



AUSTRALIAN HOTELS ASSOCIATION

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

By email: community.affairs.sen@aph.gov.au

Dear Mr Humphery

Inquiry into Ready-to-Drink Alcohol Beverages

Please find attached a response from the Australian Hotels Association in relation to the above Inquiry.

Introduction

The AHA is comprised of close to 5000 members across Australia. It is a Federally Registered Industrial Organisation of Employers and has a National Office and Branch Offices in each State and Territory.

Our membership base is made up of both general licensed premises as well as accommodation members. State and Territory branches within the AHA operate autonomously and manage their own finances.

The overarching objective of the Australian Hotels Association is to effectively contribute to the establishment and maintenance of an economic and social environment that fosters the business success of members and pubs and hotels generally.

In order to achieve such objectives, we are concerned with the stability, viability and growth with the Hospitality and Tourism sector.

The AHA aims to provide relevant advice and services to members by maintaining effective relationships with key politicians, government agencies and both industry and corporate partners. The focus of these relationships is to:

- increase opportunities to generate revenue;
- reduce the cost of doing business;
- manage their regulatory environment, and

- access an adequate supply of appropriately skilled and credentialed people.

AHA members operate in a highly regulated environment and are subject to significant penalties if are found to have sold or supplied alcohol to underage or intoxicated persons. Licence arrangements vary from state to state and this leads to variations in opening hours and competitive arrangements.

Licensed premises supply alcohol for the following purposes:

- (i) on premise consumption in bars, restaurants and functions rooms, and
- (ii) take away through retail liquor outlets.

General hotels compete for consumers spending on alcohol with restaurants, retail liquor outlets, clubs, cellar door and on line providers.

Over the last thirty years, reforms such as the introduction of random breath testing have seen the split between on and off premise consumption of alcohol change dramatically. Today packaged alcohol accounts for around 70% of sales. This is predominately consumed away from licensed premises.

While alcohol sales remain an important revenue source for hotels, they are supported by a number of other income streams such as gaming and wagering, food, entertainment, accommodation, conventions and functions.

The Tax Increase on Ready to Drink Spirits (RTDs)

The AHA understands that the Government's stated reason for increasing the excise on RTD products is to reduce the level of risky drinking amongst young females. This decision follows the release of a report which showed that consumption of this RTD's by young girls had increased by 14%.

To the best of my knowledge, there has not been any consultation with the AHA or any other relevant industry body on this decision.

The AHA is aware that the Labor Government is committed to establishing a culture of evidence based policy development within the Australian Public Service, we were therefore surprised at the decision and justification for the tax increase on RTD's.

We urge the Senate Committee in reviewing this decision to consider the following:

- (i) the true extent of any problem with risky levels of drinking in Australia, and
- (ii) What is the best way to address any problem and what will this cost.

Any decision which seeks to reduce the level of risky drinking amongst young females should lead to a significant reduction in the overall consumption of alcohol. However, Budget estimates indicate a substantial increase in revenue resulting from this decision. This is understandable given the fact that the majority of consumers of this product category are over the age of 25.

Is there a "Binge Drinking Crisis"

The AHA does not believe there is a "binge drinking crisis" in Australia.

This is supported by the Australian Democrats Youth Poll 2008, which showed that almost half the number of people surveyed admitted to binge drinking compared to two years ago – the 2008 poll saw 21% admit to downing five or more drinks in one session; in 2006, this figure was 38%. So if anything, the binge drinking message has already had an impact on young people well before the recent increase in tax on ready-to-drink products was announced.

We have endorsed the Goals of the National Alcohol Strategy 2006-2009. This Strategy seeks to create a "drinking" not a "drunken" culture in Australia. We note that this strategy indicates that there has been a significant reduction in per capita consumption of alcohol over the last two decades. (Page 9).

It must also be remembered that the social and health cost often attributed to alcohol results primarily from the consequences of intoxication through the inappropriate use of the product. (\$15.3 Billion - National Drug Strategy (NDS): The costs of tobacco, alcohol and illicit drug abuse to Australian Society in 2004/05)

Despite reduced consumption, there has been a change in drinking patterns. There is a perception in the community that the level of high risk drinking has increased, especially amongst women and young people.

The National Alcohol Strategy provides a comprehensive blueprint to deal with the issue of risky drinking. The AHA is disappointed that there appears to have been little attempt by the States or the Commonwealth Governments to develop and resource, a comprehensive and coordinated set of initiatives to support the Strategy.

