

Alcohol Education and Rehabilitation Foundation

The Secretary
Community Affairs Committee
Parliament House
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Submission to the Community Affairs Committee Inquiry into Ready-To-Drink (RTD) Alcohol Beverages.

General remarks.

The Alcohol Education and Rehabilitation Foundation (AER) strongly supports the Government's tax change on spirit-based RTD beverages. It is, of course, only a first step towards full volumetric taxation of all alcohol products. However, the tax change closes the anomaly giving favourable tax treatment to RTD drinks after the implementation of the GST. There remains, as well, the concession given to beer, especially packaged full strength beer, and all draught beer.

AER urges the Community Affairs Committee to consider this tax reform as the first part of implementing a consistent, volumetric taxation regime for all alcoholic beverages. This will reduce alcohol related harm.

(a) the effectiveness of the Government's proposed changes to the alcohol excise regime in reducing the claims of excessive consumption of RTD alcohol beverages.

Various studies in Australia, and internationally, have shown that alcohol consumption is price elastic. Typically, these studies show that consumers with a greater propensity to drink at risky levels are more price sensitive than moderate drinkers. AER believes that removing the excise concession on RTD beverages will reduce consumption of them.

However, this positive effect may be ameliorated by an increase in consumption of other alcoholic products, that are taxed at a cheaper volumetric rate (eg brandy and full strength beer), or taxed under a different system (cask wine and fortified wine)

(b) the consumption patterns of RTD alcohol beverages by sex and age group.

Various studies, including the National Drug Strategy Household Survey and the Secondary School Students survey, have indicated that young girls' first drink is likely to be from an RTD beverage. Increasing the price may reduce the quantity of alcohol they can purchase.

(c) the consumption patterns of all alcohol beverages by sex and age group.

As discussed above, without taxing all alcoholic beverages at a consistent volumetric rate (taxed per litre of pure alcohol), it is difficult to model how the consumption patterns will change.

AER expects there will be cross-substitution from RTD alcohol beverages to other categories that have not undergone taxation reform.

(d) the impact of these changes on patterns of overall full strength spirit consumption, including any increased consumption of standard drinks of alcohol.

AER expects that price-sensitive consumers may substitute cheaper forms of alcohol for the relatively dearer RTD drinks. However, without a full econometric model for consumption of all beverages, it is impossible to predict whether there will be any change in standard drink consumption.

AER notes that research released by the Distilled Spirits Industry Council of Australia shows that, in the first two weeks of the new tax regime, overall spirit standard drink consumption dropped by over 1,000,000.

(e) the evidence underpinning the claims of significant public health benefit in the increase of excise on this category of alcohol.

Blind-taste test studies have shown that younger drinkers prefer drinking RTD drinks over standard spirits, wine or beer. The National Drug Strategy Household Survey reported that 60% of young women had their first drink of alcohol from a RTD beverage. There have been numerous health impact studies that show the longer regular drinking behaviour is delayed, the smaller chance of people developing problematic drinking behaviours. This is a public health benefit.

The new draft NH&MRC alcohol guidelines recommend that people under 15 should not drink at all, so reducing the economic availability of alcohol to children through increased taxation should improve public health outcomes now and in the future.

(f) applicability of incentives to encourage production and consumption of lower alcohol content beverages.

Beer products already have such an incentive because the first 1.15% of alcohol in beer is not subject to any excise. This concession is not available to wine or spirits. Low strength beer now has 4% of the total alcohol market. (Source: DSICA Budget submission <http://www.dsica.com.au/pdfs/prebudget03.pdf>)

(g) the modelling underpinning the Government's revenue estimates of this measure.

Without seeing the data, AER cannot comment on the accuracy of any estimate.

(h) the effectiveness of excise increase as a tool in reducing the levels of alcohol-related harm.

As discussed in *Restrictions on the Supply and Sale of Alcohol: Evidence & Outcomes* (Chikritzhs, T) and *Alcohol – no ordinary commodity* (Babor et al.), increasing excise

is an effective method to reduce consumption of alcohol and an effective tool to reduce both short & long-term alcohol-related harm. These studies are meta-analyses of academic papers and reports into effective alcohol policy measures.

(i) the empirical evidence on which the government's decision to increase the excise on ready-to-drink alcohol beverages was based.

Consumption statistics compiled since the taxation anomaly was created in 2000 reveal that RTD alcohol beverages are the fastest growing beverage category in Australia; from roughly 5% of alcohol consumed in 2000 to 10% in 2004 (Source: DSICA Pre-Budget Submission <http://www.dsica.com.au/pdfs/prebudget03.pdf>).

ABS data has placed Australia as the highest consumers of RTD drinks on a per-capita basis. AER firmly believes that RTD beverages need to be taxed at the same rate as other spirit drinks and furthermore, AER argues that all alcohol should be taxed under one, consistent volumetric regime, saving administrative costs for government and not favouring alcohol beverage over any other.

(j) the effect of alternative means of limiting excessive alcohol consumption and levels of alcohol related harm among young people.

AER fully believes that a holistic solution is needed to create lasting reductions in excessive alcohol consumption. AER believes that limiting the focus to young people will not create lasting change. The Australian population needs to understand that excessive alcohol consumption is not a function of age, class, or race; rather its harms are spread throughout all communities and age groups in Australia.

In terms of policy change, AER believes there are four main areas, two federal and two state-based that will assist to change Australia to a less-risky drinking culture:

1. Implement consistent, fair volumetric taxation across all alcoholic products (Federal).

This will remove the distorted price signalling that encourages excessive consumption of lightly taxed products such as cask wine, fortified wines (eg Port) and beer.

2. Remove Alcohol from the provisions of the National Competition Policy (Federal).

Alcohol is a drug and should be regulated accordingly. This will enable the states to enact public safety legislation around liquor licensing density and trading hours.

3. Each State Government needs to enact legislation reducing the number of hours during which liquor outlets can sell alcohol.
4. Each State Government needs to enact legislation to place limitations on the density of liquor outlets, on a situationally appropriate basis.

AER looks forward to the opportunity to provide further oral evidence to the Inquiry.

Yours sincerely,

A handwritten signature in black ink, reading "Daryl P. Smeaton". The signature is written in a cursive style with a large initial 'D' and 'S'.

Daryl P. Smeaton
Chief Executive Officer
Alcohol Education and Rehabilitation Foundation