensive study by the Productivity Commission of the full economic and social costs of alcohol-associated problems; and
- Ongoing independent research to identify the causes and effects of alcohol abuse in Australia, and to identify policies to significantly reduce alcohol abuse and the harm caused by it.

The Democrats advocated: *Stronger regulation and intervention*

- Direct a standard 2% of alcohol tax revenue (about \$160 million per annum) towards promoting the responsible consumption of alcohol and emphasising the dangers of alcohol misuse; and, assisting people to limit or abstain from drinking, with particular emphasis on the young, pregnant women and those indigenous communities at risk;
- Provide policing assistance to indigenous and other communities wishing to enforce their 'dry' status and heavy penalties for 'grog-runners' and substantially improve access for indigenous people to prevention and treatment services ;
- Negotiate tighter liquor licensing laws with the States, with stricter enforcement and higher penalties for supplying alcohol products to under-18 year-olds and reduce the number and density of liquor outlets and hours and days of sale;
- Ban products designed to appeal to young people;
- Restrict alcohol advertising and promotion, including banning alcohol-industry sponsorship of social, sports and entertainment events;
- Establish an independent statutory body to develop and run an independent regulatory system funded by hypothecated alcohol taxes;
- Apply health warnings on alcoholic beverages, including the warning that there is no safe level of consumption for minors or for pregnant women;
- Support high levels of random breath testing in all jurisdictions, including ensuring that a high proportion of drink driving offenders are successfully referred to intervention programs; Increase the availability and use of ignition interlock devices both on a voluntary basis and as part of sentencing of convicted drink drivers; Foster mandatory referral of severe or recurrent drink driving offenders to alcohol treatment services;
- Establish a national network of sobering up facilities and increase funding for withdrawal and treatment facilities including greater use of screening for alcohol related problems, encouraging the use of effective pharmacotherapies and increasing brief alcohol interventions in primary care settings;
- Support decriminalisation of public drunkenness and diversion to sobering up facilities;
- Provide targeted funding for specialised programmes for children raised in substance misusing families; and

- Make it the law clear that liquor license holders and alcohol suppliers have a duty of care for the safety of consumers of their products; or, reverse the changes to the Trade Practices Act that removed the capacity for litigation to recover health care costs from alcohol suppliers responsible for or associated with personal injury caused by conduct related to alcohol consumption.

A much improved taxation framework

- Revise the alcohol taxation system so that all alcohol products are taxed according to volume according to alcohol content, and wine and cider are not taxed by value;
- Introduce the same tax and excise treatment to low and mid strength RTDs and wine as is applied to low and mid strength beer;
- Ensure imported products are not priced differently to domestic products of the same alcohol class, and brandy is not priced preferentially to other spirits; and
- Establish the ATO as the single government agency responsible for the collection of revenue and the administration of excise equivalent alcohol goods.

The Democrats said that **issue one was inquiry and research:**

An independent inquiry is needed, with particular regard to significantly reducing alcohol abuse in Australia, especially in geographic or demographic 'hot spots'. We need to establish what the Commonwealth, States and Territories should separately, jointly and consistently do with respect to

- the pricing of alcohol, including taxation;
- the marketing of alcohol; and
- regulating the distribution, availability and consumption of alcohol.

The inquiry must take into account economic and social issues; alcohol rehabilitation and education; the need for a flexible adaptable regulatory regime; and, the need for a consistent harmonised approach.

Australia's per capita alcohol consumption has fallen by about 25% since it peaked in the mid-1970s, but there is much more to be done. Concern is justified at the social and economic costs of alcohol abuse, at binge drinking, and at the costly and socially harmful health problems arising from excessive alcohol consumption.

Although drinking is often glamorised by popular culture and viewed as a rite of passage by many, alcohol misuse contributes to high-risk binge drinking, depression, anxiety, physical and sexual violence, crime rates, road accidents and injuries, to name a few of many undesirable social effects. There are high risk groups, including the young and certain indigenous groups. The only way to deal with risk is to use credible genuinely independent empirically based research. The challenge is to deepen our understanding of the underlying motivation of why some people drink at harmful levels.

Evidence provided to the committee agreed that our understanding of why young people drink to excess is limited as noted by Dr Michael Tedeschi, Fellow, Royal Australasian College of Physicians, who told the committee 'Alcohol consumption and the various ways

alcohol is consumed by young people is a highly complex matter in that we have a very poor understanding of the patterns of why people drink the way they do'.⁶

Good social and health outcomes are a key objective of a coherent set of alcohol policies. Good alcohol policies can make a positive contribution to these outcomes. It is possible to moderate behaviour, but it is hard to change behaviour. To change behaviour you have to know what causes behaviour. That is why the Democrats place such emphasis on independent Government-funded research.

The Democrats said that **issue two was regulation**.

The federal Government collects about \$8 billion annually in alcohol revenue, and the alcohol industry is a considerable sector of our economy. Against that must be set the huge costs of alcohol abuse. The policy task is to lower these costs substantially. Alcohol requires regulation. Universal prohibition does not work. Neither does treating alcohol as a run-of-the-mill consumer good.

Alcohol abuse affects many, but certain indigenous communities and specific age groups such as underage drinkers are high risk. Australia's alcohol regulation is shared between Federal, State and Local authorities. Coordination and consistency is essential, and is currently missing. Control policies include taxation, licensing regulation, access, hours of sale, and disincentives for anti-social behaviour such as drink-driving. Control policies should regulate the price marketing and availability of alcohol in a manner that minimises harm and encourages responsible consumption.

Educational programs for parents and the community on the dangers and inappropriateness of supplying alcohol to underage drinkers are ineffective. Enforcement is poor. Drink driving laws have been spectacularly successful in reducing the levels of anti-social drink-driving behaviour on our roads. We need a similar breakthrough in the area of supply of alcohol to minors by parents and friends.

