



Distilled Spirits Industry  
Council of Australia Inc.

## **Submission to the Senate Standing Committee on Community Affairs**

**Inquiry into Ready To Drink  
Alcohol Beverages (RTDs)**

**June 2008**

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## Who is DSICA?

The Distilled Spirits Industry Council of Australia Inc (DSICA) is the peak body representing the interests of distilled spirit manufacturers and importers in Australia. DSICA was formed in 1982, and the current member companies are:

- Bacardi Lion Pty Ltd
- Beam Global Spirits & Wine Inc
- Brown-Forman Australia
- Bundaberg Distilling Company
- Diageo Australia Ltd
- Maxxium Australia Pty Ltd
- Moet Hennessy Australia Pty Ltd
- Suntory (Australia) Pty Ltd
- William Grant & Sons International Ltd

DSICA's goals are:

- to create an informed political and social environment that recognises the benefits of moderate alcohol intake and to provide opportunities for balanced community discussion on alcohol issues; and
- to ensure public alcohol policies are soundly and objectively formed, that they include alcohol industry input, that they are based on the latest national and international scientific research and that they do not unfairly disadvantage the spirits sector.

DSICA members are committed to:

- responsible marketing and promotion of distilled spirits;
- supporting social programs aimed at reducing the harm associated with the excessive or inappropriate consumption of alcohol;
- supporting the current quasi-regulatory regime for alcohol advertising; and
- making a significant contribution to Australian industry through primary production, manufacturing, distribution and sales activities.

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## List of Abbreviations

ABAC	Alcohol Beverages Advertising Code
ABS	Australian Bureau of Statistics
ACMA	Australian Communications and Media Authority
abv	alcohol by volume (ie alcohol content)
ACS	Australian Customs Service
ADCA	Alcohol and Other Drugs Council of Australia
AERF	Alcohol Education and Rehabilitation Foundation
AIHW	Australian Institute of Health and Welfare
ANU	Australian National University
ANZFA	Australia New Zealand Food Authority
ASB	Advertising Standard Board
ASSSA	Australian Secondary School Students' Use of Alcohol
ATO	Australian Taxation Office
BAS	Business Activity Statement
COAG	Council of Australian Governments
DHA	Department of Health and Ageing
DSICA	The Distilled Spirits Industry Council of Australia Inc
GPs	General Practitioners
GST	Goods and Services Tax
ICAP	International Centre for Alcohol Policies
IGCD	Intergovernmental Committee on Drugs
Lals	Litres of alcohol
LMA	Liquor Merchants Association of Australia
MAAC	Monitoring of Alcohol Advertising Committee
MAT	Moving annual total
MCDS	Ministerial Council on Drug Strategy
MP	Member of Parliament
NAC	National Alcohol Campaign
NABIC	National Alcohol Beverages Industries Council Inc
NAS	National Alcohol Strategy
NDRI	National Drug Research Institute
NDSHS	National Drug Strategy Household Survey

NHMRC	National Health and Medical Research Council
NTS	New Tax System
RHS	Right Hand Scale (in graphs)
RTDs	Ready-to-drink alcohol products
SWAT	Society Without Alcohol Trauma
TES	Tax Expenditure Statement (Commonwealth Treasury)
WET	Wine Equalisation Tax
WHO	World Health Organisation

## Executive Summary

- DSICA is the peak industry body representing the interests of distilled spirit and ready-to-drink alcohol beverages (“RTDs”) manufacturers and importers in Australia.

### Background to Senate Inquiry

- This inquiry by the Senate Community Affairs Committee follows the making of Excise and Customs Tariff Proposals by the Government that increased the rate of taxation on RTDs effective from midnight on 26 April 2008.
- The proposals increased the rate of taxation on RTDs by 69%, which has resulted in a significant differential on the excise tax of products which have the same alcohol content.
- The Government has justified the tax increase on the basis that it will help tackle what it believes is a ‘binge drinking epidemic’ in Australia, particularly amongst young people. DSICA and the Australian Institute of Health and Welfare (AIHW) do not support the term ‘binge drinking’. This is because ‘there is no internationally agreed definition of this term’ (AIHW 2008b). DSICA, and the AIHW, prefer to use the language of the National Health and Medical Research Council (NHMRC) guidelines regarding risky and high risk drinking.
- The Government’s primary health data agency, the AIHW, contradicts the Government’s rationale for making this tax increase. The AIHW advises that ‘given the stable prevalence of risky (and high risk) 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 (and high risk) alcohol consumption’ (AIHW 2008b).

### Combating risky/high risk drinking – an isolated tax increase is not effective policy

- DSICA supports the development of a comprehensive set of preventative health measures which would be implemented in a co-ordinated way by all stakeholders, including the alcohol industry, in order to combat risky/high risk drinking. The industry does not condone any harmful alcohol consumption, whether by young people or others.
- DSICA wants to be part of the solution to address misuse of alcohol, but it does not believe that an indiscriminate tax increase on one product category will generate the desired outcome and as a result does not support this as the best approach to address misuse of alcohol.
- Whilst it is recognised that excessive consumption of alcohol of any type can lead to harm, a review of the evidence on drinking patterns, particularly amongst young people, does not indicate that harmful alcohol consumption patterns amongst young people are changing. The AIHW confirms that ‘there has been virtually no change in the pattern of risky (and high risk) drinking over the period 2001-2007, including among young Australians’ (AIHW 2008b).
- There is no credible evidence that RTDs are a major causal factor in risky/high risk drinking. In fact, the AIHW advises that while ‘the preference for RTDs has increased slightly over the period 2001-2007, particularly in older age groups; the trend among those aged under 18 years is unclear’ (AIHW 2008b).
- The latest Australian market evidence shows that Treasury modelling, which estimated the significant increase in revenue from the RTD tax change, was fundamentally flawed in not predicting substitution into other categories. This substitution includes a 20% increase in spirits

sales that has been observed in the weeks since the tax change in late April. There is also anecdotal evidence of an increase in beer sales.

- The most reliable international evidence clearly shows that an isolated tax increase on one product category will lead to unintended social consequences, including substitution into other alcohol categories. This will not necessarily lead to a significant overall decrease in alcohol consumption and will not address the real causes of risky/high risk drinking.

### Achieving desired policy outcomes

- A common approach to the taxation of alcohol strength is fundamental to ensure no anomalies are created. As many stakeholders in the public health arena have stated, all alcohol products should be taxed on a volumetric basis, according to their alcohol content, and not according to the source of the alcohol. Alcohol, whether it is in the form of spirits, beer, wine or RTDs, is alcohol. This would allow for higher strength alcohol, irrespective of whether it is beer, wine, spirits or RTDs, to be taxed at a correspondingly higher rate and vice versa on lower strength alcohol.

### Recommendations:

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1. **The Government, in conjunction with other stakeholders, should undertake a comprehensive review of the evidence-base and the cause of misuse of alcohol, including risky/high risk drinking, in Australia, with the aim of funding sustainable, behaviour changing educational programmes.**
  2. **The Government should immediately reinstate the RTD tax rate that applied prior to 27 April 2008, which is more in line with volumetric tax principles.**
  3. **Subject to Recommendation 4, the Government should await the outcome of the Henry tax review before making any amendments to the alcohol taxation system.**
  4. **The Government should provide immediate taxation equivalence for packaged RTDs and packaged beer at low-strength (up to 3.0% abv) and mid-strength (above 3.0% abv to 3.5% abv) levels (as recommended by the Senate Economics Legislation Committee in 2006).**
  5. **A volumetric system of taxation should be applied to all alcohol products in the long-term to ensure that Government social and health policy objectives are achieved in harmony with the Government's revenue raising requirements.**
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## 1. Introduction

### 1.1 Purpose of this submission

On 15 May 2008, the Senate referred to the Senate Community Affairs Committee (“the Committee”) a terms of reference for an inquiry into Ready-to-Drink alcohol beverages (RTDs).

The request for an Inquiry followed the making of Excise Tariff and Customs Tariff proposals by the Government on 13 May 2008 that increased the rate of taxation of RTDs effective from midnight on 26 April 2008. The proposals increased the rate of taxation on RTDs way out of line with other ‘single serve’ alcohol beverages, e.g. beer. The proposals were tabled in the House of Representatives on 13 May 2008.

The Government has justified the tax increase on the basis that it will help tackle what it believes is a ‘binge drinking epidemic’ in Australia, particularly amongst young people. However, there is concern amongst parliamentarians, health groups, health researchers and industry that an isolated tax increase on one product category will be an ineffective measure to combat risky/high risk drinking.

### 1.2 ‘Binge drinking’ term not supported

In relation to terminology used in the current debate regarding harmful alcohol consumption, DSICA believes that the term ‘binge drinking’ should not be used. This is because it is not precisely defined and is not a term used amongst health academics, researchers and health NGOs. In this regard, DSICA refers to the submission to this Inquiry lodged by the AIHW on this point. We note that the AIHW does not support use of the term ‘binge drinking’, partly because there is no internationally agreed definition of the term and partly because it can variously mean a particular amount of consumption on a single drinking occasion or a prolonged period of drinking (AIHW 2008b, p6). DSICA supports the AIHW view that the better language to use is that of the NHMRC guidelines regarding risky and high risk drinking.

### 1.3 Initiatives to combat risky/high risk drinking

DSICA commends the Government on other initiatives announced earlier this year, including the announcement of a National Binge Drinking Strategy and the request for the Council of Australian Governments (COAG) to investigate certain alcohol-related issues. However, DSICA does not support an indiscriminate tax increase on one product category in isolation, particularly where the evidence shows that RTDs are not a major cause of risky/high risk drinking, and where there is evidence that harmful alcohol consumption trends amongst young people have been improving since the previous RTD tax change of 2000, which brought RTD’s more in line with a volumetric tax principle.

DSICA welcomes the opportunity to inform the debate regarding effective tools in combating risky/high risk drinking and to address the issues raised in the Committee’s terms of reference.

In view of the latest available Australian sales data, international evidence, and the history of alcohol tax policy in Australia, DSICA concludes that the RTD tax change will not be effective in combating the risky/high risk drinking behaviours.

DSICA supports revision of initiatives in the National Alcohol Strategy 2006-2009 (“the National Alcohol Strategy”) to address harmful alcohol consumption patterns amongst young people. DSICA looks forward to working with Government and the National Preventative

Health Task Force to develop effective initiatives to reduce harmful alcohol consumption levels in Australia, especially amongst young people.

## 1.4 Current Government initiatives to address harmful alcohol consumption

The Government currently has a number of initiatives under way to address and develop solutions to combat harmful alcohol consumption.

These initiatives include:

- The National Alcohol Strategy 2006–2009;
- National Binge Drinking Strategy, including work by the National Preventative Health Task Force;
- COAG alcohol reviews; and
- MCDS Alcohol Forum.

DSICA supports all of these initiatives and looks forward to working with Government on their development and implementation.

DSICA believes that these initiatives, effectively implemented, will be more effective in addressing harmful alcohol consumption than an indiscriminate increase in taxation on one isolated alcohol category – as was the case with the increase in excise on RTDs on 26 April 2008.

DSICA believes that initiatives of the Strategy are beginning to work and that time should be given to have them fully implemented and to review their effectiveness. Evidence that some of the initiatives from the Strategy and previous strategies are beginning to work is that harmful alcohol consumption patterns amongst young people (as observed in leading national surveys including the NDSHS) are actually starting to decline. DSICA would not want to see “knee-jerk” decisions taken outside the context of the Strategy that may put at risk the positive achievements that appear to be occurring.

DSICA also believes that initiatives such as Drinkwise, which bring together the industry and concerned stakeholders, can and will play a significant role in reducing the misuse of alcohol.

More detail on the above initiatives and DSICA’s comments on them are included in Section 8 below.

### Recommendations:

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1. **The Government, in conjunction with other stakeholders, should undertake a comprehensive review of the evidence-base and the cause of misuse of alcohol, including risky/high risk drinking, in Australia, with the aim of funding sustainable, behaviour changing educational programmes.**
- 

## 1.5 Alcohol tax policy in Australia

The current complexities in alcohol tax arrangements in Australia do not help achieve good health policy outcomes and inappropriately distort decision making. The recent RTD tax change has made this system worse.

DSICA believes that taxation of alcohol does have a role in achieving social and health policy outcomes, but it believes that the system should be designed in a way that will most effectively

achieve desired outcomes. Ultimately DSICA supports a volumetric approach on the basis that alcohol content is exactly the same in one standard drink or for example in a container at 5% abv, irrespective of whether that alcohol type is beer, wine, RTD or spirits.

Alcohol is a product that can be misused if consumed to excess and therefore all alcohol products should be taxed on a volumetric basis according to their alcohol content and not according to the source of the alcohol, i.e. if you are consuming an alcohol product which contains a higher number of standard drinks, then the taxation rate should accordingly be higher.

The current alcohol tax system, because it imposes different types and rates of taxation on various products that are substitutes for one another, will not achieve positive social and health policy outcomes. The increase in the excise tax on RTDs exacerbates this problem because it provides stronger incentives to produce and consume alternative (and cheaper) beverages.

The tax increase of 26 April 2008 has resulted in a range of unintended consequences, including significant substitution into other alcohol categories, such as a 20% increase in full strength spirits sales. Consumers looking to purchase a single serve of alcohol may also be encouraged to consume wine-based RTDs, wine and cider rather than RTDs because the lower value-based tax on these products leads to a lower price. Furthermore, there is a greater incentive to purchase beer, as well as full strength spirits and “free pour” a mixed drink where the excise rates on bottled spirits and RTDs are the same.

Using alcohol taxation to address health policy objectives is only valid if the tax system does not encourage opportunities for substitution into lower taxed products with equivalent or higher alcohol content.

Prior to 2000, RTDs with the same alcohol content as beer were taxed at the same rate as full strength spirits. Hence, the taxation of alcohol at that time encouraged the production and consumption of other ready-to-drink beverages – at the same or higher alcohol content than those made from spirits – from alternative sources of alcohol taxed at a lower rate than spirits.

The government’s decision in 2000 to broadly align the tax rates of RTDs with beer was recognition that comparable alcohol products with the same alcohol content – irrespective of the source of the alcohol – were likely to have the same social costs and therefore should pay an equivalent excise rate. To not do so would encourage worse health outcomes than if these products were taxed at a similar rate.

