

# Leonard John Matthews

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**The Secretary  
Senate Community Affairs Committee  
PO Box 6100  
Parliament House  
Canberra ACT 2600**

Dear Sir,

**Submission : Inquiry into Ready-to-Drink Alcohol Beverages**

My submission to the Committee's Inquiry responds to:

- **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**

The World Bank has estimated that a 10% increase in tax might result in a decrease by demand of 4% in high income countries and 8% in low income countries. Whilst no definition was given by the World Bank for high or low income countries, it is reasonable for the purposes of this submission to categorize Australia as a high income country.

The Commonwealth's National Alcohol Strategy 2006-2009 states that in young girls the consumption of pre-mixed spirits has increased from 14% to 62%. The World Bank's modelling with an estimated decrease of 4% from the increased exercise tax will do little remedy the situation. Though, any decrease would be a positive step.

I submit that given the actual increase in buying patterns of pre-mixed drinks by young females with their disposable income compared to the World Bank's modeling estimates the effectiveness of the proposed changes is at best very questionable. At worst it would have no impact and only provide more revenue for the government.

➤ **The impact of these changes on patterns of overall full strength spirit consumption, including any increased consumption of standard drinks of alcohol**

The Ministerial Council's National Alcohol Strategy 2006-2009 states that the increased consumption of spirits is primarily a result of the increased consumption of pre-mixed alcoholic beverages.

The marketing of the pre-mix drinks has now created a taste and appeal within a generation of young females for this type of alcoholic beverage. The desire for this mix will continue regardless of the increase in excise tax. Those that elect to pay the extra will continue to purchase the pre-mix drink, whilst the price conscious may elect to purchase the spirit component in larger size bottles and mix themselves with the sweeter soft-drink or syrup.

The purchase of spirits in the larger bottles may tempt young people to drink more with the decision to drink until the bottle is empty. If this result occurs then it will cause a further increase in the consumption of spirits – not less. This thought process is identical to the thought process which young men adopted in the past to drink until the keg of beer became empty.

There is no evidence to support the contention that the increase in excise will substantially reduce consumption of this type of drink.

➤ **The evidence underpinning the claims of significant public health benefit in the increase of excise on this category of alcohol**

The evidence from world wide resources is conclusive that the consumption of alcohol has devastating effects on the consumers' health, criminal activity, road trauma victims, and social crises and domestic violence.

There is no evidence that increased excise tax on alcohol will reduce consumption to a level that will have a substantial beneficial impact on public health. Indeed the evidence existing in Australia with regards to tobacco consumption demonstrates that increased excise tax has minimal impact on consumption. To achieve a substantial benefit then a strategic approach is required including excise tax, education, health warnings and a ban on advertising and promotion.

The target group for excise tax increase is defined as young female drinkers. Another Bill currently before the Senate is the Alcohol Toll Reduction Bill. This bill proposes to regulate alcohol advertising on television to a time period when young females are a part of the peak viewing audience. It seems to me foolishness to endeavour to reduce consumption with excise tax yet regulate to allow advertising of these products during peak viewer periods for the target group of young females.

➤ **Applicability of incentives to encourage production and consumption of lower alcohol content beverages**

Production usually closely follows consumer demand rather than incentives granted by government. Consumer demand is usually generated by an attractive and sensual marketing campaign. Incentives granted by governments to produce beverages with lower alcohol content will not encourage consumers to choose alternative drinking preferences.

The campaign on the use of tobacco in Australia indicates that a strategically implemented education program in secondary schools, colleges, universities and electronic and printed media would have beneficial results. In addition, the education program works best when it is supported by suitably designed and prepared point of sale material as well as health warnings.

The granting of incentives to producers or retailers will not change consumer demand.

➤ **The modelling underpinning the Government's revenue estimates of this measure**

The modelling used by the government as estimates for the revenue earned by this increase excise can be tested and ought to be audited by the Auditor General. First, Treasury should advise how the government's modelling compares with that of the World Bank as mentioned earlier.

Second, the modelling used could be tested and proved by applying it to the decisions made by governments to increase excise tax on tobacco in the two decades before 1971. The factors before and after the tobacco excise tax increases in these two decades are well documented and known to government. By applying this current modelling package to those factors and checking the modelling estimates with the known result then an audit by the Auditor General would demonstrate the potential accuracy or otherwise of the model.