Alcohol marketing, promotion, advertising and sponsorship are permitted almost without restriction in Australia. There is industry self-regulation of advertising but many problems exist with this system. Research shows that advertising does have a role in drinking behaviour and attitudes towards alcohol. Products designed to appeal to young people should be banned.

Random breath testing has been one of the most effective programmes for reducing alcohol related morbidity and mortality. It is most effective when it has a high profile and large numbers of people are routinely tested. Health warnings on labels have been adopted in some countries and have contributed to greater awareness of the risks associated with alcohol use.

The Democrats said that **issue three was price and taxation**.

The Democrats have always supported the taxation of alcohol as a standard regulatory mechanism to prevent alcohol being cheaply available, and as a means of contributing to the public cost of harm arising from alcohol consumption. The Government's broad conceptual framework for alcohol taxation policy in Australia means alcohol taxation and pricing levels

⁶ Dr Michael Tedeschi, Fellow, Royal Australasian College of Physicians, Community Affairs Committee Hansard, 11 June 2008, p. 40.

are better than they were but further improvements to the alcohol tax regime could make a significant contribution to improved health outcomes.

The policy framework still lacks sufficient coherence. The framework has three key compartments: products with less than 10% alcohol content; products with more than 10% alcohol content; and wine and cider.

Until this RTD excise increase the Government had recognised the merit of taxing most products under 10% alcohol content at similar taxation rates, regardless of the form of the alcohol. This tax is levied volumetrically as excise or customs duty on the amount of the alcohol in the product. The Government has also recognised the merits of taxing all products over 10% alcohol content at a higher rate. This too is sound policy.

However a fatal policy flaw is that the taxation of wine and cider is still based on the value, not alcohol volume, of the product. Alcohol is alcohol. A standard drink is a standard drink. Alcohol taxation should reflect this truth. It is better tax policy to tax each alcohol product on its alcohol content rather than its value.

This view was expressed by many to the committee such as Diageo Australia which told the committee they supported a uniform volumetric approach to taxing alcohol products based on the rationale that 'the effect on the body is the same whether the alcohol is consumed from a beer, a wine, or a spirit.'⁷ ADCA told the committee 'it is hard to think of any public health-based justification for differences in taxation between different alcohol beverages of equal strength.'⁸ The RACP noted that 'Current alcohol taxation does not make any economic sense, let alone public health sense'.⁹

Many other submissions such as AER, noted the complexity and anomalies in the current alcohol taxation system.¹⁰

In pursuing these alcohol taxation issues, Senator Murray provided questions for a number of organisations (see Attachment 2) and received responses including the comments referred to above.¹¹

The Government's low-alcohol policy is poor. It only focuses on beer and fails to provide clear incentives to encourage low-alcohol ready-to-drink alcohol products (RTDs) and wine. The Democrats have long campaigned for changes to alcohol excise to encourage the production and consumption of low-alcohol products, whatever their form. A key feature of any coherent alcohol policy should be the promotion of low-alcohol products.

⁷ Diageo Australia, *Submission 29*, p. 6.

⁸ ADCA, *Submission 13a*, p. 4.

⁹ RACP, *Submission 25a*, p. 3.

¹⁰ AER, *Submission 14a*, p. 1.

¹¹ The organisations that provided responses to these questions were Alcohol and other Drugs Council, *Submission 13a*; Alcohol Education and Rehabilitation Foundation, *Submission 14a*; Winemakers' Federation of Australia, *Submission 21a*; Royal Australasian College of Physicians, *Submission 25a*; Australian Drug Foundation, *Submission 28a*; Australasian Associated Brewers, *Submission 34*.

The Democrats have consistently recommended that low-alcohol packaged RTD products be subject to the same tiered excise regime that has successfully encouraged the production and consumption of low-alcohol packaged beer.

There was evidence presented to the inquiry that low-alcohol products should be encouraged. For example, Mr Smeaton, Chief Executive Officer of the Alcohol Education and Rehabilitation Foundation told the committee:

Beer currently has an incentive to produce a low-alcohol beer because the first 1.15 per cent of alcohol is not taxed. There is no incentive in that area for either wine or spirits. That might be something that could be considered in the context of a public health outcome...¹²

The value-added Wine Equalisation Tax (WET) is a failure in two respects. It has created a low-price cheap-alcohol cask market that is at the recorded centre of alcohol abuse. Contrary to the myth, wine is also at the heart of alcohol abuse, not at its periphery. Secondly, it continues to punish the premium bottled wine sector. WET provides wine producers with an incentive to produce low-value wine. Research in the Northern Territory demonstrates that increasing the price of cask wine substantially reduced alcohol abuse.

The Royal Australasian College of Physicians told the committee that 'The College is of the view that in Australia, the introduction of the Wine Equalisation Tax (WET) primarily benefited cask wine producers (mostly large multi-national companies) at the expense of Australia's premium wine producers. An unintended negative consequence of the WET has been the effect on the health and well-being of many disadvantaged communities where the low price of cask wine is a primary factor influencing the quantity of alcohol consumed.'¹³

Beyond increasing the price of cask wine, a volumetric wine tax would also lower the price of higher value wines, which are over-priced by virtue of the WET. This, in turn, would stimulate that sector of the industry, and create jobs. There is consistent support for the view that all alcohol should be taxed volumetrically as alcohol regardless of its type. The Australian Medical Association supports moving to a volumetric wine tax. ADCA and other health lobby groups advocate a volumetric wine tax.

Inequities and anomalies continue in alcohol taxation. For instance, imported goods such as bourbon and brandy have tax advantages over domestic products. Brandy is concessionally taxed to other spirits. These policy differences are unnecessary and should be ended.

At present Customs is responsible for administration (i.e. licensing and audit) and policy of *imported* spirits and RTDs. However, the ATO is responsible for administration (i.e. licensing and audit) and Treasury is responsible for policy on *locally produced* spirits and RTDs. This creates unnecessary duplication, and a single administration, under the ATO, would significantly reduce red tape and costs.

¹² Mr Daryl Smeaton, Chief Executive Officer, Alcohol Education and Rehabilitation Foundation, *Proof Committee Hansard*, 11 June 2008, p. 30.