## Recommendations:

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- 2. The Government should immediately reinstate the RTD tax rate that applied prior to 27 April 2008, which is more in line with volumetric tax principles.**
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## 1.6 Structure of this Submission

This submission comprises nine Sections in addition to its executive summary and bibliography. The core Sections of 2 to 8 seek to develop a narrative of what are appropriate responses to address harmful alcohol consumption. In this context, we address the issue of alcohol tax policy and what is required in this area to achieve desired health and social policy outcomes.

**Sections 2 to 5** provide important background on the current make up of the alcohol market in Australia and provide a summary of the best available evidence on alcohol consumption patterns in Australia.

**Sections 6 to 8** of the submission outline DSICA’s views on appropriate policy responses to combat harmful alcohol consumption.

## 1.7 Readers Guide

In this submission, we have outlined a series of “signposts” used in the Submission to help readers absorb the content of the submission. These include the following:

- (a) **Section Outline:** At the beginning of each section, a Section Outline is provided in a highlighted box which provides a summary of what the reader will find in that section. Where relevant, it also indicates which terms of reference of the inquiry are addressed in the section.
- (b) **Key Facts:** Underneath the section outline, we provide a boxed summary of Key Facts. These are the key messages and conclusions that DSICA wants the reader to take away from that section.
- (c) **Recommendations:** Throughout the section, we provide a number of recommendations for the Committee’s consideration. These recommendations will always be flagged by a blue heading as follows:

### Recommendations:

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[Text of Recommendation]

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## 2 The alcohol market in Australia

*Section outline: In this section, we outline current data on the composition of the alcohol market in Australia and examine medium to long term trends in the consumption of different types of alcohol beverages prior to the excise change imposed on RTDs in April 2008.*

### Key facts

- 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% since a 30 year peak reached in the early 1980's.
- Alcohol consumption on a per capita basis has not increased significantly since the tax reforms in 2000 which included the tax reduction on RTDs.
- Historical trends in beverage consumption prior to 27 April 2008 indicated shifts away from beer and full strength spirits to wine and RTDs.
- The growth in RTD consumption had been at the expense of beer and full strength spirits.
- In response to the RTD tax change of 26 April 2008, early market data suggests that there has been a significant decline in the consumption of RTDs (down 39%) but this has been offset by an increase in the consumption of full strength spirits (up 20%). At the time of writing, data on the change in consumption of beer and wine was not formally available to DSICA but we understand that there has also been a shift into some of these categories.

### 2.1 Alcohol consumption in Australia is in long term decline

Despite what perceptions may be of Australia being a nation of heavy drinkers compared to other countries, per capita consumption of alcohol in comparable developed countries is higher than in Australia – especially in relation to spirits.

Furthermore, again despite what might be a common perception, alcohol consumption in Australia over the last 30 years has seen a significant decline (see next heading). Consumption in 2006-07 has fallen more than 20% from a peak reached in the early 1980's.

The *World Drink Trends 2004* (PGVD 2004) shows that from 1999 to 2002 Australia's alcohol consumption ranking fell from 19th to 23rd in the world. In 2002, Australia ranked 36th in the world for spirits consumption, 9th for beer consumption and 17th for wine consumption (PVGD 2004, p 9).

Comparison with the other nine OECD countries selected by the *International Comparison of Australia's Taxes* report (the 'Warburton and Hendy Report', Warburton & Hendy 2006) further supports this conclusion. DSICA's analysis reveals that within these ten OECD countries, Australia has the lowest per capita consumption of spirituous beverages.

#### Australia's declining levels of alcohol consumption

Australia's alcohol consumption fell 12.6% during the 1990's, the greatest decline of consumption for any region in the world (PVGD 2004, p19). From an alcohol consumption peak in the early 1980's, current consumption rates have fallen to levels of consumption not seen since the 1960's.

### Stable trend in Australian adult per capita alcohol consumption

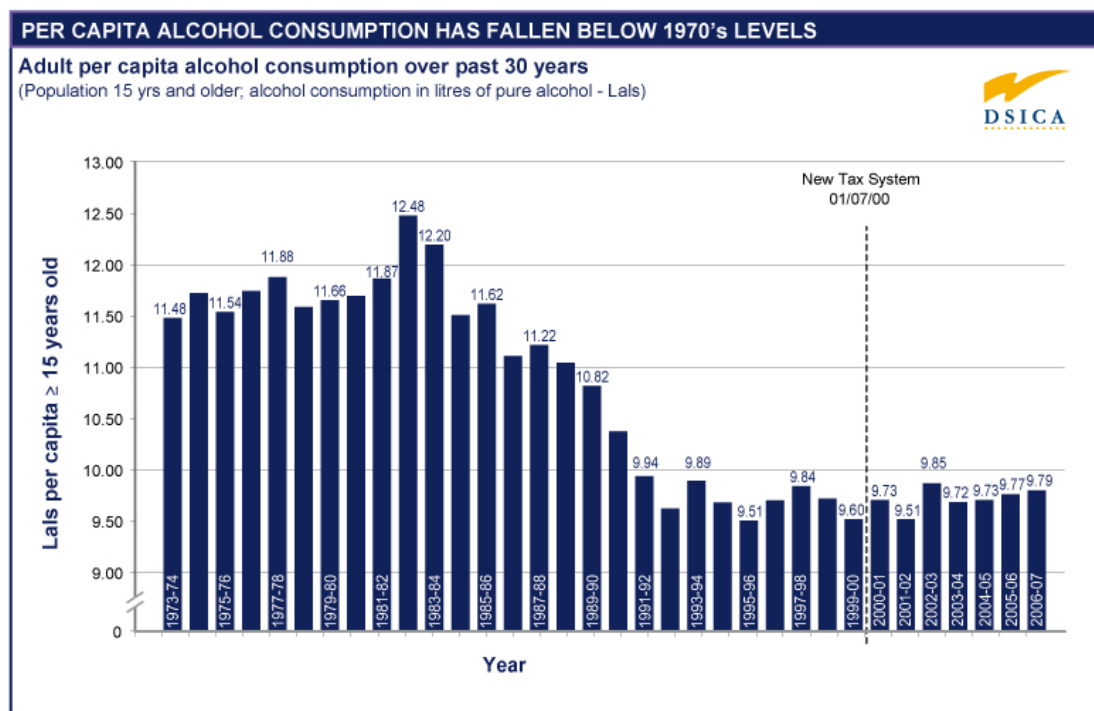
DSICA estimates alcohol consumption for 2006-07 in Australia at 9.79 litres of pure alcohol (Lals) adult per capita (population 15 years and over). This is up slightly on 9.77 Lals per capita in 2005-06.

The Australian Bureau of Statistics figure for alcohol consumption in 2006-07 of 9.88 lals (ABS 2008b, p3) is very close to the DSICA figure provided above.

DSICA has summarised a number of key facts in relation to overall alcohol consumption trends. These trends are made clear by *Graphic 1*, which illustrates:

- adult per capita alcohol consumption has fallen below 1970's levels;
- there has been no significant increase in adult per capita alcohol consumption since tax reform (1 July 2000); and
- while there appears to be a slight upward trend over the past four years, when examined in a historical context, Australia's per capita consumption has been statistically flat over the past decade.

*Graphic 1: Per capita alcohol consumption has fallen below 1970's levels*



Adult per capita alcohol consumption has not increased significantly between 1999-00 (9.60 adult per capita Lals) and 2006-07 (9.79 adult per capita Lals).

## 2.2 Current composition of the Australian alcohol market

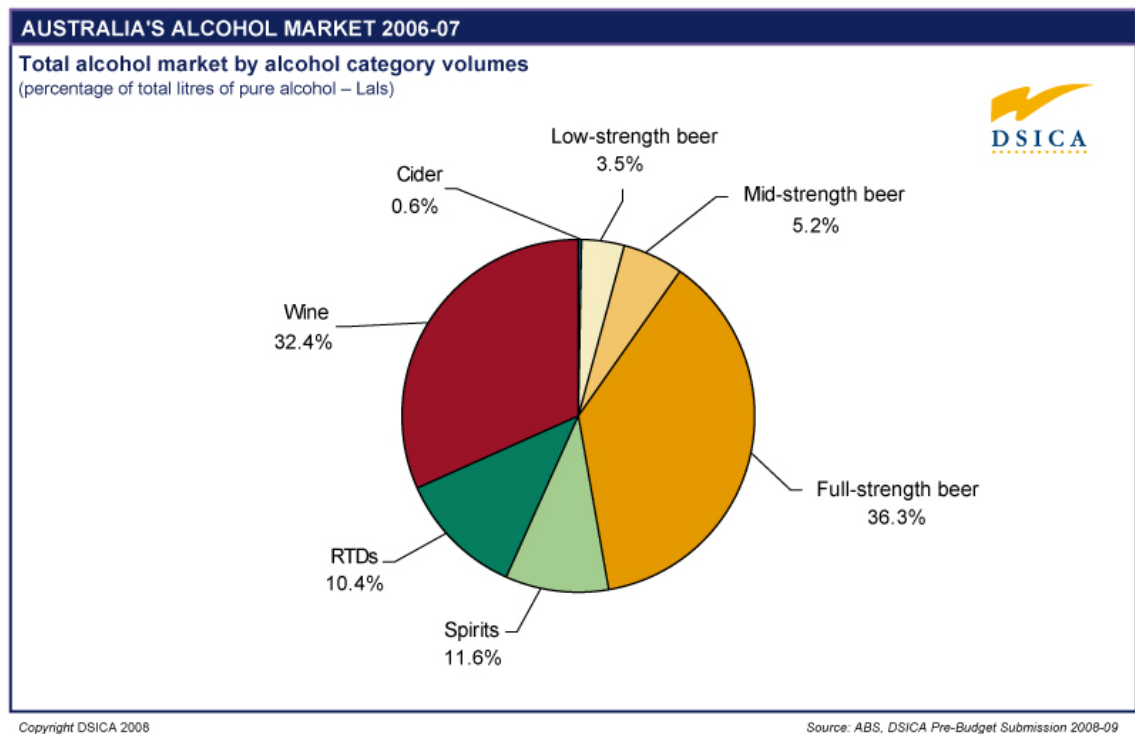
In the context of the recent tax increase on RTDs, a revealing fact is how small the share of the total alcohol market is held by RTDs. In 2006-07, DSICA estimates that RTDs comprised only 10.4% of the market (measured in litres of alcohol). The tax advantage inadvertently created for beer and wine post the April 2008 change will doubtless increase beer and wine's dominance of the market.

## The alcohol market in 2006-07

The breakdown of the alcohol market in Australia remained stable between 2005-06 and 2006-07.

According to DSICA estimates, in 2006-07, **beer comprised 45%** of the market (down 2% on 2005-06), **spirits (including RTDs) making up 22%** (up 1%) and **wine 32%** (stable).

Graphic 2: Australia's alcohol market 2006-07



DSICA notes that its market share analysis is very close to the make up estimated by the Australian Bureau of Statistics. In its re-release of *Apparent Consumption of Alcohol, Australia, 2006-07*, the ABS estimated the make up of the Australian alcohol market in 2006-07 as follows (ABS 2008b, p2-3):

- beer 46%
- spirits (including RTDs) 23%
- wine 31%

## Forecast for the alcohol market in 2008-09

DSICA has not yet undertaken preliminary forecasts of the alcohol market for 2008-09 – the first full year to follow the RTD tax change implemented in April 2008.

Early market reaction to the RTD tax change indicates the following (as reported by the AC Nielsen Liquor Scan Track Service for the 2 week period ending 11 May 2008):

- a 39% decrease in the sales of dark spirit-based RTDs (such as whisky, rum and bourbon preferred by male drinkers aged over 25);
- a 37% decrease in the sales of light spirit-based RTDs (such as vodka, gin and white rum preferred by females);and

- a 20% increase in the sales of full strength spirits.

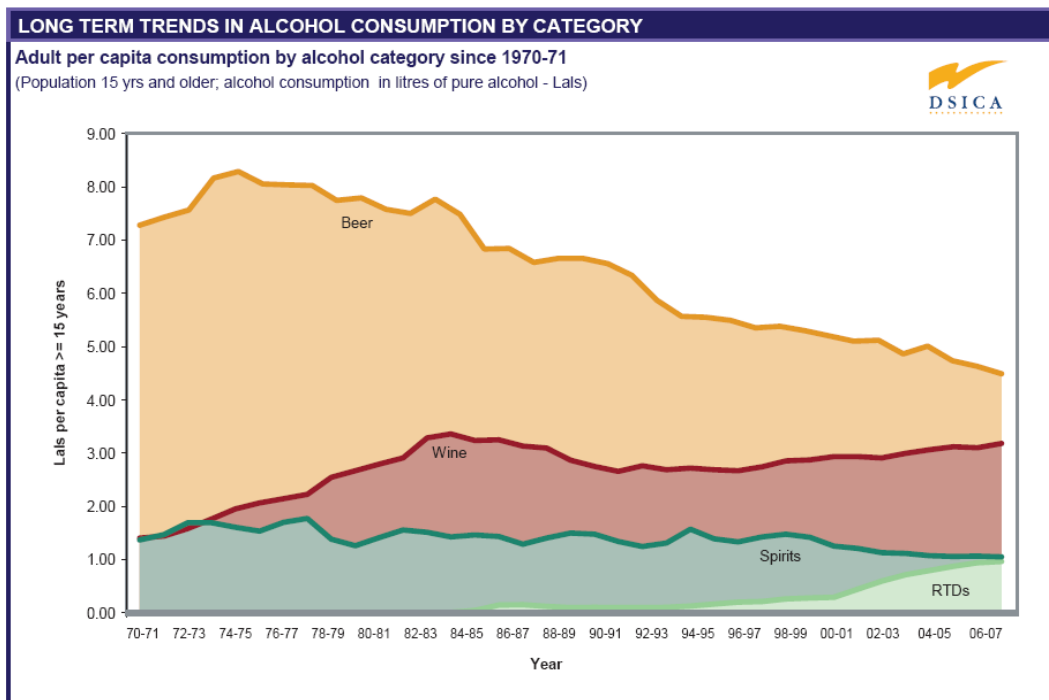
It is important to note that DSICA does not yet have detailed market data on the impact on beer and wine consumption. Anecdotal evidence suggests that there has also been an increase in beer sales.