The decision to increase the tax on RTD's fails to take account of evidence from the most recent Australian Secondary Schools Study on Alcohol (ASSSA) survey which indicates that the level of underage drinking has declined since the RTD tax was reduced in the early part of this decade. The survey also indicates that the overwhelming majority of underage drinkers obtain their alcohol from their parents and/or another closely related adult. The significant penalties for selling alcohol to underage drinkers have ensured that hotels and other licensed premises are extremely diligent in monitoring the age of their customers.

Any evidenced-based strategy aimed at reducing the level of risky drinking amongst young girls should lead to a reduction in the overall consumption level of alcohol not a shift to other products.

Preliminary evidence suggests that the significant drop in RTD's sales that followed the tax increase has been offset by a corresponding increase in bottles of straight spirits or other products such as beer, wine and cider. (See attachment regarding Media Reports)

What can be done to create a Responsible Drinking Culture

The AHA is committed to working with Government and the community to develop a responsible drinking culture in Australia. The attached extract from our National Magazine *Our Hotel* details some of the strategies we are currently implementing to address this issue.

Any change will take time and require a coordinated set of strategies aimed at reducing community acceptance of risky drinking and the anti-social behaviour that often accompanies

it. The success of the anti drink driving campaign, particularly amongst young people shows that change can be achieved.

Any change must be underpinned by community recognition that ultimately every individual is responsible for monitoring his or her own consumption of alcohol and any subsequent behaviour that ensues if they drink too much and become intoxicated. Abuse of alcohol is no excuse for anti-social behaviour, violence or putting the safety of an individual at risk.

It is incumbent on Government, regulators, the industry and the broader community to work collaboratively to find ways of creating a responsible drinking culture. This will not be achieved by pointing the finger of blame at a product or particular sector.

Attempting to dress a tax increase, which appear to be aimed at achieving a budget surplus goal, is inconsistent with evidence based policy making. It undermines trust and makes people cynical as to the depth of the commitment that the Federal Government may have in finding effective solutions to real problems.

AHA's Response to Specific Terms of Reference:

(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;

The Budget decision seems to ignore the fact that the majority of these products are not consumed by young females but males over the age of 25. It would appear that the substantial price increase will not decrease their consumption but merely encourage people to buy full bottles of spirits or lead to an increase in the sale of alternate products such as beer, the sales of which have declined with the growth of RTD sales.

(b) the consumption patterns of ready-to-drink alcohol beverages by sex and age group;

The AHA is aware that the Distilled Spirits Industry Council of Australia (DSICA) has provided a comprehensive submission and refers the Committee to this work and DSICA's 2008 Pre Budget Submission.

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

See (b) above

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

There appears to be no reduction in overall consumption of alcohol but merely a shift to other categories or the purchase of 750mls bottles. This often leads to free pouring and mixing of spirit-based drinks by young drinkers and can equate to higher levels of risky drinking particularly in non-controlled environments. One advantage of RTDs is the portion control of alcohol, where intake can be monitored. The Inquiry should also take note of the Report of the House of Representative Inquiry into illicit drugs and the use by young people.

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

Any public health benefit would require a demonstrable reduction in risky levels of drinking and any associated anti social or dangerous behaviour. We do not believe this will occur. An increase in tax on a particular category of alcohol is a blunt instrument and merely disadvantages that product in the market. Consumers generally move to other options. A reduction in risky drinking requires a comprehensive strategy based on thorough research.

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

The AHA believes that while rising prices merely leads to substitution for other products it has found that price reductions do encourage a positive shift in consumption particularly where discretionary spending is limited. This is evidenced by the level of sales in low and mid strength beers.

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

The AHA is unaware of any modelling

(h) the effectiveness of excise increases as a tool in reducing the levels of alcohol related harm;

See (e) above

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

The AHA is unaware of any empirical evidence.

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

The AHA believes a comprehensive strategy is required to ensure the emergence of a responsible drinking culture in Australia. Please see attached extract from the AHA's National Magazine – Our Hotel for areas that the AHA is pursuing. There is also a need to educate parents on how to deal with their children's introduction to alcohol so they develop a responsible approach.

Conclusions

The AHA believes the market for alcoholic drinks waxes and wanes with fashion. To isolate a particular product or segment range is bad policy unless there is clear evidence to the contrary. The evidential link between increasing the tax on RTD's and a resulting reduction in binge drinking amongst young women is tenuous.

RTD's are no better or worse in terms of responsible drinking practice than other forms of alcohol. Consumed responsibly, they offer consumers choice and premium product.

When it comes to responsible consumption, it is not what is consumed; it is the nature and volume of the consumption that leads to misuse.

The AHA believes that if the Government is sincere in its belief that the increase in tax on RTDs is aimed at reducing a supposed increase in binge drinking amongst young females then, any increased revenue collected should be applied to address this problem.

Such a commitment could provide the necessary resources to allow for the effective implementation of a coordinated and effective National Alcohol Strategy.