¹³ RACP, *Submission 25a*, p. 6.

Evidence to the committee called for a comprehensive review of alcohol taxation and the government has committed to a review of alcohol taxation issues as part of the Ken Henry review of taxation.¹⁴

Senator Andrew Murray
Australian Democrats, Western Australia

¹⁴ Senator the Hon. Stephen Conroy, *Estimates Hansard*, 3 June 2008, p. E70.

ATTACHMENT 1

DISCUSSION OF RTD TAX INCREASE DURING SENATE BUDGET ESTIMATES HEARINGS

Senate Economics Committee, *Proof Committee Hansard*, 3 June 2008, pp. 53-55

Senator MURRAY—Thank you. I have read, over several decades, papers concerning price effects with alcohol, including the effects of substitution as well as the effects of an aggregate increase on price. Nearly all the elasticity models I have seen are complicated by the substitution issue. In certain categories, substitution is automatic. For instance, if you raise the price of one beer, people switch to another beer. That is almost an equal effect whereas it is different if you get radically different types of alcohol?

Mr Ray—That is correct.

Senator MURRAY—Were you able to use the overseas studies on price effects in alcohol to moderate your expectation of the effect of increasing price so radically in just one area where it is plain that direct substitution is possible—by which I mean you can take a bottle of rum and a bottle of coke and mix them yourselves—and indirect substitution is possible whereby you can move from an RTD to, say, a cheap cask wine?

Mr Ray—Yes.

Mr Brown—In looking at the overseas studies, that was one of the areas where there was fairly mixed evidence. The studies tended to show that, if you look at spirits, that spirit based drinks tended to be complements to things like beer, that beer tended to complement wine, and that spirits and wine tended to be substitutes.

Mr Ray—That is complement with an ‘e’, isn’t it?

Mr Brown—Yes. But the actual significance of some of those results is rather dubious. While you can get reasonable estimates of price elasticities from studies, usually the cross-elasticities are far less significant in terms of statistical significance, so they are less reliable results. The other issue for RTD beverages is that there are very few studies, if any, that directly look at RTD beverages that are out there in terms of price elasticities and that may reflect that the amount of data or the length of time data is available may be insufficient to do a valid econometric analysis of them. The issue in respect of substitutions, say, from RTDs to spirits in terms of the costing is less significant as well because now with the excise rate per LAL of alcohol set at the same level, if you substitute the same amount of alcohol for the same amount of alcohol in a different beverage it does not actually affect the revenue estimates that we would derive.

Senator MURRAY—The evidence, as I understand it, with respect to cross-elasticities of demand, is that where there is insufficient data you therefore have to look at the motive or the prime determinant of consumption, and if the prime determinant is effect then, as I understand the documentation I have read, substitution is more likely to occur than if the prime purpose of consumption is alternative, such as quality, packaging or something of that sort. The inference around binge drinking, of course, is its effect—basically an ingestion of large amounts of alcohol to get drunk—which would imply that substitution would be

relatively easy for that class of drinker. It may be different, for instance, for a plumber aged 30 who likes to drink his Bundy and Coke. But did you use a kind of commonsense appraisal, if you like, to supplement your advice which would cover off that area of motive and likely effect?

Mr Ray—In terms of the specifics about motives of binge drinking, you are probably better asking the department of health, but this is about the aggregate consumption of RTDs. The costing is not about binge drinking, per se.

Senator MURRAY—Yes, but if I may interpolate on this basis: if I understand Senator Coonan's question correctly and my own, we are concerned about the aggregate consumption of alcohol, within which RTD is one component, for which if you adjust the price effect, if the primary motive is simply to get drunk which is binge drinking, then you are likely to see a substitution effect, which is contrary to the elasticity measures you have been relying on to give the government advice.

Mr Ray—As Mr Brown has said, it depends on what they substitute into.

Senator MURRAY—There are only two choices, as I understand it: alcohol or drugs.

Mr Ray—I was actually referring to which different type of alcohol you might substitute into.

Senator MURRAY—If you say that the anecdotal evidence so far is that substitution is occurring, the question we would all be looking at is how large that substitution effect is.

Mr Ray—I think we would be cautious about short-term responses—studies which purport to show a shortterm response. I think we would want to wait to see how the long-term response settles down.

Senator MURRAY—I can assure you when a retailer places an ad they know the next day whether or not the ad was effective. When there is a price movement, they know the next day whether price is effective. I understand you being cautious because that is your job, but the market effects will, in fact, be immediate. That is the nature of substitution: the market effects are immediate. I will leave it there.

Senator COONAN—Following on from Senator Murray, you would obviously be aware that on 28 May there was released findings from an AC Nielsen survey from the latest data collected from liquor retailers across Australia. Were you aware of that?

Mr Brown—Yes.

Senator MURRAY—Just to clarify my own view: I do accept that increasing price will affect consumption. My point is you that you have got to increase the price of substitutes, as well. Do you think a measure to decrease consumption of alcohol, in addition to this one, could be to raise the price of all substitutable products? That is essentially what Senator Eggleston was saying. You have to bring up the price of cask wine, beer and all substitutable products if you want to reduce consumption for the effect that we are discussing. Do you agree with that?

Mr Ray—This is getting quite close to policy advice, but I do not disagree with the idea that the demand curve is downwards sloping.

Senator MURRAY—Thank you.

Senate Economics Committee, Proof Committee Hansard, 3 June 2008, pp. 68-70

Senator MURRAY—I have some questions quickly on the same topic. I just want to discuss this question of closing an anomaly which has been widely used as a justification for this price increase in RTDs. For the purposes of your answer, let us talk about a beer at five per cent alcohol by volume, an RTD which is spirits based at five per cent alcohol per volume and an RTD which is wine based at five per cent alcohol per volume. Each of those has got one constant and that is five per cent, but the beer taxation is less because there is a 1.15 per cent tax free threshold. The spirits is more because its rate is higher. This is before the change. Wine is less because wine is a value-added tax, not a volumetric tax, so wine is the cheapest of all.