## 2.3 People are changing their product preferences, but not increasing total consumption

### Trends in alcohol consumption by product category

Graphic 3 illustrates a time series trend in alcohol consumption by product category in the period 1970-71 to 2006-07. This diagram reflects the trends discussed in the preceding section – noting that beer and full strength spirits are in decline, offset by growth in the consumption of wine and RTDs.

Graphic 3: Long term trends in alcohol consumption by category



Copyright DSICA 2008

Source: ABS, DSICA Pre-Budget Submission 2008-09

### The spirits market

#### Full strength bottled spirits

Trends observed prior to the recent tax change on RTDs revealed that the bottled spirits market declined by 2% in the period 1999-00 to 2006-07. Full-strength bottled spirits currently comprise 11.6% of the total alcohol market (2006-07), down from 13.8% in 1999-00.

Long term analysis between the periods 1970-71 and 2006-07 reveals spirits consumption had only grown at an average annual rate of 1.4%. This conclusion, when read with the observations from *Graphic 1*, illustrates that a significant proportion of the growth in RTDs had previously been at the expense of full-strength spirits.



### *Ready-to-Drink alcohol products (RTDs)*

DSICA believes it is important that the best available industry data regarding the key features of the RTD market is well understood by interested parties.

DSICA acknowledges that, prior to the recent tax change, RTDs have experienced significant growth. However, we stress this growth be viewed in the context of other developments in the market – such as the decline in beer and full-strength spirits consumption.

In summary, it can be seen that 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.

Discussions regarding the rapid growth in RTDs also tend to ignore the following facts:

- the majority of RTDs are similar in alcohol content to full-strength beer (about 5% alcohol by volume (abv));
- RTDs comprise only 10.4% of the market;
- 75% of RTDs are dark spirit-based, and are preferred by males 24 years and older; and
- growth in the RTD market has begun from a very low base of 3% of the total alcohol market in 1999-2000.

### **Misconceptions regarding the RTD market**

The growth of RTDs prior to the recent tax change has focussed a lot of attention on this part of the market. Often commentary has not been informed by the facts and evidence.

To combat the incorrect perceptions regarding the RTD market, DSICA has developed a series of “RTD Facts” to outline what the market evidence reveals about the product and its market share.

*Appendix 1* to this submission outlines 7 key facts aimed at addressing common “myths” or popular assertions that DSICA has seen develop over time in association with the growth in the RTD market.

For ease of reference, the 7 key facts are reproduced below. A full explanation of them is contained in Appendix 1.

- Fact 1** Adult per capita alcohol consumption in Australia has fallen below 1970’s and 1980’s levels.
- Fact 2** There has been no significant increase in adult per capita alcohol consumption since tax reform (1 July 2000).
- Fact 3** Total alcohol consumption has been increasing at a lower rate than the population 15 years and over.
- Fact 4** Adult per capita consumption of RTDs has been growing as adult per capita consumption of beer and spirits has been falling.
- Fact 5** RTDs are similar alcohol content as beer but pay higher tax per volume of alcohol.
- Fact 6** RTDs comprise only 10.4% of the Australian alcohol market.
- Fact 7** 75% of RTDs are dark spirit-based and are preferred by males 24 years and older.



### 3 Alcohol taxation policy and revenue collections in Australia

*Section outline: In this section, we outline DSICA’s comments on alcohol tax policy in Australia and details on the amount of revenue the Federal Government collects on the consumption of alcohol in Australia. Anomalies in the current system are discussed in terms of the disproportionate share of revenue collected from spirits products and the lack of a tax incentive to produce low and mid-strength RTDs.*

*This latter point addresses paragraph (f) in the Terms of Reference.*

#### Key facts

- Australia does not apply a uniform volumetric taxation policy. Accordingly, the current policy regime does not tax all alcohol products in the same way. It is not consistent with the policy principle that “alcohol is alcohol”.
- Australia has a complex alcohol tax system which urgently needs review and reform.
- The Australian Government will in 2008-09 collect in excess of \$5 billion in taxation on the consumption of all alcohol products in Australia.
- Spirits, and RTDs in particular, contribute disproportionately to this revenue compared to their market share, i.e. there is significantly more beer and wine consumed in Australia versus other alcohol product types.
- On a tax per standard drink basis, RTDs now pay twice the amount of tax than beer of similar alcohol strength and more than 14 times the amount of tax on cask wine, which typically has more than twice the alcohol content.
- There is no reliable evidence, from a health perspective, that RTDs should be subject to taxation, which is out of proportion to other similar alcohol content drinks.
- There is no tax incentive to produce and consume low and mid-strength RTD products, as there is for low and mid-strength beer. Such an incentive is supported by a wide range of health groups.

#### 3.1 Urgent reform of alcohol tax system needed

Australia currently has a complex system for the taxation of alcohol.

Taxes on alcohol are raised under the following taxation regimes:

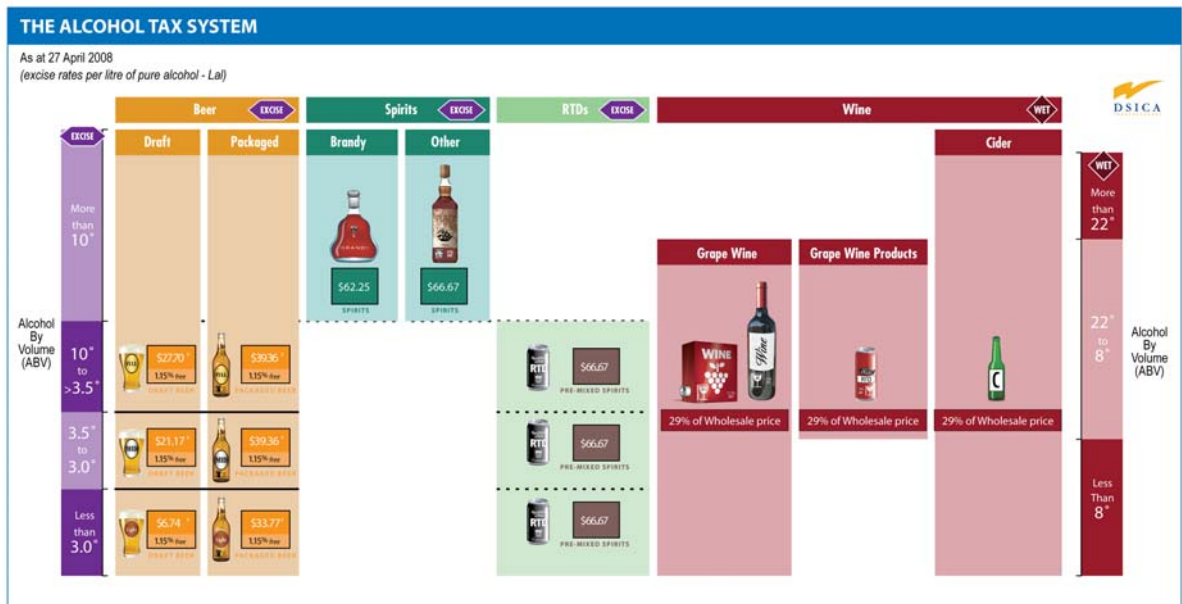
- **Excise duty** - on locally produced beer, spirits and RTDs;
- **Customs duty** - on imported beer, spirits and RTDs;
- **Wine Equalisation Tax** – on locally produced and imported wine, grape wine products and cider; and
- **GST** – on all alcohol products sold in Australia.

The complexities of the current taxation regime are demonstrated by:

- a mix of ad valorem (wine, grape wine products and cider) and volumetric rates (beer, spirits and RTDs);

- a system of **8 different rates** applying (see *Graphic 4* below);
- some rates are indexed and some are not;
- some products (eg. spirits) have import duty at ad valorem rates indiscriminately applied;
- rebates and tax free thresholds are available to some products and not to others, and
- two different government departments administer different taxes for the same products.

*Graphic 4: The alcohol tax system*



Because the system does not treat all alcohol the same (according to its alcohol content), there are distortions to production and consumption decisions that lead to inappropriate social, health and economic outcomes.

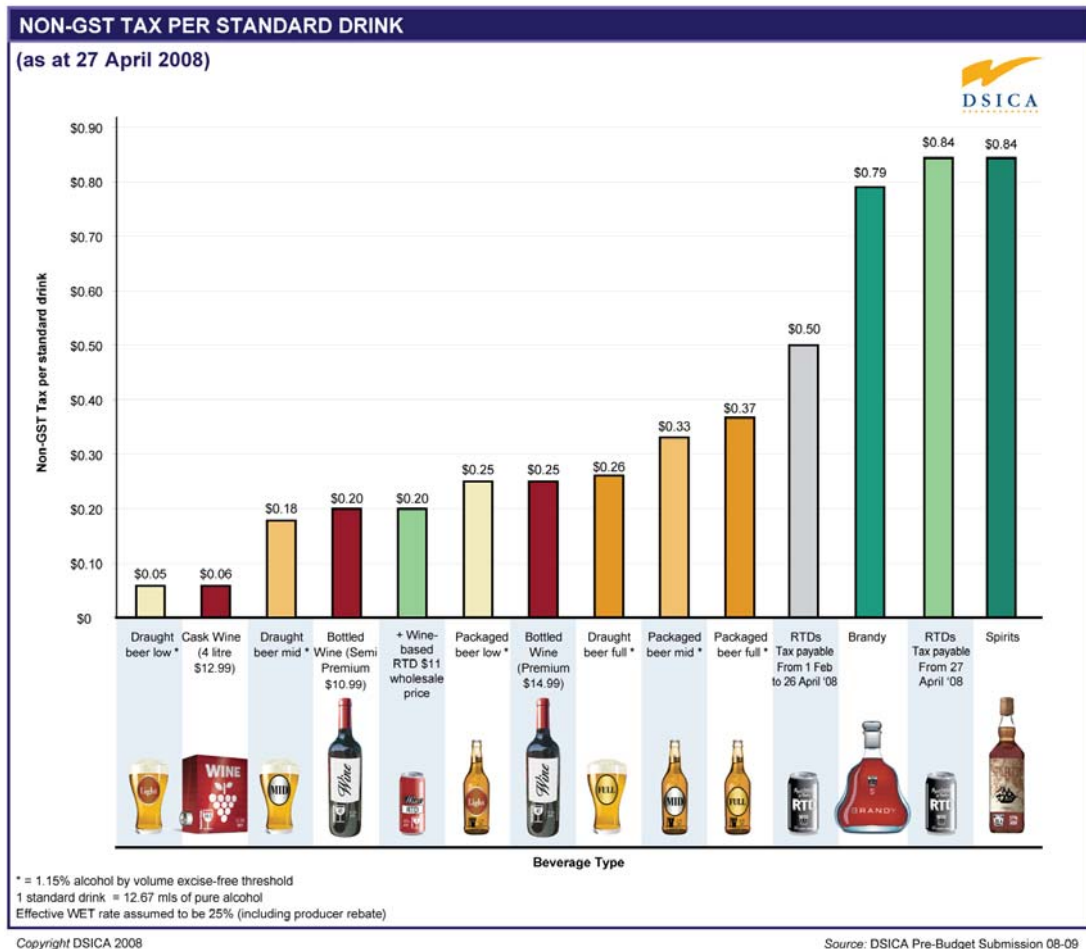
### Non-GST tax per standard drink

The complexity of the alcohol tax system is demonstrated in another way by observing the amount of tax different beverages pay on a “per standard drink” basis – see *Graphic 5* below.

The concept of a standard drink allows a uniform means of comparison of the amount of alcohol in various alcohol beverages of different alcohol strengths.

The graphic below outlines tax per standard drink on the main alcohol beverages effective since the tax change of 27 April 2008.

Graphic 5: Non-GST tax per standard drink



Some of the inequitable outcomes that can be observed include:

- RTDs pay more than twice the amount of tax as beer of similar strength;
- RTDs pay 14 times the amount of tax (on a standard drink basis) than that of cask wine (where cask wine will have a higher alcohol content – often double – than RTDs); and
- there is no incentive for the production and consumption of low and mid-strength RTDs.

### 3.2 Henry Tax Review

DSICA strongly supports the Government's decision to undertake a comprehensive review of the Australian taxation system under the leadership of Dr Ken Henry, Secretary to the Treasury.

DSICA strongly supports the inclusion within the terms of reference of the review of a comprehensive review of the alcohol taxation system. The terms of reference specifically include:

'3.4. Enhancing the taxation arrangements on consumption (including excise taxes), property (including housing), and other forms of taxation collected primarily by the States'

DSICA welcomes the statements by Senator Conroy on 3 June 2008 that this review will include a comprehensive examination of alcohol taxation. The objective of the review of the

alcohol tax system should include overall simplification in order to achieve positive social, health and economic outcomes.

**Recommendation:**

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- 3. Subject to Recommendation 4, the Government should await the outcome of the Henry Tax Review before making any amendments to the alcohol taxation system.**
- 

### **3.3 A volumetric taxation approach for all alcohol products**

DSICA will be proposing to the Henry tax review that “alcohol is alcohol” and as such all alcohol products should be taxed on a similar basis.

Three out of four categories of alcohol product are taxed on a volumetric basis (beer, spirits and RTDs) – meaning that the amount of tax they pay increases with the volume of alcohol in the product.

Wine, grape wine products and cider are taxed under the WET, which is an ad valorem tax. This means that as the value of these products increases, the amount of tax increases. As such, the amount of tax paid by a wine product bears no relation to its alcohol content. This system benefits the less expensive cask wine which may have an alcohol content higher or lower than other forms of wine in bottles. It also discriminates in favour of wine-based RTD style products and cider, which compete with RTDs.

DSICA recommends that Australia implement a uniform volumetric approach to taxing all alcohol products. This approach is based on the rationale that “alcohol is alcohol” and would help to achieve minimum distortions and positive policy outcomes without discrimination between products.

Taxing wine on a volumetric basis would ensure uniform taxation across all products. Additionally, a volumetric tax on wine, grape wine products and cider would provide an incentive to produce and consume lower alcohol wine products as opposed to the current system that encourages the production/consumption of cheap products irrespective of alcohol content.