If you would like to discuss any of the issues raised within this paper, I encourage you to contact me on my mobile telephone on 0419 627 693.

Yours sincerely

Bill Healey
Chief Executive Officer
Australian Hotels Association

DIRECTOR, NATIONAL AFFAIRS REPORT



There is increasing concern about the level of irresponsible consumption of alcohol in the community. This is despite the National Alcohol Strategy indicating that alcohol consumption per capita has declined since the 1980s.

Hoteliers are aware that there has been a significant shift in the consumption patterns of drinkers. The majority of alcohol is now consumed away from licensed premises. This limits the ability of hotels to deal with the perceived increase in the levels of risky drinking.

Hotels and the alcohol industry are already subject to substantial regulation in relation to alcohol and generally seek to comply with their obligations.

It is therefore timely to assess current obligations and consider additional strategies that may assist in achieving the National Alcohol Strategy's goal of creating a drinking not a drunken culture. There needs to be a long-term commitment to achieve this goal. The success of the drink-driving campaign in changing the behaviour of young people should engender confidence that the required change can be achieved.

Key elements in addressing communities concerns include:

ENSURING PERSONAL ACCOUNTABILITY

Studies show that Australians are often unaware of what constitutes a standard drink and are ignorant of the effects that alcohol consumption may have on their behaviour. Public information on the impact of alcohol does not disaggregate direct health costs from the physical harm and injury that results from intoxication.

The AHA believes that increased effort is required to create a culture of personal responsibility for one's level of alcohol consumption. There needs to be greater recognition that this is a "whole of community" issue especially in relation to underage drinking which is often facilitated or condoned by parents and other related adults. Strategies should:

1. Increase community awareness of the standard drink concept and logo
2. Support a culture that expects drinkers to monitor and moderate their consumption to avoid drunkenness
3. Advocate for the introduction and enforcement of 'on the spot' penalties for public drunkenness and anti-social behaviour.

The AHA is working to introduce a Hotel Patron Charter of Rights and Responsibilities that will outline expected behaviours in licensed venues.

PROMOTE RESPONSIBLE CONSUMPTION AND ELIMINATE PRACTICES THAT ENCOURAGE RISKY DRINKING

Hoteliers are required by licensing laws to comply with responsible services practices. These can be enhanced by identifying products and/or practices that encourage risky drinking and where necessary take appropriate action such as:

- Work with suppliers to ensure the alcoholic content of products supports responsible drinking.
- Cease service practices that contribute to risky drinking.
- Support interventions that eliminate aggressive price discounting of alcoholic products.
- Encourage responsible service initiatives such as the provision of water and other non-alcoholic beverages.

BUILD COMMUNITY CAPACITY TO DEAL WITH ALCOHOL RELATED ISSUES

Across Australia, AHA members work constructively with the Police, the Community and Local Government bodies to ensure tailored responses to the needs of local communities. Local liquor accords can provide a holistic strategy to address the potential for anti-social behaviour in entertainment precincts.

The AHA is concerned that a number of problems arise because some patrons consume large amounts of alcohol and/or other substances prior to entering a venue. Refusing entry can often leave an intoxicated and disgruntled individual on the street.

The AHA actively supports the development of effective Local Accords. However, it is also important that other stakeholders contribute to the development of workable local strategies to minimise potential problems. These may include ensuring the availability of adequate transport, the presence of visible policing in key areas and the development of appropriate public amenity, eg: proper lighting.

ENCOURAGE HIGH QUALITY RESEARCH

The AHA has a seat on the Drinkwise Board and is keen to ensure it becomes the pre-eminent body for the provision of quality research on alcohol in Australia.

The AHA believes it is essential that government policy and practice in relation to alcohol must be evidence-based.

ENCOURAGE THE DEVELOPMENT OF A BETTER INFORMED POPULATION

The community view on alcohol-related issues is heavily influenced by negative media stories that often fail to look at the overall picture. The AHA has developed a set of key messages to ensure a balanced debate and will promote these messages where appropriate.

In the last edition of *OurHotel*, I mentioned that the hotel sector had to play an active role in promoting the responsible consumption of the products we sell. The AHA National Executive believes that the above strategies outline a practical approach to achieve this.

STOP PRESS - RTD TAX INCREASE A SPEED HUMP ON THE ROAD TO A NEW FORM OF GOVERNMENT

Since writing my column the Government has announced a substantial increase in the tax on ready-to-drink alcohol products. This came as a surprise to everyone in the alcohol industry and flies in the face of the promise that the Rudd Government would be different.