Mr Ray—That is correct.

Mr Brown—If the wine based was an RTD it would be taxed as another excisable beverage if it was five per cent.

Senator MURRAY—And it is only when it reaches a certain percentage of alcohol that it has to be—

Mr Brown—It has to meet the definition of wine.

Mr Ray—Which I think is about eight per cent.

Senator MURRAY—I will just focus on the beer and the spirits RTD. Apart from the fact that beer is cheaper, why is it considered to be an anomaly when an RTD spirits based at five per cent alcohol by volume is taxed at nearly the rate of beer at five per cent alcohol by volume? I have not understood this idea of raising the price of a spirits based RTD closer to the full bottle spirits rate, because, as you know, it is normally but not always 40 per cent alcohol by volume. What does it mean in policy terms—and I am not asking you a policy question—from Treasury's perspective?

Mr Ray—I think this is a benchmark question. What the government has said is that what this measure does is tax alcohol in spirits at the same rate, whether those spirits are sold in a bottle just in the spirits and then mixed with some other thing like cola or lemonade, or whatever these things are mixed with, or it is sold in a pre-packaged product where it is pre-mixed. That is what the government has said.

Senator MURRAY—Assuming you are dealing with rational people, that would be because a spirits based drink at five per cent alcohol by volume has eight per cent of the impact of a beer based drink at five per cent alcohol by volume? Is that what lies behind it?

Mr Ray—That is asking me to impute a motive. I think that the simple way to explain what the government has been saying is that spirits will be taxed the same no matter how they are packaged and sold.

Senator MURRAY—I accept that there are anomalies in customs and excise taxation of alcohol; in fact I know and you know that to be the case and I am not unhappy for them to be resolved. What I cannot work out is where the policy rationale lies, because I am told by the drug and alcohol people—not by the industry, but by the people who are trying to stop the abuse of alcohol—that alcohol is alcohol. Quite simply, alcohol by volume is the same: wine, spirits, beer or cider, it does not matter what you drink, it has the same effect.

Mr Ray—Unlike Senator Conroy I am not a teetotaler and I probably—

Senator MURRAY—My question is: if the desire is to change the anomaly, has Treasury given advice to the government to equalise the tax, and equalise the price effects, therefore, and the demand effects, on all products relative to the alcohol by volume?

Senator Conroy—I would only disagree with you on the basis that I think you are suggesting the rational basis for the comparison. I am not sure that when you sit down—

Senator MURRAY—Senator Conroy, you know nothing about grog.

Senator Conroy—I actually worked in a liquor store for five years. I was a very safe employee and I did observe a lot of behaviour.

Senator MURRAY—Deviant behaviour.

Senator Conroy—I am not sure about your alcohol stores. The ones I worked in were not deviant behaviour. I am not sure that the underlying assumption that you make is an accurate one. When I worked in stores I have literally watched people walk in and they were not sitting there comparing the alcohol content, they were comparing the price.

Senator MURRAY—Since I have been listening to these answers, essentially I have heard the correct answers from Treasury—namely that they have looked at this as an economic matter and that the health effects, the alcohol effects, considerations are those that concern the health department. But from a rational Treasury point of view, I cannot see the tax rationale of this. I just cannot see it. I need a better explanation from either you, who I do not trust on these matters—

Senator Conroy—As a teetotaler, I do not take that personally.

Senator MURRAY—But I have not heard a decent response on that aspect from Treasury. I have heard the economic response.

Mr Ray—As I said, this measure equalises the excise equivalent customs duty on spirits, no matter how it is sold. I think that is actually explained in the budget papers as being one of the policy rationales that the government has. I do not want to mislead you. I think we in the Treasury would agree that if you increased the price of something the demand for it would fall—other things being equal.

Senator MURRAY—What I get from that is, ‘Spirits bad; wine and beer good,’ and the amount of alcohol in it is irrelevant. And yet the government is selling this as an assault on the consumption of alcohol.

Senator Conroy—We have also indicated we will have a look at excise taxes in the Henry review. We are moving to look at this in a much broader range, which I think you have suggested—

Senator MURRAY—Which I appreciate, Minister.

Senator Conroy—and we have taken up as a worthwhile policy discussion. Some of the questions that you have put in here will naturally fall to be dealt with within that review process.

Senator MURRAY—You see, Minister, through the chair, I am caught in a bind, in that the Treasury have defended the previous policy and now defend this policy, and the two are markedly different. Of course the officers have to do that; I accept that. But I think what you have done is created a greater anomaly, which you now need to fix through the Henry review. What I want to do, Minister, is ask for your commitment on behalf of the government that you will look at this whole area objectively and with a view to maximising the social benefit and minimising the social harm from the consumption of alcohol of all types. That is what I want.

Senator Conroy—I think we have given that public commitment to examine these issues thoroughly as part of that review. I am happy to reiterate that. The former government introduced the new category of excisable alcohol that had the effect of reducing the effective rate of excise on spirit based ready to drink beverages by 40 per cent, so I would challenge you on your suggestion that we have created a bigger anomaly. I think that was an anomaly that was created then and we have addressed that by reversing the decision. Spirits are taxed at the same rate, no matter how they are consumed. But the overall point that you make is a worthy one and I am sure it will be considered in detail.

Senator MURRAY—I hope so.

ATTACHMENT 2

QUESTIONS FROM SENATOR MURRAY TO CERTAIN GROUPS MAKING SUBMISSIONS TO THE SENATE COMMUNITY AFFAIRS COMMITTEE INQUIRY INTO READY TO DRINK ALCOHOL BEVERAGES

1 The Government has increased the excise on ready-to-drink (RTD) alcohol beverages. Do you agree with these broad propositions made in the general debate with respect to this alcohol policy?