#### **Wide support for a volumetric wine tax**

Many peak health groups have recommended a volumetric approach for wine taxation. Groups who in the past have called for such an approach include:

- the Alcohol and Other Drugs Council of Australia;
- the Alcohol Education and Rehabilitation Foundation;
- the National Drug and Alcohol Research Centre;
- the National Drug Research Institute; and
- the Australian Medical Association.

The chair of the Government’s new Preventative Health Task Force, Dr Rob Moodie, has also indicated that the Task Force will be examining a uniform volumetric alcohol tax.

**Recommendation:**

5. A volumetric system of taxation should be applied to all alcohol products in the long-term to ensure that Government social and health policy objectives are achieved in harmony with the Government’s revenue raising requirements.

**3.4 Alcohol tax revenue collections reported by Government**

Taxes on alcohol contribute significantly to Federal Government revenues.

Preliminary DSICA estimates show that alcohol products will raise more than \$5 billion in revenue in 2008-09 (excluding GST revenue collections). This includes the tax attributable to the tax increase on RTDs effective from 27 April 2008. These preliminary estimates will be revised once more up-to-date market data become available.

Unfortunately, lack of detailed Government data for customs duty and GST means that we are not able to compile an official total Government revenue figure across all beverages. *Graphic 6* below reports the detail of Government revenue across beverages which is publicly available.

The Federal Government provides official figures in relation to excise duty and WET collections in the following two publications:

- Budget Strategy and Outlook, Budget Paper No 1 2008-09 (Australian Government 2008);
- Taxation Statistics 2005-06 (which also includes data for the 2006-07 year) (ATO 2008).

**Revenue collections (and forecasts) for 2006-07 to 2008-09**

*Graphic 6* below summarises Government revenue collections from alcohol for the 2006-07 year and revenue estimates for 2007-08 and 2008-09. Note that the table does not represent total revenue collected from all alcohol as it excludes customs duties (including the excise equivalent of excise duties) on any alcohol product, as these are not separately reported in Budget Paper No 1.

*Graphic 6: Federal Budget tax revenue estimates (excluding customs duty): alcohol products*

FEDERAL BUDGET TAX REVENUE ESTIMATES (EXCLUDING CUSTOMS DUTY): ALCOHOL PRODUCTS (\$ MILLION)			
Product	2006-07	2007-08	2008-09
Beer – Excise duty	1,826	1,880	1,910
Spirits – Excise duty	208	200	190
RTDs – Excise duty	665	850	1,430
Wine – WET	651	670	680
<b>Total</b>	<b>3,350</b>	<b>3,600</b>	<b>4,210</b>

Copyright DSICA 2008

Source: Australian Government 2008

As observed from the Graphic, 2008-09 is the first full financial year that the increased tax on RTDs is in effect. In this 2008-09 financial year, the Budget Papers indicate that the Government will collect an additional \$640 million, a massive increase over the previous forward estimate for before the tax change.

DSICA disputes the Treasury estimates for spirits and RTD revenue in 2008-09 and beyond. See further discussion in Section 6.

### 3.5 Inequities in tax collections between products

The tax change to RTDs effective from 27 April 2008 has had the effect of exacerbating the inequity faced by the spirits sector in terms of the sector's share of the market compared to its contribution to alcohol tax revenue. *Graphic 2* highlights the this fact.

DSICA and its members do not accept a situation whereby the spirits sector (spirits and RTDs) can comprise only 22% of the market (in litres of alcohol), while being asked to pay close to half of total taxation revenue attributable to all alcohol products. The tax per standard drink graphic outlined earlier in this section tells a similar story.

This discrimination is further heightened when the best available survey evidence demonstrates that the policy reason given by the Government for increasing the tax on RTDs has no substance or foundation. As we will demonstrate in Sections 4 and 5 of this submission, there is no reliable evidence to suggest that the growing popularity of RTDs has led to an increasing level of risky/high risk drinking by young people. To the contrary, in general terms and on most measures, harmful alcohol consumption patterns of young people are not changing.

### 3.6 Lack of incentive to produce low and mid-strength RTDs

#### National Alcohol Strategy 2006-2009

DSICA supports the National Alcohol Strategy's observation regarding the lack of taxation equivalence between low and mid-strength RTDs and similar strength beer products. This is a matter that has also been highlighted by the National Preventative Health Task Force and many health groups.

In relation to alcohol beverages below 10% abv, DSICA believes that the current system of alcohol taxation needs to be fundamentally addressed as the system:

- fails to provide adequate incentives to encourage the production of low and mid-strength alcohol products; and
- fails to provide adequate incentives for drinkers to choose those alcohol products that are least associated with harm.

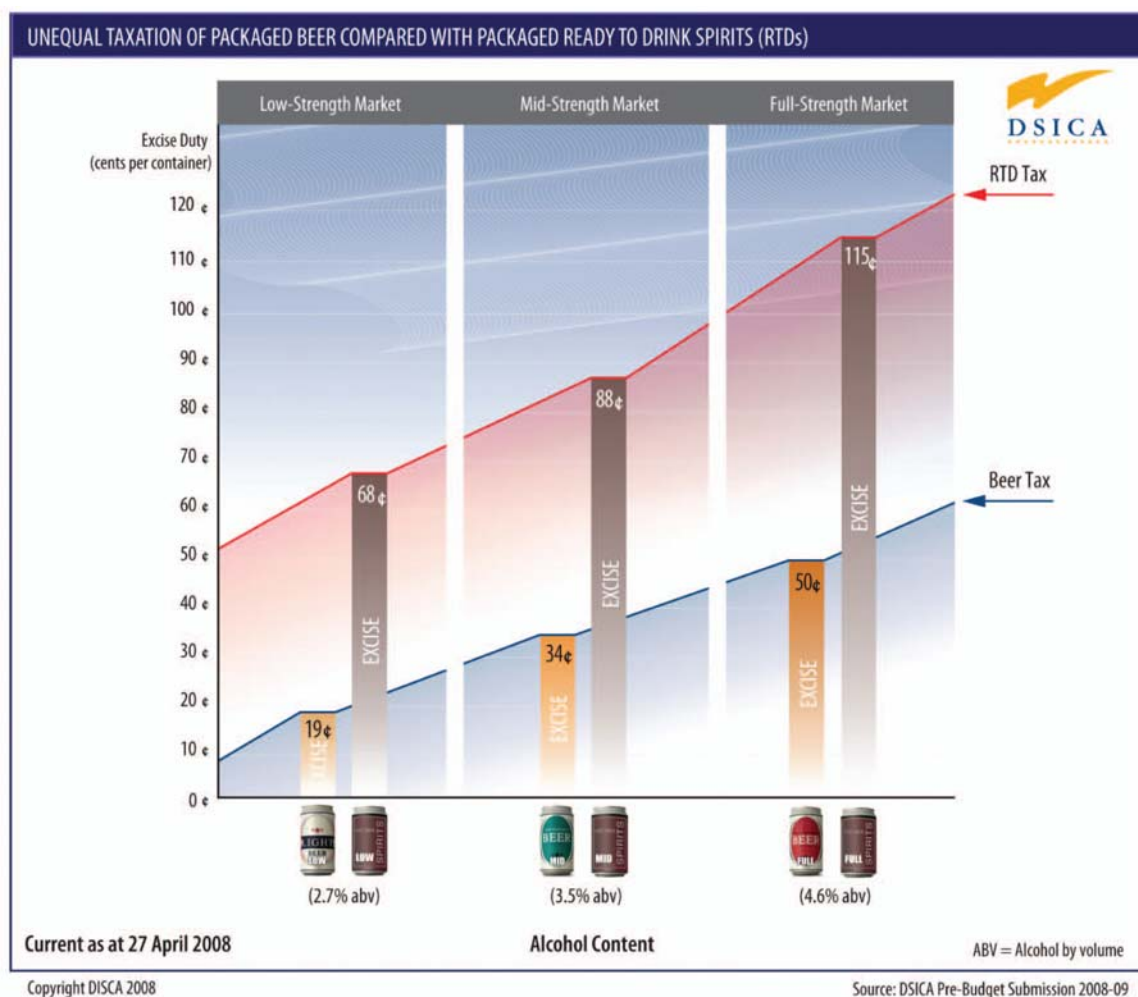
The RTD tax change of 27 April 2008 now provides much less incentive to produce low-strength and mid-strength RTDs as there is in the case of packaged beer (where a lower effective taxation rate applies). A change along these lines would be a significant contribution to a wider package of strategies to reduce the levels of harmful alcohol consumption in the community.

#### Unequal taxation of low and mid-strength RTDs

The following graphic below demonstrates the amount of excise duty payable on a single can of RTDs and a beer product at various alcohol strengths.



Graphic 7: Unequal taxation of packaged beer compared with packaged RTDs



This graphic illustrates the observation in the Strategy. That is, it can be seen that the amount of excise duty payable on a **mid-strength** can of RTDs (88 cents) is greater than the amount of excise duty payable on a **full-strength** can of beer (50 cents).

This flaw is also a result of the fact that low alcohol and mid-strength RTDs do not receive the benefit of the 1.15% abv excise-free threshold granted to packaged beer of similar alcohol strength.

### Low-strength and mid-strength packaged RTDs

DSICA believes that priority should be given to ensuring taxation equivalence between RTDs and packaged beer at low-strength (up to 3.0% abv) and mid-strength (above 3.0% abv to 3.5% abv) levels. The reduced costs associated with the fall in excise will increase the affordability of low and mid-strength RTDs and thereby encourage the consumption of lower strength alcohol beverages.

Low and mid-strength equivalence for packaged RTDs can be achieved by:

- providing a 1.15% abv excise-free threshold to these RTD products as applies to beer; and
- ensuring that the nominal excise duty rate for these RTDs is set at the same rate as the nominal excise duty rate applying to packaged beer of similar alcohol content.

### Support from health advocacy groups

Taxation equivalence at the low and mid-strength beer and RTDs levels is strongly supported in the Strategy and by health advocacy groups. Moreover, they recognise the inconsistencies in Australia's alcohol taxation regime and that re-structuring the tax system to encourage consumption of low and mid-strength RTDs can potentially reduce alcohol-related harm in our communities.

The various health groups that support taxation equivalence at the low and mid-strength content level include:

- Alcohol and Other Drugs Council of Australia (ADCA);
- Australian Medical Association;
- Australian National Council on Drugs;
- National Drug Research Institute;
- Odyssey House Victoria;
- Royal Australasian College of Physicians (RACP) and Royal Australian and New Zealand College of Psychiatrists (RANZCP);
- Turning Point; and
- Victorian Alcohol and Drug Association.

### Senate Economics Legislation Committee Inquiry, 2006

In mid-2006, DSICA lodged a formal submission and presented before the Senate Economics Legislation Committee in its review of the *Customs Amendment (Fuel Tax Reform and Other Measures) Bill 2006 and three related bills*. The Committee recognised the tax inequalities in the current tax system and the potentially adverse impacts to health. Accordingly, it recommended the need for taxation equivalence and in its final report recommended as follows:

The Government apply the same tax and excise treatment to low and mid-strength ready-to-drink (RTD) alcohol products as is applied to similar strength beer products (Senate Economics Legislation Committee, p 10).

### Recommendations:

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- 4. The Government should provide immediate taxation equivalence for packaged RTDs and packaged beer at low-strength (up to 3.0% abv) and mid-strength (above 3.0% abv to 3.5% abv) levels (as recommended by the Senate Economics Legislation Committee in 2006).**
-

## 4 Alcohol consumption patterns in Australia

*Section outline: In this section, DSICA identifies and summarises the best available survey evidence regarding alcohol consumption patterns in Australia.*

*This section addresses paragraphs (b) and (c) of the Committee's terms of reference.*

### Key facts

- There has been virtually no change in the pattern of risky (and high risk) drinking over the period 2001-2007 (AIHW 2008b).
- The National Drug Strategy Household Survey (NDSHS) is the pre-eminent national survey of alcohol consumption patterns in Australia.
- The NDSHS 2004 Detailed Findings concluded that regular strength beer and bottled spirits and liqueurs and bottled wine are the beverages of most concern in relation to risky and high risk drinking across all age groups sampled. **RTDs did not feature as a beverage of concern in relation to risky and high risk drinking.**
- The NDSHS 2007 Detailed Findings and unit record files have not yet been released. Their public release is urgently required to fully inform the debate on alcohol tax policy.

### 4.1 Introduction

The National Alcohol Strategy's aim in *Priority Area 1* is to reduce the levels of harmful drinking in the Australian community. DSICA strongly supports this aim.

Policy development aimed at addressing this priority area must be based on the best available evidence.

A key area of evidence to analyse is the alcohol consumption patterns and trends in the Australian population. We devote this section of the submission to identifying the best available survey evidence on this subject and highlighting some key insights and conclusions from the range of evidence identified.

### 4.2 AIHW Submission to Senate Community Affairs Committee Inquiry into RTDs

DSICA is aware that the AIHW has lodged a submission to this inquiry and that this document is now publicly available on the Committee's website.

This submission contains critical data and information which must be used to inform the debate about the appropriateness of the Government's decision to increase the tax on RTDs.

DSICA wishes to emphasise the content of the AIHW submission from pages 4 to 8. DSICA submits that the information provided here provides a compelling case that there is no evidence to suggest that RTDs have caused an increase in risky/high risk alcohol consumption.

DSICA commends the contents of this submission and urges the Committee to take full heed of this well considered and researched submission in framing its recommendations and conclusions.

Importantly, the submission provides information that there is **no clear evidence that risky (and high risk) patterns of drinking have changed during 2001 to 2007**. Furthermore, it concludes that the **increased availability of RTDs does not appear to have directly contributed to an increase in risky (and high risk) alcohol consumption** (AIHW 2008b, p1).

DSICA concludes that based on the weight of evidence provided by the AIHW, in addition to the evidence and conclusions reached in this submission, that there is a strong case to reverse the Government's RTD tax increase.

### 4.3 Professor Ian McAllister analysis of consumption data

There is a significant amount of survey and other evidence available regarding consumption patterns.

To identify and evaluate the most reliable survey evidence on alcohol consumption in Australia, DSICA engaged Professor Ian McAllister of the Australian National University Research School of Social Sciences.