The Prime Minister has promised to look to the long-term, avoid spin, consult with stakeholders and base policy decisions on sound evidence. This is consistent with the AHA's dealings with the new Ministry over the last six months. We have been impressed by their willingness to consult on areas as diverse as workplace relations, skills, gambling, immigration and regulatory reform.

There was no consultation with industry on the implications of the tax increase. If there had been then the Government would have realised that nearly 80% of RTD sales are consumed by people over 25. The tax increase

will be inflationary, hurt working Australians and do little to reduce the supposed problem of "binge drinking" amongst young females.

Any decision focussed on achieving a health outcome should reduce consumption. The Government is budgeting for a \$2 Billion increase in tax revenue which indicates that there will be little or no drop in sales.

A modern, innovative Australia requires resilient, collaborative citizens who take responsibility for their lives. To achieve this, now more than ever, policy decisions must be based on facts.

Australia does not have a crisis in key areas relevant to hotels. The facts show that as a community we smoke less, have fewer problem gamblers and drink less alcohol than we did a decade ago.

That doesn't mean there aren't areas of concern and things can't be improved. The AHA believes that there are no quick fixes to creating a responsible drinking culture in Australia despite the simplistic solutions proposed by so-called health experts. The cultural change required will only be achieved through an effective partnership between Government, the industry and the broader community.

Hopefully the RTD tax increase is a one-off caused by the pressure of meeting community expectations on the budget surplus.

Regrettably the Government's decision has provided encouragement to the myriad of special interest groups who believe they have the answer to solve the ills of society and will increase the pressure to create "a nanny state".

This pressure will need to be managed or it will undermine the Government's ability to achieve the vision for Australia that was outlined at the recent 2020 Summit.

Bill Healey
Director, National Affairs

Thursday May 29, 2008

Alcopop drinkers 'turning to spirits'

Siobhain Ryan

SALES of alcopops plummeted by almost 40 per cent in the fortnight after last month's lightning tax hike on the drinks but any health gains have been offset by a 20 per cent jump in stronger, straight spirit sales.

The first national data on sales of pre-mixed and straight spirit sales will be released today by the Distilled Spirits Industry Council of Australia as the Rudd Government continues to defend the alcopop excise increase as a way to cut binge drinking.

The council's information and research manager Stephen Riden said the data made a mockery of the Government's stated aim.

"The words 'abject failure' would spring to mind," Mr Riden said.

"This is an unintended consequence of the Government's decision to tax a narrow range of products. It defies common sense that people would not shift to other products."

Mr Riden said one major company, which did not want to be named, had seen its bottled, full-strength sales skyrocket: up 85 per cent in the month after the April 27 excise increase compared with the same period a year earlier. Its alcopops volume declined 30 per cent.

He said the switch had effectively increased the amount of standard drinks consumed by a quarter.

The DSICA data, drawn from the latest Nielsen ScanTrak survey of liquor retailers and independent bottleshops nationwide, showed a 20 per cent increase in sales of hip flask (375ml) bottles of full-strength spirits.

Sales of 700ml bottles rose by 21 per cent.

By comparison, sales of dark-spirit alcopops favoured by men over the age of 25 dropped by 39 per cent, DSICA said.

The dark-spirit drinks mix scotch, rum and bourbon with cola and other soft drinks.

Light-spirit drinks, containing the vodka, gin and white rum preferred by females, saw a 37 per cent slide in sales.

DRYING UP

Alcohol category	Change in two weeks since tax announced
375ml full-strength spirit	Up 20%
700ml full-strength spirit	Up 21%
Dark spirit ready-to-drink (scotch, rum, bourbon)	Down 39%
Light spirit ready-to-drink (vodka, gin, white rum)	Down 37%

Source: Nielsen ScanTrak Liquor Survey

Despite the figures, Health Minister Nicola Roxon yesterday stood by Treasury's target of reducing the forecast growth in alcopop sales by 42.7 million bottles in 2008-09 as a result of the excise hike.

"This is a measure that has been in force for fully one month now," she said. "We are confident that it will have an impact."

Ms Roxon said young people in particular — the targets of the Rudd Government's crackdown on binge drinking — were "very price sensitive", although she acknowledged some would keep consuming alcopops regardless.

"I would be a very happy cabinet minister if we didn't collect the full amount of that tax because consumption had reduced even more heavily," she said. "But if we had put in the budget papers an expectation that suddenly every person across the country stopped drinking alcopops we would be accused of being totally unrealistic."

Instead, Treasury modelling assumed a modest 4 per cent slowdown in alcopop sales from the levels that would have been reached without the excise increase.

The Rudd Government's decision to target alcopops for higher excises has proven controversial because other drinks — such as cask wine and full-strength beer — with equal or higher alcohol content face lower taxes.

The Opposition has vowed to block the measure in the Senate.