- Price is an important tool in reducing alcohol abuse;
- Higher prices for alcohol reduce consumption;
- There are anomalies in the taxation of alcohol that need fixing; and
- Binge drinking needs to be addressed by increasing the price of ready-to-drink pre-mixed spirit-based beverages.

2. Do you agree that the price of alcohol affects consumption? Do you support the specific taxation of alcohol products (through customs and excise duties and through the Wine Equalisation Tax (WET)), all of which have the effect of raising the price of alcohol products? If you do agree with these statements do you support:

- Some alcohol types being tax-free? Why/why not?
- Some higher alcohol products being taxed less than some lower alcohol products? Why/why not?
- Different tax rates for the same product? Why/why not?

3. With respect to your answers to Q2, are you aware that - and what is your opinion of these policies:

- A rebate of \$500 000 is payable in WET paid annually by any producer or producer group, the effect of which is to make tax-free wine bought at the cellar door of small producers?
- All wines, meads, perries, ciders and sakes are subject to the WET, and this means that these products are often taxed less than lower alcohol products subject to customs and excise duties?
- Where beer is consumed on the premise, such as a bar, a draught beer is taxed less than the same beer in a bottle?

4. Do you think there is a case for beer products with the same alcoholic content being taxed at different rates? How do beer products that have the same alcoholic content being taxed at different rates contribute to less alcohol abuse? In answering these questions please give your views on low-strength packaged beer paying 5 times the tax of low-strength draught beer; mid-strength packaged beer paying 1.9 times the tax of mid-strength draught beer; full-strength packaged beer paying 1.4 times the tax of full-strength draught beer?

-
5. Do you think there is a case for spirit products that have the same alcohol content being taxed at different rates? How does a concessional tax rate for brandy reduce alcohol abuse when it has the same alcoholic content as rum or any other spirit? What is the justification for brandy not paying tax equal to the spirits rate?
6. What is the justification for having a 5% ad valorem (value-added) customs duty payable on imported RTDs and imported spirits but not on imported beer? Why should only some imported alcohol products pay customs duty but not others? Should all imported alcohol products pay customs duty, or none? Why?
7. Do you agree that alcohol is alcohol, whatever its source, and that ingestion of (say) alcohol at 5% by volume, will have the same or very similar effects on the consumer regardless of the product that the 5% is found in?
- If you disagree with that statement please indicate why?
 - If you agree with that statement do you agree with the proposition that all alcohol should therefore be taxed by volume, so that whatever the type of product, the taxation is the same for a given % of alcohol in the product?
8. If there is to be a customs duty on imported alcohol, should it be based on alcohol by volume or should it be based on value? Why?
9. Are you aware that wines, meads, perries, ciders and sakes are taxed by value but spirits, spirit-based drinks and beers are taxed on their alcohol by volume? Which policy is fairer and why? Which policy contributes more to addressing the abuse of alcohol, or delivers better health outcomes, and why?
10. Is cheap alcohol a risk with regard to binge-drinking and alcohol abuse? As an example, does cask wine feature in binge-drinking or alcohol abuse? Is it the case that a standard drink of cask wine and many RTDs average a similar alcohol content? Is it the case that RTDs pay 14 times the tax paid by cask wine? Do you believe cask wine should be taxed on its volume of alcohol content, so raising its price?
11. It is the case that many beer products have a similar alcohol content to packaged RTDs, so why is the excise duty payable on a mid-strength can of RTD greater than the amount payable on a full-strength can of beer? How does that contribute to addressing the abuse of alcohol, or delivering better health outcomes? Given the similarity of alcohol content for both products, why should RTDs and beer be taxed differently?
12. Do you support differential tax rates so that full-strength beer is taxed more than lower strength beers to encourage the consumption of lower strength beer? Do you believe a similar policy should be introduced for all other alcohol products, in particular RTDs?
13. Is it the case that a cider product pays tax of 26c whereas a spirits-based RTD pays tax of 84c (per standard drink)? Why is this difference good policy?

14 Is it the case that under WET, a wine-based RTD would need to have an alcohol content of at least 8 % before being taxed? Is it the case that some wine-based RTDs may bear no WET at all if the producer is in receipt of the WET producer rebate? If wine-based RTDs are taxed according to their value under the WET and have to be at least 8% alcohol by volume to be taxed under the WET, isn't this an encouragement to produce wine-based RTDs with a lower price and higher alcohol content than spirit-based RTDs? How does that contribute to addressing the abuse of alcohol, or delivering better health outcomes?

Additional Comments by the Australian Greens

Senator Rachel Siewert

The Australian Greens remain concerned by the extent to which the introduction of an increase in the excise on ready to drink beverages is a partial and ad-hoc measure, rather than one facet of a comprehensive national strategy to address the problems caused by risky drinking and our culture of drunken-ness – particularly among the young.

We note that this measure goes some of the way to addressing the problem of underage drinking and risky drinking among younger Australians by closing the loophole which had effectively made pre-mixed spirit-based drinks cheaper to consumers than the cost of buying and combining the constituent elements. While there is some justification for targeting a price signal on drinks which are designed to appeal to younger drinkers – by making the taste of alcohol and by packaging and colouring that mimics the appearance of soft-drinks popular with teenage consumers – we believe that a more comprehensive and joined-up approach is required to address the underlying social causes of risky drinking and to avoid those at risk simply switching over from 'alcopops' to other cheaper products.

The Australian Greens advocate a sustained, comprehensive, long-term strategy to reduce alcohol-related harm, decrease the incidence of underage drinking and alcohol-related violence, improve referral, treatment and support for problem drinkers, and promote a culture of safe and responsible alcohol consumption.

We believe that a total ban on alcohol advertising, sponsorship and promotional activities should be implemented. This should then be supported by volumetric tax on alcohol that sends a clear price signal to young and problem drinkers, and supports greater resources for alcohol treatment and rehabilitation through hypothecation.

We believe that large, well designed health warning labels with strong and well-targeted messages can play a key role in reminding drinkers at the point of consumption of strong health and safety messages that have been promoted through well-resourced community education and social marketing campaigns.