Professor McAllister found that the quality and reliability of occasional surveys on underage drinking have varied considerably. Many of the occasional surveys which are regularly cited in the media are not reliable, because of a range of factors, including:

- biased (or inadequate) sample size;
- biased (or unacceptable) survey methodology;
- use of misleading, ambiguous or undefined terms (such as 'binge drinking');
- use of reporting methods that substantially inflate the incidence of alcohol use amongst young people.

#### The "Gold-Silver-Bronze" standards of alcohol consumption surveys

In terms of major national surveys regarding patterns of alcohol consumption by young people, Professor McAllister identified the following as the most robust and reliable:

- the National Drug Strategy Household Survey (referred to as NDSHS);
- the Australian Secondary School Students Alcohol and Drug Use Survey (referred to as ASSSAD or ASSA); and
- alcohol consumption patterns amongst Australian 15-17 year olds (conducted under the Department of Health and Ageing's National Alcohol Campaign) (referred to as the NAC surveys).

In discussing these surveys, DSICA has characterised these surveys in terms of a "gold", "silver" and "bronze" rating – in accordance with Professor McAllister's conclusions.

**The Gold Standard:** Professor McAllister confirmed that the NDSHS is the most reliable national survey of alcohol consumption patterns.

DSICA refers to the NDSHS as the Gold Standard. It uses a large sample size (over 23,000 in 2007), a common set of questions and a cross-time component enabling the examination of attitudes and behaviours over time.

**The Silver Standard:** Professor McAllister considers that the ASSSAD survey conducted by The Cancer Council Victoria for DHA is the second most influential national survey regarding patterns of alcohol consumption by young people. The 2005 ASSSAD survey sampled over 21,000 12-17 year olds. DSICA refers to the ASSSAD survey as the Silver Standard.

**Bronze standard:** The bronze standard is the National Alcohol Campaign (NAC) surveys conducted under the auspices of DHA. The quantitative phase involved four national surveys between 2000 and 2004 each involving 800 adolescents (15-17 year olds).

A copy of Professor McAllister's report *Alcohol Consumption among Adolescents and Young Adults* (20 August 2003) can be found at [www.dsica.com.au](http://www.dsica.com.au).

#### 4.4 The Gold Standard - National Drug Strategy Household Survey series

The AIHW conducts the NDS Household Surveys on behalf of DHA.

The NDSHS are the leading surveys of licit and illicit drug use in Australia (AIHW 2008a, p1). Over 23,000 Australians aged 12 years or older participated in the 2007 survey. The survey was approved by the AIHW Ethics Committee and conducted under AIHW legislation – providing a high level of integrity and reliability as well as protection to personal information collected.

There have been nine Household Surveys conducted under the auspices of the NDS. Surveys have been conducted in 1985, 1988, 1991, 1993, 1995, 1998, 2001, 2004 and 2007. These are extremely important surveys and DSICA believes that they should be conducted more frequently than every three years. This is because there is a significant time delay in the release of the detailed findings. The industry would ideally prefer to have more timely data from this research.

The AIHW released the First Results of the 2007 NDS Household Survey in April 2008 (AIHW 2008a) and AIHW indicates that Detailed Findings will be released later this year. The AIHW submission to this Inquiry provides valuable new evidence on the patterns of alcohol consumption in Australia not published in the First Results. DSICA urges the Government to release the Detailed Findings as soon as possible so that public discussion and debate regarding alcohol consumption trends and policy development can be informed with the most recent data.

The AIHW used the risk guidelines endorsed by the NHMRC in conducting its analysis (NHMRC 2001, p5).

Professor McAllister has analysed the unit record files of the 1998, 2001 and the 2004 NDS Household Surveys.

Professor McAllister expressed concern that while the results for the 2001 and 2004 NDS Household Surveys are based on a sufficiently large number of respondents to allow reliable analysis, in some categories of risk, the 1998 survey results were not.

DSICA is currently awaiting access to the unit record files for the 2007 Survey. It is only when these files are available, together with the NDSHS 2007 Detailed Findings, that a fully informed debate regarding alcohol consumption trends and alcohol policy can be had. DSICA urges the Government and AIHW to release the unit record files for the 2007 Survey as soon as possible.

#### 4.5 The Silver Standard: Australian secondary school students' alcohol and drug survey

There have been eight surveys in the ASSSAD series. Surveys have been conducted in 1984, 1987, 1990, 1993, 1996, 1999, 2002 and 2005.

The ASSSAD surveys are designed to provide estimates of the current prevalence of alcohol use among Australian secondary school students and to examine trends in the prevalence of alcohol consumption amongst this group (White & Hayman 2006, p3).

The 2005 ASSSAD survey canvassed 21,805 male and female students aged 12-17 years old in 376 schools across every state and territory in Australia.

From the 2005 ASSSAD survey, The Cancer Council Victoria has prepared for DHA a report entitled *Australian secondary school students' use of alcohol in 2005* (White & Hayman 2006).

Professor McAllister notes that the ASSSAD unit record files are not publicly available. This severely limits the amount of secondary analysis (and replication analysis) which can be conducted in relation to these surveys.

## 4.6 The Bronze Standard: National Alcohol Campaign (NAC) surveys

Five tracking studies for the National Alcohol Campaign were conducted between February 2000 and February 2004. The studies were designed and managed by DHA's research and marketing group and employed external research consultants to conduct the surveys.

DHA released its latest report on alcohol consumption patterns among Australian 15-17 year olds in March 2005 (King et al 2005).

The series of national surveys were administered using a consistent methodology and data is comparable across surveys. Surveys are conducted at similar times each year to control for any seasonal differences.

All surveys consisted of face to face interviews with at least 800 teenagers with an equal representation of gender and age and a proportional representation of 15 to 17 year olds across states and territories.

An interesting point to note regarding this survey series is that the first survey was conducted in February 2000 – before the tax changes applying to alcohol as a result of the major tax reforms accompanying the introduction of the GST in July 2000. The report demonstrates the negligible impact of the alcohol tax changes under the New Tax System, which commenced on 1 July 2000.

Importantly, this key report shows that the average levels of alcohol consumption by 15-17 year olds are declining (or at worst, remaining steady) amongst both low risk and risky/high risk drinkers.

In reviewing this and other studies, DSICA observes that the way in which some reports express percentages of drinkers at risk can result in a significant over-estimate of the proportion of the total age group (for example, see King et al 2005, Figure 22 at p40). DSICA believes that when evaluating alcohol consumption patterns it is preferable to refer to proportions of the entire age group in question, rather than refer to proportions of the group who are 'current drinkers'.

### Results on type of alcohol consumed

Section 3.2.2 of the 2005 NAC report provides information on the type of alcohol beverage consumed by survey participants on their last drinking occasion.

Some public comments have been made using these statistics, particularly for female drinkers, to demonstrate that RTDs are causing risky/high risk drinking (see Figure 19, King et al 2005, p37).

These comments are correct in saying that the percentage of 15-17 year old females who consumed RTDs as a sub-category of spirits has increased from 14% to 62% over 2000 to 2004. However, what the comments fail to recognise is that the NAC Report shows that the proportion of this group drinking at risky/high risk levels has remained static.

In particular, DSICA notes the following favourable observations from the 2005 survey report regarding female drinkers:

- the proportion of 15 – 17 year old females who are drinkers has **declined**;
- there has been **no significant increase** in the proportion of female drinkers who are drinking at risky/high risk levels;
- the average amount of alcohol consumed by drinkers drinking at risky/high risk levels is **stable**; and
- there has been **no increase** in the average consumption of RTDs amongst 15-17 year old females drinking at risky/high risk levels.

For a more graphical representation of these results, please refer to the detailed presentation at *Appendix 2*.

#### 4.7 Analysis reveals that certain age groups are more prone to high risk drinking

In view of the significant number of survey findings regarding patterns of alcohol consumption, DSICA has engaged Professor Ian McAllister from the Australian National University (ANU) since 2003 to identify and evaluate the most reliable survey evidence on alcohol consumption in Australia. Professor McAllister has also analysed patterns of risk in alcohol consumption across the Australian population.

#### Defining “risk” in relation to alcohol consumption

##### *Low risk, risky and high risk levels of consumption*

DSICA strongly supports the use of the 2001 NHMRC *Australian Alcohol Guidelines* (the Guidelines) as the most appropriate method of measuring short-term and long-term risk when consuming alcohol (NHMRC 2001, pgs2-3, 19-20).

The Guidelines rely on the concept of the “Australian Standard Drink” in their development and in the establishment of risk levels (see below). The Guidelines define an “Australian Standard Drink” as containing “10g (equivalent to 12.5ml) of alcohol”. See *Graphic 8* below.

*Graphic 8: Summary of guidelines for low risk drinking*

SUMMARY OF GUIDELINES FOR LOW RISK DRINKING							
1. Alcohol consumption at levels shown below is not recommended for people who: <ul style="list-style-type: none"> <li>• have a condition made worse by drinking</li> <li>• are on medication</li> <li>• are under 18 years of age</li> <li>• are pregnant</li> <li>• are about to engage in activities involving risk or a degree of skill (eg driving, flying, water sports, skiing, operating machinery).</li> </ul>							
2. Otherwise risk levels for the following patterns of drinking are as follows*:							
	For risk of harm in the short-term:			For risk of harm in the long-term:			
	Low risk (standard drinks)	Risky (standard drinks)	High risk (standard drinks)		Low risk (standard drinks)	Risky (standard drinks)	High risk (standard drinks)
<b>MALES</b>	up to 6	7 to 10	11 or more	<b>MALES</b>			
On any one day	on any one day, no more than 3 days per week	on any one day	on any one day	On an average day	up to 4 per day	5 to 6 per day	7 or more per day
				Overall weekly level	up to 28 per week	29 to 42 per week	43 or more per week
<b>FEMALES</b>	up to 4	5 to 6	7 or more	<b>FEMALES</b>			
On any one day	on any one day, no more than 3 days per week	on any one day	on any one day	On an average day	up to 2 per day	3 to 4 per day	5 or more per day
				Overall weekly level	up to 14 per week	15 to 28 per week	29 or more per week
* Note: <ol style="list-style-type: none"> <li>1. It is assumed that the drinks are consumed at a moderate rate to minimise intoxication, eg for men no more than 2 drinks in the first hour and 1 per hour thereafter, and for women, no more than 1 drink per hour.</li> <li>2. These guidelines apply to persons of average or larger size, ie above about 60 kg for men and 50kg for women. Persons of smaller than average body size should drink within lower levels.</li> </ol>							

The Guidelines categorise drinkers into *Low Risk*, *Risky* and *High Risk* categories.

Each of these levels of risk is defined as follows:

- *Low risk:* this is a level of drinking at which there is only a minimal risk of harm, and for some, the likelihood of health benefits;
- *Risky:* this is a level of drinking at which risk of harm is significantly increased beyond any possible benefits;
- *High risk:* this is a level of drinking at which there is substantial risk of serious harm and above which risk continues to increase rapidly (NHMRC 2001, p4).

DSICA believes that the highest priority should be given to reducing the levels of high risk drinking amongst vulnerable groups in our communities.

### *Short term and long term risk*

The Guidelines identify two levels of risk from alcohol use – short term risk and long term risk.

**Short term risk** is defined by the Guidelines as the risk of harm in the short term that is associated with given levels of drinking on a single day (NHRMC 2001, p4)

**Long term risk** is defined by the Guidelines as the level of long terms risk associated with regular daily patterns of drinking, defined by the total amount of alcohol typically consumed per week (NHRMC 2001, p4).

### **Identifying those groups at high risk across the lifecycle**

Analysis by Professor McAllister conducted for DSICA in 2004 indicated the following:

**Long term risk:** The proportion of individuals in both the risky and high risk categories peaks among those aged 18-24 when around 10% of the population are in the risky category and an additional 10% are also in the high risk category (McAllister 2004 unpublished, p10).

**Short term risk:** The proportion of individuals in the high risk category peaks among those aged 18 – 24. The proportion of individuals in the risky category peaks among those in the 50 – 59 age category (McAllister 2004 unpublished, p10).

## **4.8 Latest Australian alcohol consumption results – 2007 NDSHS First Results**

In this section, we focus on the latest survey evidence provided by the Gold Standard – the 2007 NDSHS First Results (AIHW 2008a).

It is interesting to note the overriding comment made by AIHW in relation to its survey evidence on alcohol consumption, namely:

*“Between 1991 and 2007, for Australians aged 14 years or older, alcohol consumption patterns remained largely unchanged.” (AIHW 2008a, p18).*

This re-enforces DSICA’s view that there has not been a dramatic change in overall alcohol consumption trends in the last 10 to 15 years that would justify the term ‘binge drinking epidemic’.

We again note that we are awaiting release by AIHW of the NDSHS Detailed Findings and the unit record files of the 2007 NDSHS. We urge the Government to release these results as soon as possible to fully inform the alcohol policy debate.



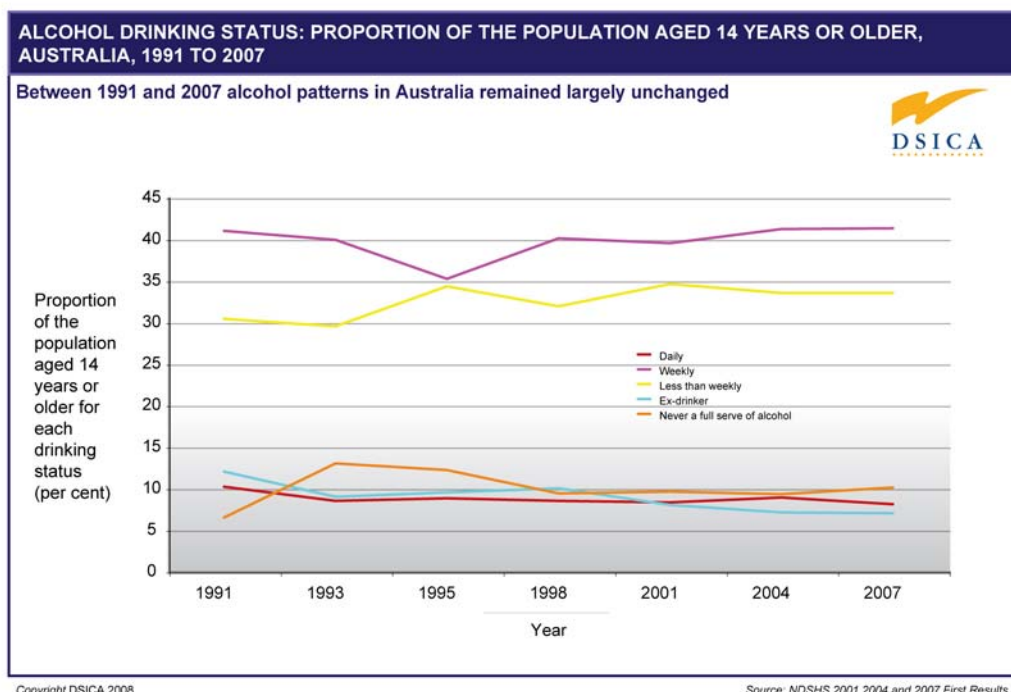
### Alcohol drinking status

Table 3.7 of the NDSHS First Results reports on the drinking status of Australians aged 14 years and older.