If this has not been completed by now, then it should be before the Senate considers the increase.

➤ **The effectiveness of excise increases as a tool in reducing the levels of alcohol related harm**

The Commonwealth's National Alcohol Strategy 2006-2009 states that in young girls the consumption of pre-mixed spirits has increased to 62%. The estimated decrease of 4% (using a World Bank report) in consumption as a result of the increased exercise tax will do little to remedy the situation and reduce alcohol related harm.

The World Health Organization in their Global Status Report in 2004 maintains that there is a link between economic prosperity and rising alcohol consumption. There is

little doubt that the affluence and increasing spending power of the target group of young females is one of the major reasons for increased alcohol consumption. The slight increase in excise duty will not be a sufficient deterrent by itself to lower consumption and the alcohol related harm.

The philosophy of using an excise increase to reduce excessive alcohol is not soundly based. The government modelling is built upon the assumption that a rational decision (I will spend less because it costs me more) will overcome the irrational decision to drink until I feel good. To challenge and alter irrational behaviour and decision making needs far more than a rational cost exercise.

➤ **The empirical evidence on which the government's decision to increase the excise on ready-to-drink alcohol beverages was based**

It would appear that most of the empirical evidence available to the government before making this decision has not been considered.

The evidence accumulated by Australian governments in the past six decades on reduction of tobacco products has been ignored when considering the effectiveness of a decision to increase excise on pre-mixed alcoholic beverages.

The evidence clearly demonstrates that excise tax increases alone have no substantial impact on consumption. The evidence demonstrates that for a behaviour change in the consumption of an addictive product requires a strategic planned campaign involving education, excise tax increase, health warnings and a ban on advertising and promotions. To use just one of these levers, the evidence states, will not achieve any substantial benefit.

➤ **The effect of alternative means of limiting excessive alcohol consumption and levels of alcohol related harm among young.**

The campaign to reduce the use of tobacco products in Australia has been successful due to the strategic use of four elements. These elements were excise tax, a total ban on advertising, health warnings on packages and a targeted education program.

To solely rely upon a small increase in an exercise tax will doom the endeavour to failure as it lacks an education program, health warnings and a ban on advertising.

Another inquiry by this committee is considering a bill to limit television and radio advertising of alcohol products to hours between 9 PM and 5 AM. As the target group (young females) make up a substantial proportion of audience of programs after 9 PM it will be easy for the alcohol industry to continue to target and seduce this market segment.

Data available on the Quit Victoria website clearly show that tobacco consumption in Australia reached a peak in 1975 and then has been on steady decline especially after

1978. What the philosophy of the single approach in this legislation fails to account for is that despite governments using increased excise tax on tobacco in the 1960s it did not result in less consumption of tobacco. The decline of tobacco consumption in Australia only began when education programs commenced in 1971 and the phase out of cigarette advertising commenced in 1972.

Cost, by itself, is not a determinant in a person giving up an addictive behaviour. Alcohol consumption is an addictive behaviour.

## **Recommendations**

1. Before this Committee concludes its findings or before the Senate ratifies this Bill, that Treasury reports on the effectiveness of increased tobacco excise during the two decades immediately before the phase out of cigarette advertising in 1972. The Treasury report to assess areas such as health benefits, tobacco consumption and increased government revenue. The report to be tabled in the Senate together with an Auditor-General's report of the findings by Treasury.
2. Treasury compares its current modelling with that used by the World Bank and reports on a comparison of the two models.
3. Advertising on all electronic media (television, radio, internet) be banned 24 hours each day as allowing advertising after 9 PM will negate any effectiveness of the increased excise tax.
4. The Commonwealth government implements a strategically designed education program through all secondary schools, colleges and universities to reduce the consumption of alcohol.
5. That a health warning be printed on all containers of alcohol beverages and placed at point of sale.
6. That approval by the Senate of this excise tax will be conditional upon the government implementing with a six month period points 3, 4 and 5 above.

## **References**

Ministerial Council on Drug Strategy – 'National Alcohol Strategy 2006-2009', May 2006.

World Bank – 'Curbing the Epidemic', November 2000.

WHO Global Status Report on Alcohol 2004.