The Australian Greens believe that reducing the availability of alcohol through restricting the number of alcohol outlets and trading hours should be backed up by place-based strategies to reduce alcohol-related harm and violence and improve the safety and public amenity of late night entertainment precincts and other problem areas.

We believe that we need a more joined-up and better resourced approach to referral, treatment and rehabilitation services for problem drinkers that maximises the benefits of early intervention, and ensures that those seeking help can access appropriate support in a timely and effective fashion.

Alcohol-related harm

The Australian Greens remain concerned by the consistently high levels of alcohol-related harm experienced in Australia over the last two decades. While this is not the sudden crisis some would have us believe, it has been an issue of great concern that imposes significant costs (in 2005 the estimated cost was \$15.2 billion, while the estimated revenue was \$5 billion).

We note the evidence to the committee that the real rapid growth in risky drinking occurred predominantly during the 1980's, and that rates of alcohol consumption have remained at high but relatively static levels since then. We also note that the increase in the consumption of ready to drink beverages has predominantly reflected a switch in drinking preferences rather than an increase in overall consumption patterns or levels of risky drinking.

The issue of alcohol-related violence is a major cost to the community – not only in relation to the high levels of injury and hospitalisation caused by alcohol-related assaults, but also through the loss of public amenity as drunken misbehaviour in late night entertainment precincts effectively turn them into no-go zones for other users. The proliferation of reports of nightclub assaults and 'one-punch deaths' has contributed to a climate of fear.

The Australian Greens advocate a strategic approach to tackling alcohol-related violence which includes placing some restrictions on the number of alcohol outlets and their trading hours in problem areas backed up by a place-based strategy to increasing public safety in these entertainment precincts. Such a approach requires an integrated strategy involving local, state and federal governments that breaks up 'black spots' and increases policing and security to clearly demonstrate that violent behaviour will not be tolerated.

A clear price signal

In particular, we remain concerned that the effectiveness of the increase in the excise on ready to drink beverages will be diminished if this price signal is not supported by a joined-up approach – which addresses the marketing of alcoholic products and culture to young Australians and also ensures that problem drinking behaviour isn't simply transferred across to other cheap sources of alcohol. The latter requires a consistent price signal across different alcoholic products and classes, as there is a strong consensus in the international research into problem drinking that young

drinkers and problem drinkers are the most sensitive groups to the cost of alcohol – that is, that these groups are more likely to reduce their consumption in relation to increases in price, while the drinking behaviour of moderate adult drinkers is less likely to be affected by an increase in price.

Advertising, sponsorship and promotional activities

As we indicated in our minority report on the Alcohol Toll Reduction Bill inquiry, the Australian Greens remain concerned that the activities of the Monitoring of Alcohol Advertising Committee as directed by the Ministerial Council on Drug Strategy are merely to monitor alcohol advertising and the current regulatory system. This is clearly insufficient as there was substantial evidence presented to the committee that the current system of industry self regulation is not working, despite several reviews and promises of reform. The evidence from the research undertaken by Professor Sandra Jones is particularly compelling on this point.

We believe that there is already sufficient evidence on which to act, and the high levels of alcohol-related harm mean that we should act quickly and comprehensively. We also note in passing the failure of the previous government to act on this pressing issue during its eleven years in office.

In light of a decade of evidence that attempts to reform the process of self-regulation have made little difference to the preponderance of inappropriate advertising of alcohol, we believe that as a minimum course of action the Government should move to enforceable regulation of alcohol advertising, sponsorship and promotional activities, not simply to recommend more monitoring.

The Australian Greens believe that the most appropriate course of action is to ban alcohol advertising, sponsorship and promotional activities altogether – as part of a wider, well-resourced and sustained community education campaign and harm minimisation strategy.

Health warnings

In relation to the issue of health warning labels, there was substantive evidence to the committee that, for labelling to be effective, it needs to be well targeted and designed and to work as part of a comprehensive public education strategy. Australia has an excellent international record in this regard in relation to reducing tobacco-related harm and in tackling drink-driving. The evidence is clear that a long-term, sustained, well-resourced evidence-based campaign is required to make a real difference.

We remain concerned that the evidence from FSANZ suggests that there will be substantial delays before a new food standard for alcohol is developed, and it is not at all clear whether the approach they will take will deliver the kind of labelling

standards required. A number of witnesses, including VicHealth, AER, DrinkWise Australia & Professor Jones presented evidence of the kind of labelling required ... and pointed out the limitations of data derived from studies of small, low quality labels not supported by a wider education campaign. An effective labelling strategy is one where the information and images on the label seeks to remind and reinforce drinkers of the well-targeted messages they have already been exposed to through a wider community education campaign.

The Australian Greens are also concerned by the limitations of an approach which is based on treating and labelling alcohol as a food rather than as a drug of addiction, and believe that a more effective approach to alcohol labelling would be based on the approach taken to tobacco under the consumer protection provisions of the Trade Practices Act.

Referral, Treatment and rehabilitation

The Australian Greens are concerned that the level of resources provided to improve the referral, treatment and rehabilitation of problem drinkers is clearly inadequate and does not reflect the costs of problem drinking to our community or the amount of revenue produced by alcohol excises. As much of the over \$15 billion public price tag attributable to alcohol related harm relates to the increased burden placed on our health system by alcohol-related disease, injury and violence, a greater focus of resource on prevention and treatment could result in a significant reduction in the cost to the community over time.

The committee heard evidence from a range of alcohol treatment and rehabilitation providers that indicated a very high level of unmet demand for services. There was also evidence that the lack of available places and long waiting lists was leading to a situation where the inability of problem drinkers to access services in a joined up manner at the time they needed them was leading to ineffective interventions and many people falling through the cracks. This was particularly true for those who may have been hospitalised and received crisis treatment and were then unable to go straight into a longer-term rehabilitation program.