**Key conclusions reached include:**

- the proportion of Australians (14 years and older) that has **never** had a full serve of alcohol has **generally increased** since 1998 with a significant increase between 2004 and 2007;
- the proportion of the **population** drinking **daily** has remained between 8% and 9% since 1993, **declining significantly** between 2004 and 2007;
- the proportion of the **population** drinking **weekly**, while fluctuating, has remained **relatively stable** at around 41%; and
- the proportion of the population drinking less than weekly has increased from 30% to 33.5% from 1991 to 2007.

*Graphic 9: Alcohol drinking status: proportion of the population aged 14 years or older, Australia, 1991 to 2007*



### Alcohol use by sex

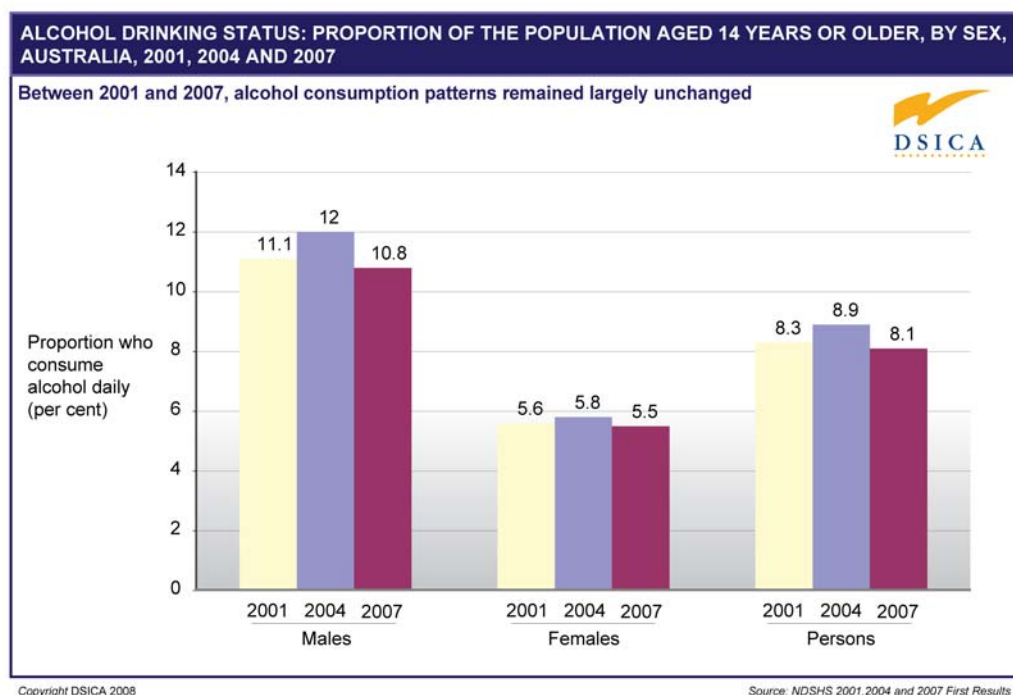
Table 3.8 of the NDSHS First Results reports on the alcohol use by drinking status of Australians aged 14 years and older.

**Key conclusions reached include:**

- in 2007, males were almost twice as likely as females to drink daily;
- the proportion of the males, females and total persons drinking **daily** all **declined** between 2004 and 2007 (see graphic below);

- there has been **no statistically significant change** in the proportion of males, females and total persons **drinking weekly or less than weekly** between 2004 and 2007; and
- the proportion of Australians abstaining from alcohol (never a full serve of alcohol) increased significantly between 2004 and 2007, with a greater change seen among males than females.

Graphic 10: Alcohol drinking status: proportion of the population aged 14 years or older, by sex, Australia, 2001, 2004 and 2007



### Alcohol use by age

Table 3.9 of the NDSHS First Results reports on the alcohol use by age and sex.

#### Key conclusions reached include:

- the proportion of daily drinkers increased with age, the peak for daily drinkers being for those aged 60 or older, and the peak for less than weekly being for 14 to 19 year olds.
- in 2007, a greater proportion of males than females drank daily for all age groups. The proportion of males was twice or more than that for females for all aged groups except 20 to 29 year olds.

Key conclusions in terms of significant changes between 2004 and 2007 (> 10%) include:

#### Daily drinking

- an increase in the proportion of **14 to 19 year old males and females drinking daily**. This relates to all 14 to 19 year olds, not just the proportion of the age group drinking at risk of harm;
- a 38% decrease in 20 to 29 year old males and a 30% decrease in 30 to 39 year old males drinking daily;

- a 30% increase in daily drinking by 20 to 29 year old females; and
- an 11% decrease in daily drinking by 40 to 49 year old females.

#### *Weekly Drinking*

- a 14% decrease in 14 to 19 year old males and a 15% decrease in 14 to 19 year old females drinking weekly.

#### *Less than weekly drinking*

- a 10% decrease in 14 to 19 year old males drinking less than weekly.

#### *Abstainers*

- there have been dramatic increases in males aged 20 to 29, 30 to 39 and 40 to 49 reporting never having a full serve of alcohol; and
- increases in females 20 to 29 and 40 to 49 reporting never to having had a full serve of alcohol.

## 4.9 Beverages preferred by drinkers who are drinking at risky and high risk levels

### National Drug Strategy Household Survey 2007

In the context of the current inquiry, examining the type of beverages consumed by those drinking at risky or high risk levels is very instructive. The NDSHS reports on this in its Detailed Findings. The NDSHS 2004 is the latest year for which Detailed Findings are on the public record. The Government should release as soon as possible the Detailed Findings for the 2007 NDSHS.

The NDSHS asks survey participants who consumed alcohol in the last 12 months what type of alcohol beverage they usually consumed. Note however that respondents could select more than one response.

Table 5.4 of the NDSHS Detailed Findings 2004 reports on the type of alcohol consumed by those consuming at low risk and risky and high risk levels.

#### **Key conclusions reached include:**

- for **males in all age groups** consuming alcohol at risky or high risk levels (for long term risk status), the beverage of choice was **regular strength beer**;
- for **females** consuming alcohol at risky or high risk levels (for long term risk status), the beverage of choice was **bottled spirits and liqueurs** for 14 to 19 year olds and 20 to 29 year olds and **bottled wine** for 30 to 39 year olds and those 40 +; and
- **in terms of the current inquiry, it is very instructive to note that RTDs did not feature as the beverage of choice for any age/sex category consuming alcohol at risky or high risk levels.**

Accordingly, DSICA questions again why there is so much of a focus on RTDs when there is clear evidence that there are other beverages that are the beverages of choice by risky and high risk drinkers.

### Other surveys

DSICA does acknowledge that other surveys, including the ASSSAD and NAC surveys, report that RTDs are being consumed by risky and high risk drinkers.

However, it is very important to note that there are a number of survey flaws with the ASSAD and NAC surveys in relation to surveying of beverage preference of risky/high risk drinkers that undermine the integrity of these results in relation to beverage preference. In the context of underage drinking, this will be examined in the next section.

## 5 Alcohol consumption patterns amongst young people

*Section outline: In this section, the consumption patterns of young people are considered as part of the examination of consumption patterns of RTDs and all alcohol beverages.*

*This section addresses paragraphs (b) and (c) of the Inquiry's terms of reference.*

### Key facts

- 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.
- DSICA has developed a series of Indicators, based on the best available national survey evidence which have been reviewed by a prominent academic, which measure key facts and trends regarding alcohol consumption amongst young people.
- The Indicators show that, contrary to common perceptions, harmful consumption trends amongst young people are not increasing.
- The 2007 National Drug Strategy Household Survey (NDSHS) has reported that there has been a reduction in the proportion of 14-19 year old drinkers drinking at levels of short or long-term harm.
- Despite the growth in RTD consumption since 2000 (and before the recent tax change), the most reliable evidence shows that this growth has not been associated with increased levels of harmful alcohol consumption amongst young people.

### 5.1 The incidence of intoxication amongst young people

The perception exists that an increased level of underage drinking is product-driven. However, this belief is not supported by reliable evidence.

While the dimensions and causes of underage drinking require further examination, the industry has shown it is capable of ensuring its products are manufactured and developed responsibly and in line with community expectations. For example, four RTD manufacturers recently announced that they were withdrawing products with energy ingredients or high abvs (Diageo 2008, Fosters 2008, Lion-Nathan 2008 and Pernod Ricard).

### 5.2 AIHW Submission to Senate Community Affairs Committee Inquiry into RTDs

DSICA is aware that the AIHW has lodged a submission to this inquiry and that this document is now publicly available on the Committee's website.

DSICA has reviewed the AIHW's submission and considered its content in relation to alcohol consumption trends amongst young people. In broad terms, the conclusions of the AIHW submission are in line with DSICA's Indicators – that there has been no change in harmful alcohol consumption patterns amongst young people between 2001 and 2007.

Key conclusions from the AIHW submission in relation to young people are as follows:

- during 2001 to 2007, the dominant alcohol beverages for young males (18-29) is regular strength beer followed by RTDs;

- there is no clear trend in preference for RTDs among young males (under 18) in the period 2001 to 2007 (AIHW 2008b, p4);
- for young females, there is roughly an equal preference for RTDs and bottled spirits as their alcohol beverage of choice; and
- there is no clear trend in preference for RTDs among young women under 18 in the period 2001 to 2007 (AIHW 2008b, p5).

The analysis of this age group, combined with the general assessments gleaned from the 2007 NDSHS, led AIHW to conclude 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 any increase in risky (and high risk) alcohol consumption** (emphasis added) (AIHW 2008b, p1).

As we stated earlier in the submission, DSICA firmly believes that based on the weight of evidence provided by the AIHW, there is a strong case to reverse the Government's RTD tax increase.

### 5.3 DSICA's Indicators of alcohol consumption amongst young people

In its 2005-06 Pre-budget Submission (PBS 05-06), DSICA introduced a new reference tool – *Indicators of Alcohol Consumption Amongst Young People* (the Indicators). This tool consists of six key indicators in relation to consumption patterns amongst young people and seeks to identify:

- a “**snapshot fact**” in relation to the Indicator (that is, a measure at a particular point in time); and
- a “**trend**” regarding the Indicator over a timeframe.

Data for the Indicators is drawn from the best available survey evidence as identified by Professor Ian McAllister.

*Graphic 11* below provides an update of the Indicators following release of the DHA Research Report, *Australian secondary school students' use of alcohol in 2005* (White & Hayman 2006).

A detailed explanation of the current state and trends of each of the Indicators is provided in a comprehensive DSICA publication: *Indicators of Alcohol Consumption Amongst Young People* (see DSICA 2006). This publication includes a detailed explanation of each of the 6 Indicators.

DSICA, with assistance from Professor McAllister, has recently updated the Indicators to its Fourth Release, and the summary Indicators Table is set out on the following page.

The items measured by the Indicators remain unchanged since the First Release and are as follows:

**Indicator 1:** *Age of initiation:* at what age is alcohol most commonly first consumed?

**Indicator 2:** *Prevalence:* what proportion of young people are current drinkers?


**Indicator 3:** *High risk drinking:* what proportion of young people engage in high risk drinking?

**Indicator 4:** *Standard drinks consumed:* what is the average number of standard drinks being consumed by high risk drinkers on each drinking occasion?

**Indicator 5:** *Alcohol-attributable deaths:* how many underage drinkers are dying from alcohol-attributable deaths?

**Indicator 6:** *Product preference:* what is the product most commonly consumed by young high risk drinkers?

Graphic 11: Indicators of alcohol consumption amongst young people

INDICATORS OF ALCOHOL CONSUMPTION AMONGST YOUNG PEOPLE				
January 2008				
Indicators	Snapshot		Trend	
	Facts	Timeframe (Source)	Facts	Timeframe (Source)
<b>Indicator 1:</b> <b>Age of initiation</b> At what age is alcohol most commonly first consumed?	<b>Males = 16.6 yrs</b> (mean age of initiation, 20 yr olds and over)  <b>Females = 17.9 yrs</b> (mean age of initiation, 20 yr olds and over)	2004 NDSHS <sup>1</sup>	<b>Trendless fluctuation</b>	1991-2004 NDSHS <sup>2</sup>
<b>Indicator 2:</b> <b>Prevalence</b> What proportion are current drinkers?	<b>Males</b> <b>30% of 12-17 yr olds</b> (are current drinkers - past week)  <b>Females</b> <b>27% of 12-17 yr olds</b> (are current drinkers - past week)	2005 ASSSA <sup>3</sup>	<b>Decrease:</b> <b>12-15 yr olds</b> ↓ <b>Slight decrease:</b> <b>16-17 yr olds</b>	1984, 1999, 2002, 2005 1999-2005, ASSSA <sup>4</sup>
<b>Indicator 3:</b> <b>High risk drinkers</b> What proportion engage in high risk drinking?	<b>Short-term (single day):</b> <b>9.4% of 14-17 yr olds</b> (are high risk drinkers) <b>19.1% of 18-24 yr olds</b> (are high risk drinkers)  <b>Long-term (regular weekly pattern)</b> <b>1.8% of 14-17 yr olds</b> (are high risk drinkers) <b>8.0% of 18-24 yr olds</b> (are high risk drinkers)	2004  2004 NDSHS <sup>5</sup>	<b>Decrease:</b> <b>14-17 yr olds</b>  <b>Increase:</b> <b>18-24 yr olds</b>  <b>Decrease:</b> <b>14-17 yr olds</b>  <b>Decrease:</b> <b>18-24 yr olds</b>	2001-2004 NDSHS <sup>6</sup>
<b>Indicator 4:</b> <b>Standard drinks consumed</b> What is the average number of standard drinks being consumed by risky and high risk drinkers on each drinking occasion?	<b>Males: Short-term (last drinking occasion):</b> <b>12.4 std drinks</b> for 15-17 yr olds (average consumed by risky and high risk drinkers)  <b>Females: Short-term (last drinking occasion)</b> <b>9.0 std drinks</b> for 15-17 yr olds (average consumed by risky and high risk drinkers)	2004  2004 NAC <sup>7</sup>	<b>Slight decrease:</b> <b>15-17 yr old males</b>  <b>Decrease:</b> <b>5% fall for 15-17 yr old females</b> ↓	Feb 2000- Feb 2004 NAC <sup>8</sup>
<b>Indicator 5:</b> <b>Alcohol attributable deaths</b> How many are dying from alcohol attributable deaths?	<b>One 14-17 yr old dies per week</b> (from alcohol-attributable injury and disease caused by risky/high risk drinking) (501 deaths over 10 yrs 1993-2002))	2002 Other <sup>9</sup>	<b>Declined markedly:</b> <b>41% fall 14-17 yr old males</b>  <b>46% fall 14-17 yr old females</b> ↓	1993-2002 Other <sup>10</sup>
<b>Indicator 6:</b> <b>Product preference</b> What is the product most commonly consumed by high risk drinkers?	<b>Full-strength beer</b> (preferred by risky and high risk males 14-19 yrs)  <b>Spirits</b> (preferred by risky and high risk females 14-19 yrs)	2004 NDSHS <sup>11</sup>	<b>No Change</b>	2001-2004 NDSHS <sup>11</sup> 