The Australian Greens believe that the most effective way to ensure that sufficient resources are available for both treatment and education is to directly link service funding to alcohol consumption – through hypothecation of alcohol excises. The excise on all alcoholic beverages should be set so that it sends a clear price signal to young and problem drinkers, and so that it effectively offsets the health and policing costs of alcohol-related harm.

Need for a comprehensive strategy

There has been a consistent theme throughout the evidence presented to this inquiry that an integrated and sustained national campaign similar in the scale and

longevity to previous Australia-wide campaigns addressing the harms caused by tobacco is required to change our drunken culture and reduce the level of alcohol-related harm and violence, especially among the young and those at greatest risk of harm.

The committee was presented with some important evidence of the costs and effectiveness of a range of different approaches to reducing the social costs of problem drinking that have been trialled internationally. The table presented by VicHealth (as reproduced below) gives a useful indication of the most cost-effective approaches. It highlights that effectively regulating pricing, limiting availability, the number and density of alcohol outlets and their operating hours are the most cost-effective strategies.

The effectiveness and cost rating of various alcohol strategies

	Strategy	Effect	Cost
1	Regulate pricing	☆☆☆	\$
2	Lower BAC limits for all drivers	☆☆☆	\$ \$
3	Enforce liquor licensing laws	☆☆☆	\$ \$ \$
4	Limit availability of alcohol	☆☆☆	\$
5	Restrict hours of alcohol sales	☆☆☆	\$
6	Limit density/no. of alcohol outlets	☆☆	\$
7	Community mobilisation	☆☆	\$ \$
8	Workplace interventions	☆☆	\$ \$
9	Curb alcohol sponsorship in sport	☆	\$ \$ \$
10	Social marketing	☆	\$ \$ \$

Source: VicHealth, Submission 49, adapted from Babor *et al* (2003)

It should be noted that VicHealth cautioned that the lack of research on some of the latter measures, including community mobilisation, workplace interventions, and social marketing mean that there is not yet sufficient evidence to accurately assess their cost-effectiveness at this stage.

The Australian Greens do not consider that the current approach being taken by the Commonwealth Government through its National Binge Drinking Strategy and the initiatives of Ministerial Councils on alcohol advertising and health warnings constitute an approach which is either comprehensive enough or has been

sufficiently thought through to prove an effective remedy to reducing the incidence of alcohol-related harm, particularly for young Australians.

The introduction of the National Alcohol Strategy 2006-2009 by the Ministerial Council on Drug Strategy was a step in the right direction and we concur with its aims (to reduce the incidence of intoxication, enhance public safety and amenity, improve health outcomes and facilitate safer and healthier drinking cultures). However, we do not believe that the strategy has been sufficiently resourced to effectively achieve its ambitions, and remain concerned that its three year operational horizon is insufficient – particularly now that it is half way through 2008 with little to show for its efforts.

Recommendations:

- 1. Support well-resourced and targeted evidence-based public education and social marketing campaigns to educate at-risk groups of the risks associated with problem drinking and promote a culture of responsible drinking.**
- 2. Introduce a volumetric tax on alcohol at a rate that sends a strong price signal, with this excise hypothecated to fund substantive alcohol education, treatment and rehabilitation services.**
- 3. A total ban on all alcohol advertising, sponsorship and promotional activities in Australia.**
- 4. Reduce the availability of alcohol through tighter restrictions on the number of alcohol outlets and tighter limits on trading hours.**
- 5. Work with state and local governments to introduce place-based strategies in late-night entertainment precincts and other problem drinking areas to reduce alcohol-related harm and violence and improve public safety and amenity.**
- 6. Support a joined-up client-focussed approach to alcohol referral, treatment and rehabilitation that ensures that those seeking services can access them in a timely fashion and are seamlessly supported throughout their rehabilitation process.**
- 7. Develop identification and referral services for at-risk drinkers to maximise the benefits of early intervention, particularly among younger drinkers.**
- 8. Institute alcohol labelling regulations that stipulate distinctive, graphic and well-designed health warning labels under the consumer protection provisions of the Trade Practices Act comparable to the current regulations relating to tobacco.**

- 9. Ensure that alcohol labels also contain nutritional information including additives and calorific levels – and trial the use of doughnut equivalents as a strategy to reduce binge drinking among younger women.**
- 10. Put in place processes to collect better data on alcohol related harms and costs.**

**Senator Rachel Siewert
Australian Greens**

APPENDIX 1

LIST OF PUBLIC SUBMISSIONS, TABLED DOCUMENTS AND ADDITIONAL INFORMATION AUTHORISED FOR PUBLICATION BY THE COMMITTEE

- 1 Seidler, Dr Ray (NSW)
- 2 Woman's Christian Temperance Union of WA (WA)
- 3 Academy of Health Education of Victoria (VIC)
- 4 Drug Awareness (NSW) (NSW)
- 5 McIntosh, Mr Stephen (VIC)
- 6 People Against Drink Driving (NSW)
- 7 Australian Wine Research Institute (SA)
- 8 Amos, Mrs Glenda (NSW)
- 9 Matthews, Mr Leonard (QLD)
- 10 National Centre for Education and Training on Addiction (NCETA) (SA)
- 11 Australian General Practice Network (AGPN) (ACT)
- 12 Australasian Therapeutic Communities Association (ATCA) (NSW)
- 13 Alcohol and other Drugs Council of Australia (ADCA) (ACT)
- Supplementary information*
- Additional information received following hearing 11.6.08, received 13.6.08
- 14 Alcohol Education and Rehabilitation Foundation (ACT)
- Supplementary information*
- Current and hypothetical tax rate comparison chart, tabled at hearing 11.6.08
- 15 National Drug Research Institute (NDRI) (WA)
- Supplementary information*
- Research Report by Chikritzhs, T, Stockwell, T, Pascal, R. *The impact of the Northern Territory's Living With Alcohol Program, 1992-2002: revisiting the evaluation*, *Addiction* 100, 1625-1636, 2005
- 16 Victorian Alcohol & Drug Association (VAADA) (VIC)
- 17 National Health and Medical Research Council (NHMRC) (ACT)
- 18 Willetton & District Local Drug Action Group (WA)
- 19 Howat, Professor Peter; Jalleh, Mr Geoffrey and Fielder, Ms Lynda (WA)
- 20 Australian Psychological Society (VIC)

- 21 Winemakers' Federation of Australia (WFA) & Wine Grape Growers' Australia (WGGA) (SA)
Supplementary information
- Response to questions dated 6.6.08
 - Additional information following hearing 11.6.08, received 20.6.08
- 22 Independent Distillers Australia (VIC)
- 23 Australian Institute of Health and Welfare (ACT)
- 24 Public Health Association of Australia (ACT)
Supplementary information
- *Recent trends in risky alcohol consumption and related harm among young people in Victoria, Australia*, Lvingstone M, ANZJPH 2008 v32 no3, tabled at hearing 11.6.08
- 25 Royal Australasian College of Physicians (NSW)
Supplementary information
- Additional information received following hearing 11.6.08, received 16.6.08
- 26 Australian Hotels Association (ACT)
- 27 Distilled Spirits Industry Council of Australia (VIC)
Supplementary information
- Supplementary submission received 17.6.08
- 28 Australian Drug Foundation, The Cancer Council Victoria and VicHealth (VIC)
Supplementary information
- Additional information received following hearing 11.6.08, received 16.6.08
- 29 Diageo Australia Limited (NSW)
- 30 Crisco Group (NSW)
- 31 Australian Hotels Association (Western Australia) (WA)
- 32 National Drug and Alcohol Research Centre (NSW)
Supplementary information
Provided at hearing 11.6.08
- *Alcoholic Drinks in Australia*, Euromonitor International, January 2008
 - *What price for public health: using taxes to curb drinking in Australia*, Doran CM and Shakeshaft AP, The Lancet in press
 - *Young Australians and alcohol: the acceptability of ready-to-drink (RTD) alcoholic beverages among 12-30-year-olds*, Copeland J et al, *Addiction*, 102, 1740-1746, 2007
- 33 Australian Medical Association (AMA) (ACT)

34 Australasian Associated Brewers (ABA) (ACT)

Supplementary information

- Additional information concerning volumetric taxation, received 20.6.08

35 Department of Health and Ageing (ACT)

36 Burnett, Mrs V D (QLD)

37 Robinson, Dr S (QLD)

APPENDIX 2

WITNESSES WHO APPEARED BEFORE THE COMMITTEE AT PUBLIC HEARINGS

Wednesday, 11 June 2008

Parliament House, Canberra

Committee Members in attendance

Senator Claire Moore (Chair)

Senator Gary Humphries (Deputy Chair)

Senator the Hon Richard Colbeck

Senator Steve Fielding

Senator Rachel Siewert

Witnesses

Alcohol and Other Drugs Council (ADCA)

Mr David Templeman, Chief Executive Officer, ADCA

Professor Robin Room, President, ADCA Board

Mr Mark Buckingham, Chief Executive Officer, Kedesh Rehabilitation Service

Public Health Association of Australia

Adj Professor Michael Moore, Chief Executive Officer

Ms Melanie Walker, Policy Officer

Alcohol Education and Rehabilitation Foundation

Mr Daryl Smeaton, Chief Executive Officer

Emeritus Professor Ian Webster, Chair, Alcohol Education and Rehabilitation Foundation

Royal Australasian College of Physicians

Dr Michael Tedeschi, FACHAM, Fellow of the Australasian Chapter of Addiction Medicine

Dr Alex Wodak, Director of Alcohol and Drug Service St Vincent's Hospital (via video conference)

Australian Institute of Health and Welfare

Dr Penny Allbon, Director

Mr Mark Cooper-Stanbury, Population Health Unit

Ms Susan Killion, Senior Executive, Health Group

Ms Kathryn Roediger, Deputy Director

Winemakers' Federation of Australia

Mr Stephen Strachan, Chief Executive

Mr Doug Young, Director, Economics and Policy

Australian Drug Foundation

Mr Geoffrey Munro, Director, Community Alcohol Action Network

Ms Rosemary McClean, Policy and Program Advisor

National Drug and Alcohol Research Centre

Professor Richard Mattick, Director

Dr Anthony Shakeshaft, Senior Lecturer

Ms Karen Price, Manager Operations and Development

Thursday, 12 June 2008

Parliament House, Canberra

Committee Members in attendance

Senator Claire Moore (Chair)

Senator Gary Humphries (Deputy Chair)

Senator the Hon Richard Colbeck

Senator Carol Brown

Senator Rachel Siewert

Witnesses**Distilled Spirits Industry Council of Australia**

Mr Gordon Broderick, Executive Director

Mr Warwick Ryan, Director, Government Relations KPMG

Mr Michael McShane, Managing Director, Brown-Foreman Australia Pty Ltd

Australian General Practice Network

Ms Kate Carnell, Chief Executive Office

Ms Liesel Wett Deputy Chief Executive Officer

Ms Julia Chandra, Senior Policy Adviser

Australian Wine Research Institute *(via teleconference)*

Ms Creina Stockley, Health and Regulatory Information Manager

Australian Liquor Stores Association *(via teleconference)*

Mr Terry Mott, Chief Executive Officer

Independent Distillers

Mr Doug McKay, Executive Chairman

National Drug Research Institute (*via teleconference*)

Professor Steve Allsop, Director

Dr Tanya Chikritzhs, Senior Research Fellow

Australian Hotels Association

Mr Bill Healey, Director, National Affairs

Department of Health and Ageing

Mr David Kalisch, Deputy Secretary

Ms Jennifer Bryant, First Assistant Secretary, Population Health Division

Ms Virginia Hart, Assistant Secretary, Drug Strategy Branch

National Health and Medical Research Council

Mr Jon Currie, Chair of the Revision of the Australian Alcohol Guidelines Working Committee

Ms Vesna Cvjeticanin, Director of the Evidence Translation Section, Health Evidence and Advice Branch