## 2007 National Drug Strategy Household Survey

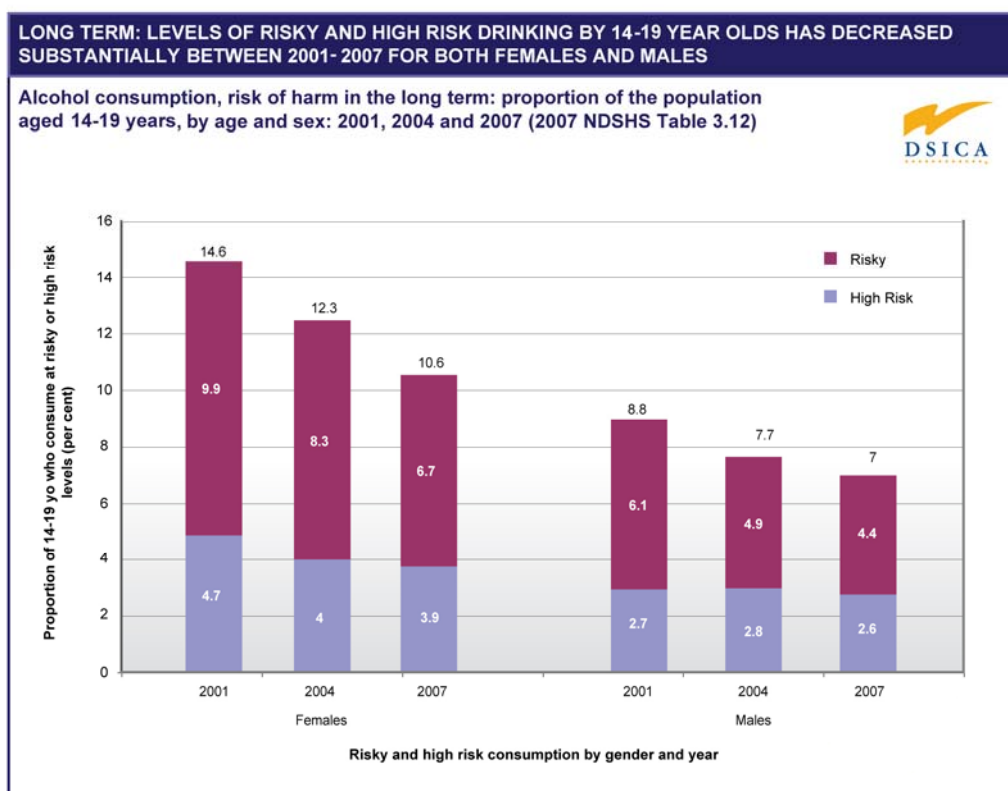
The First Results of the 2007 National Drug Strategy Household Survey (NDSHS) were released on the 27 April 2008 – the same day as the announcement of the RTD tax change.

The Government had sought to use the 2007 NDSHS to show increased at risk alcohol consumption by young people, particularly amongst young women. However, closer examination of the results illustrate that there has been a **reduction** in the proportion of drinkers aged 14-19, both male and female, drinking at levels of short or long-term harm.

The results of the 2007 NDSHS show that:

- the proportion of males (14 - 19 years) who consume alcohol at risky and high risk levels in the long term, has **fallen** from 8.8% in 2001, to 7% in 2007, a reduction of 20%; and
- the proportion of females (14 - 19 years) who consume alcohol at risky and high risk levels in the long term, has **fallen** from 14.6% in 2001, to 10.6% in 2007, a reduction of 27%. (see *Graphic 12* below).

*Graphic 12: Long term: levels of risky and high risk drinking by 14-19 year olds have decreased substantially between 2001-2007 for both females and males*

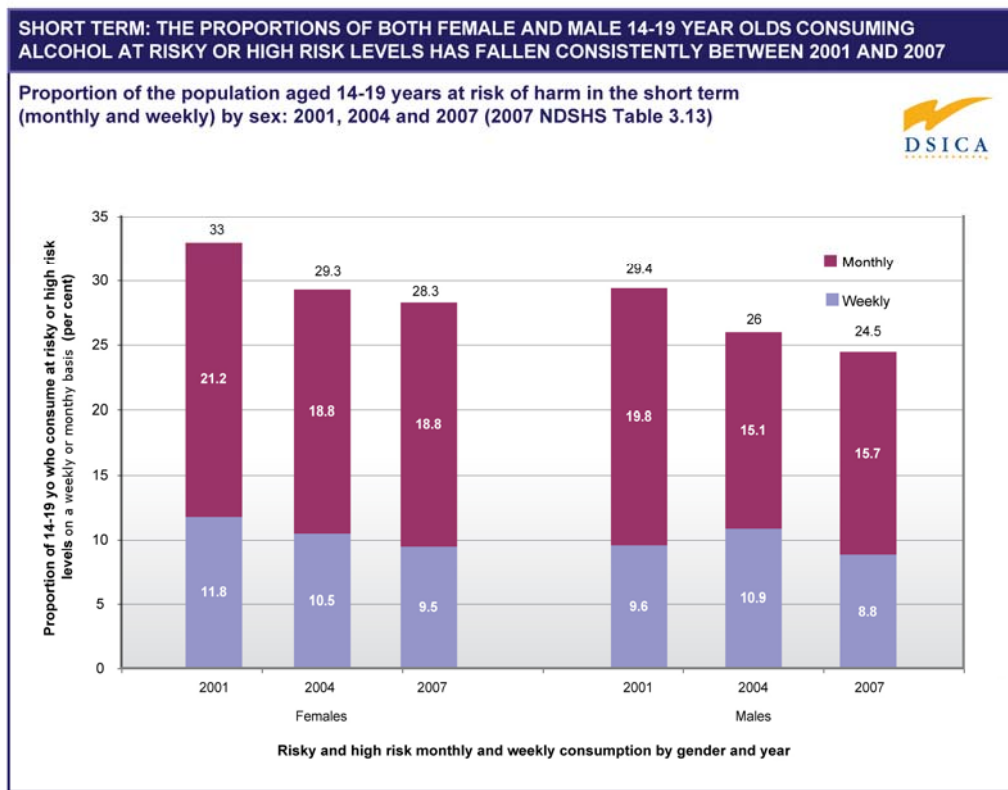


The 2007 NDSHS results also show that:

- the proportion of males (14 - 19 years) who are at risk of harm in the short term from consuming alcohol, has **fallen** from 29.4% in 2001, to 24.5% in 2007, a reduction of 17%; and
- the proportion of females (14 - 19 years) who are at risk of harm in the short term from consuming alcohol, has **fallen** from 33% in 2001 to 28.3% in 2007, a reduction of 14%. (see *Graphic 13* below).



Graphic 13: Short term: the proportion of both female and male 14-19 year olds consuming alcohol at risky or high risk levels has fallen consistently between 2001 and 2007



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2001, 2004 and 2007 National Drug Strategy Household Surveys First Results

DSICA considers that while the current rates of risky and high risk alcohol consumption by the 14-19 age group are unacceptably high, the results of the 2007 NDSHS, showing that the proportion of persons drinking at this level are declining, is a welcome trend.

Further analysis of the results of the 2007 NDSHS will be commissioned by DSICA once the Confidential Unit Record Files (CURFs) of the NDSHS are released.

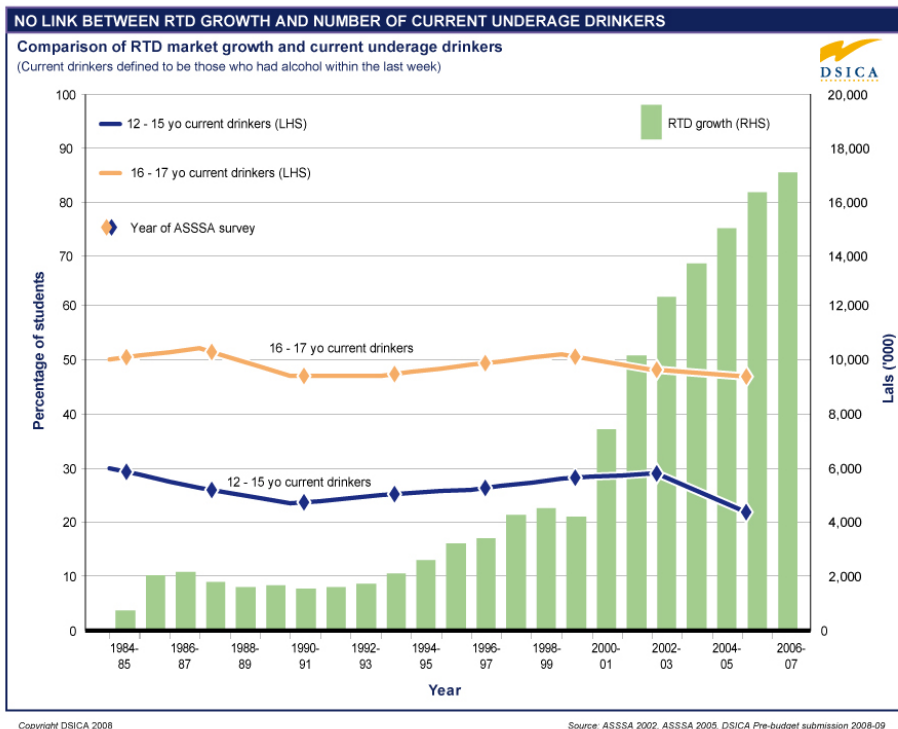
### Insights from the Indicators

It should be noted that, despite constant media attention that would lead Australians to believe otherwise, the Indicators illustrate that alcohol consumption patterns and trends amongst young people are not worsening. In fact, on most measures, the Indicators are either static or declining. This does detract from the issue that consumption of any alcohol by persons under legal drinking age is a concern

It should be noted that, despite the continued growth in RTD sales, the most reliable evidence shows that increased RTD sales have not been associated with increased levels of consumption amongst young people.

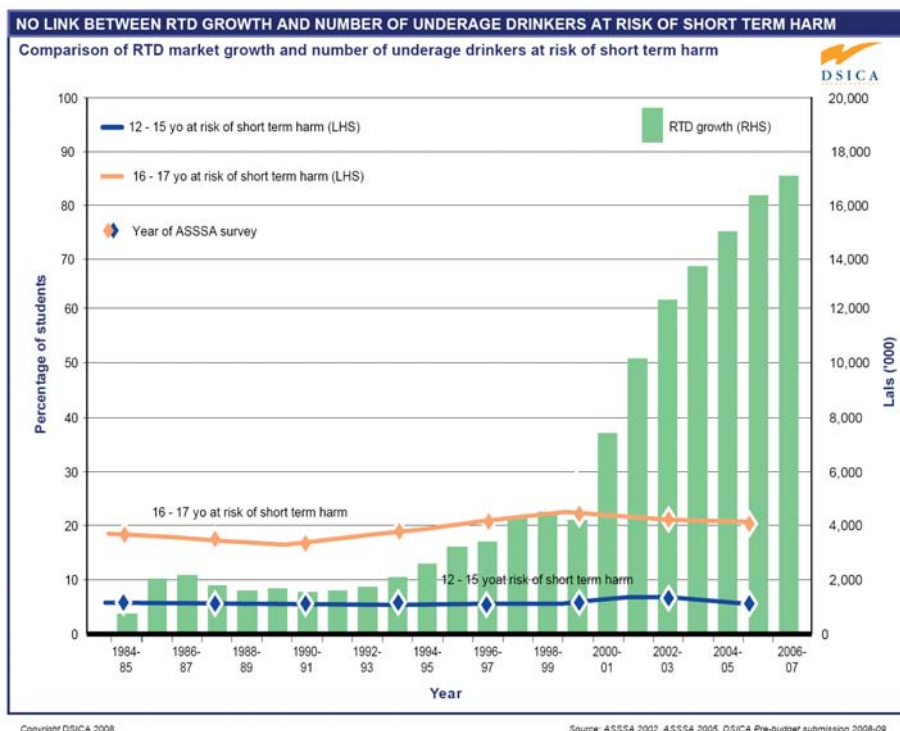
Graphic 14 below is a clear graphical representation of this. It shows that while RTD sales increased during the period 1984-85 to 2006-07 (the green bars), the number of current drinkers (12-15 and 16-17 years) is relatively static or declining (yellow and blue lines - see also Indicator 2). This constitutes reliable evidence that there is no link between RTD sales and the proportions of underage drinkers.

Graphic 14: No link between RTD growth and number of current underage drinkers



Similarly, over the same period no link can be observed between RTD sales growth and the proportions of young people drinking at risky/high risk levels. During the period 1984-85 to 2006-07, while RTD sales increased, the proportion of both the 12-15 year old and the 16-17 year old population drinking at harmful levels remained flat. See *Graphic 15* below.

Graphic 15: No link between RTD growth and number of underage drinkers at risk of short term harm



The argument made by some that the increase in RTD sales has contributed to higher levels of consumption by young people is not based on reliable evidence.

In conclusion, the best available evidence shows that alcohol consumption levels and patterns of young people are not worsening – they are either static or declining.

#### 5.4 Reducing the incidence of intoxication amongst young people

As outlined above, DSICA believes that the highest priority should be given to reducing the levels of *high risk* drinking amongst vulnerable groups in our community, including amongst young people.

In addressing the issues surrounding underage drinking, policy options must consider broad youth issues and should be backed by sound research into effective delivery of initiatives that have real impacts on reducing problematic behaviour. DSICA has some specific proactive recommendations to make in this regard (see Section 8).

The goal of reducing the incidence of intoxication amongst young people should remain a priority area that must not be influenced by sensationalism. Rather, a foundation of reliable evidence must become the basis for the implementation of a comprehensive range of harm reduction strategies.



## 6 Economic impact of tax increases on alcohol

*Section outline: In this section, we outline some basic concepts regarding the impact of taxation on alcohol consumption, in particular what occurs when taxation changes are made. We also examine recent Treasury modelling of the impact of the recent RTD tax increase and why its conclusions are flawed. We outline what shifts in taxation policy will help deliver desired health and social policy outcomes.*

*This section addresses paragraphs (g) and (h) of the Committee's terms of reference.*

### Key facts

- The economic theory of taxation suggests that if an excise is being applied to address the social costs of consumption, it must reflect the social cost consistently for all categories of products subject to the excise.
- The decision by the Government to return the excise rates for RTDs to pre-2000 levels will re-introduce the distortions that were occurring in the market prior to the RTD excise tax changes of 1 July 2000.
- Previous studies show RTDs have a higher price elasticity of demand than spirits and a significantly higher elasticity than beer or wine.
- The key assumption underlying the health policy benefits of the Government's decision to increase the rate of taxation on RTDs is invalid. This is because the Treasury estimates indicate that there will be no substitution to other products as a result of the tax change. Actual sales data since the tax change shows significant substitution into other alcohol products, notably full strength spirits.

### 6.1 Basic principles of excise taxation

The basic premise of the economics of taxation is that taxes impose an economic cost and lead to a reduction in welfare. This is because taxes change the behaviour of economic agents from what they would have done in the absence of taxation. Besides this focus on minimising distortions to economic decision making, good tax design is also concerned with keeping administration and compliance costs low, and achieving fairness.

In keeping with the focus on minimising economic distortions, as governments require revenue to fund services for the community, policy makers look to taxes that minimise economic costs and therefore the reduction in welfare.

These welfare costs may be reduced in a number of ways by choosing tax bases that minimise changes in behaviour.

In the area of consumption taxes, the welfare costs of taxation can be reduced by:

- broad-based general consumption taxes levied at a low rate, which minimise the incentives for changes in consumption patterns;
- commodity taxes which seek to reflect in the price of commodities the social cost of consuming those goods, which are not reflected in the market price; and
- the taxation of goods where demand for the good is unresponsive to changes in price; if demand is unresponsive, the welfare loss from the imposition of taxation will be less than from a good where demand is more responsive.

The first type of tax is usually implemented by way of a broad-based consumption tax such as a 'value added tax' or 'goods and services tax'.

The second and third type of tax is usually implemented by way of a specific commodity tax or excise. For this reason, excises are generally regarded as a relatively efficient tax base among the range of tax bases available to government to raise revenue.

As well as being efficient in an economic sense, excises are also considered to be efficient in an administrative sense. This arises for two reasons:

- products most readily identified with social costs of consumption and being unresponsive to demand are generally characterised by a relatively small number of producers;
- excises, typically being imposed at the point of production, rather than consumption, means the cost of tax administration is minimised to a small number of taxpayers. This is particularly the case for tobacco, petroleum products and alcohol.

While efficient characteristics of excise taxes apply in a general sense, achieving these efficiency gains requires the design of excise taxes to follow general principles of tax design. These principles included:

- if an excise is being applied to address the social costs of consumption, it must reflect that social cost across all categories of products subject to the excise. The efficiency gains from reflecting the social costs of smoking in one type of cigarette will be diminished if smokers are able to readily switch into a substitute tobacco product with equivalent social costs and which is not subject to the equivalent amount of tax.
- similarly, taxing one type of fuel on the basis that fuel as a general commodity is unresponsive to changes in price, will not be efficient if other fuel products are not taxed on an equal basis. In this case consumers will change their behaviour, leading to a welfare loss.
- excises are generally applied on a volumetric basis, according to how much of the product is consumed, as a proxy for the social cost.

## 6.2 Excise taxation and alcohol

Alcohol as a commodity has the characteristics that would suggest it could be an efficient tax base for excise taxation:

- consumption of alcohol as a commodity is generally unresponsive to changes in price – it has a low price elasticity of demand;
- there are social costs associated with the consumption of alcohol; and
- there are relatively few production points to impose excise taxation, keeping administration and compliance costs low.

As noted above, to capture these efficiency gains, alcohol should be taxed on a broad base. This will reflect the social cost of the consumption of all alcohol products and prevent substitution into untaxed or lower taxed alcohol beverages.

This appears to be part of the rationale behind the previous government's 2000 decision to broadly align the excise rate for RTDs with that of packaged beer of equivalent alcohol content. This recognised that comparable alcohol products with the same alcohol content – irrespective of the source of the alcohol – should have the same social costs and therefore an equivalent excise rate. Aligning excise rates also reduces substitution into lower taxed products and therefore reduces costly distortions in the tax system.

The previous Government's tax reform document, *'Not a New Tax, A New Tax System'*, made the following comments on the significant variations in tax rates on alcohol prior to 2000:

*‘The vastly different rates of excise duties on alcohol beverages create competitive disadvantages. This means that spirits based drinks are at a competitive disadvantage compared to wine based pre-mixed drinks.’ (p73)*

The document goes on to state that the decision to align the excise rates for packaged beer and ready-to-drink beverages would have the following effect, ‘...the tax incentives to use wine based alcohol in mixer drinks will be substantially reduced.’ (p87).

The decision by the Government in April 2008 to return the excise rates for RTDs beverages to pre-2000 levels, will therefore re-introduce the distortions identified in 2000. By doing so, the efficiency and welfare enhancing rationale for using excise taxes to tax alcohol is lost. In this circumstance, it is difficult to argue that the decision to increase the tax rate on RTDs is directed at the social costs of alcohol consumption, when this decision will clearly encourage the consumption of lower taxed products or equivalent taxed products, which could have a higher alcohol content.

### 6.3 Research on changes in alcohol taxation levels

As outlined above, one of the necessary conditions for an excise tax to be efficient for revenue collection and addressing social costs is that the demand for the excisable product be unresponsive to changes in price. That is, the product must have a low elasticity of demand.

In 2004, DSICA commissioned Econtech, one of Australia’s leading independent economic consultancies specialising in economic modelling, to model the effect on alcohol consumption of increasing the excise rate on RTDs to the full spirit rate.

In effect, the 2004 Econtech analysis models the effects of the April 2008 RTD tax decision taken by the Government.

The 2004 Econtech analysis uses own price elasticities for demand for three categories of alcohol products: beer, wine and spirits of -0.3 per cent, -0.4 per cent and -1.0 per cent respectively. The report notes that these elasticities agree closely with earlier economic studies by Econtech and other international studies on the price elasticity of demand for alcohol.

A key conclusion from the elasticity estimates in the report, taken from a number of sources, is that the elasticity for spirits is much higher than for wine or beer. The report notes this was demonstrated in Australia where consumption of spirits declined significantly following a large increase in excise in the 1978-79 budget.

The 2004 report also estimates an own price elasticity for RTDs of -1.1, slightly higher than that for spirits as a whole. The report noted that this result reflects the fact that the elasticities of substitution within categories of alcohol will be higher than the elasticities between broad categories.

On the basis of this elasticity of -1.1, the 2004 Econtech estimates show that increasing the excise rate on RTDs to the full spirits rate would result in:

- a reduction in consumption of RTDs by 1.49 million litres of alcohol;
- an increase in consumption of high strength beer by 0.79 million litres of alcohol;
- an increase in consumption of full strength spirits by 0.35 million litres of alcohol; and
- an overall increase in the total amount of alcohol consumed by 20,000 litres of alcohol.

In 2007, DSICA commissioned Econtech to model the possible reform of the taxation of RTD beverages. The model used to measure the economic impacts of different RTD taxation scenarios is based upon the model originally developed by Econtech in 2004. The results of the 2007 study is outlined in DSICA’s 2008-09 Pre Budget submission.

In its 2007 report, Econtech updated the modelling in its 2004 report and extended its analysis by including greater detail in the RTD category. In the 2004 report, RTDs were included in the model but as a sub-category to total spirits. The 2007 report splits out RTDs as its own separate category, so that the interaction between RTDs and other alcohol products (including spirits) could be freely estimated.

The 2007 report shows that when modelled as a different category to take into account direct substitution of other products, the elasticity of RTDs is higher than that estimated in the 2004 Econtech report, and significantly higher than the elasticity for all spirits as a category.

Econtech estimates that as a separate category of alcohol products, RTDs have an own price elasticity that ranges from -1.3 (assuming a high degree of substitutability with beer) to -1.5 (assuming a high degree of substitutability with spirits).

The clear implication of this analysis is that RTDs have a higher elasticity than spirits and a significantly higher elasticity than beer or wine.

## 6.4 Treasury modelling of impact of excise taxation increase on RTDs

In its 13 May 2008 press release announcing the Government's decision on RTD taxation, the Treasurer and Minister for Health said that, "*The Government is concerned at the growth in RTD consumption, particularly among young people.*"

The implication of this statement is that the Government is concerned at the consumption of alcohol by young people. RTDs are one of a range of alcohol products available for consumption in Australia. Given the substitutability of closely related alcohol products, it must be assumed that the intent of the Government's decision was to bring about an overall reduction in alcohol consumption by young people through a reduction in consumption of RTDs.

If it is the purpose of the Government's decision to reduce overall alcohol consumption, the Government must have assumed that the reduction in consumption of RTDs resulting from its tax decision would not be significantly offset by increased consumption of readily available substitutes.

Only if there is little substitution into other products can the government justify that its tax decision will result in health policy improvements and a reduction in risky/high risk drinking behaviour.

This assumption is borne out in the Government's budget documents and Treasury modelling tabled in the Parliament on 15 May 2008. It is clear from these documents that the stated health policy rationale for the government's decision was based on:

- an absolute reduction in consumption of RTDs; and
- no change in consumption of close substitutes.

This is clear from the following:

- the Government's budget papers show that excise revenue from full strength spirits, beer and wine are growing modestly or falling in real terms across the budget forward estimates;
- Treasury modelling tabled in the Parliament explicitly states that Treasury has assumed zero substitution into other alcohol products as a result of the tax change and a very low elasticity of demand for RTDs of -0.4 per cent.

It is therefore clear from the Government's own documents that any reduction in risky/high risk alcohol consumption and any improvement in health policy outcomes is based entirely on the Treasury assumption that there is no substitution into other alcohol products and an absolute reduction in the consumption of RTDs.



The invalid nature of this assumption is demonstrated by actual sales data since the tax increase was announced and previous studies of alcohol elasticities, such as the Econtech Studies outlined above. It is clear that:

- while the Treasury modelling shows a reduction in consumption of RTDs, the revenue estimates underlying the Government's decision shows that consumption of RTDs will continue to increase;
- actual sales in the two weeks since the Government's tax announcement, compared to the 8 weeks prior to the week ending 20 April 2008, shows a 21 per cent increase in the sales of bottles of 700ml full strength spirits and a 20 per cent increase in sales of hip flasks of full strength spirits (eg. 375ml bottles); and
- this data is supported by previous studies on the elasticities of demand for spirits and RTDs which show a high degree of sales responsiveness per 1% rise in price – up to -1.5 per cent for RTDs, compared to a Treasury estimate of -0.4 per cent.

The assumption underlying the health policy benefits of the Government's decision are therefore invalid as actual sales data indicates there is substitution into other products – notably higher full strength spirits – in complete contradiction to the Treasury modelling and previous economic studies.



## 7 The effectiveness of tax in combating excessive alcohol consumption

*Section Outline: In this section, DSICA examines evidence regarding the effectiveness of tax as a tool to combat harmful alcohol consumption. In doing so, DSICA addresses paragraphs (e), (f) and (g) of the Committee's terms of reference.*

### Key Facts

- There is significant international evidence that selective taxation measures applied to particular beverages are not effective in reducing overall alcohol consumption and often lead to undesirable outcomes.
- International evidence suggests that selective taxation measures applied to particular beverages will result in **substitution** into other beverages, and often lead to an increase in overall consumption. Some evidence suggests that consumers may switch to other products, such as marijuana.
- Increases in taxation on particular alcohol products while leaving other taxes unchanged can have a host of undesirable unintended consequences, such as the manufacturing of new beverages that fall outside the higher tax. This has occurred in many jurisdictions including Australia.

### 7.1 Introduction

The introduction of taxation measures is a method that has been used in a number of countries with an aim to reduce alcohol consumption.

Numerous studies have been conducted to examine the relationship between taxation measures and the impacts on consumption. Research demonstrates that the effectiveness of taxation measures on reducing overall consumption depends on the current regulation of a community.

International research suggests that the disproportionate taxation of a particular alcohol beverage simply encourages consumers to substitute their preference to an alternative alcohol product. This is supported by other research demonstrating that overall consumption levels have remained constant (or in some instances, increased) despite decreased consumption of RTDs. Moreover, members of the alcohol industry have a tendency to react to taxation measures by manipulating their products to fall outside the realm of the taxation (for instance, industry participants have manufactured RTDs in the past which are wine or beer-based in order to avoid spirit-based taxation implications).

### 7.2 Impacts of taxes

#### General Impacts

Research has shown that the benefit a community can expect to receive from limiting the availability of alcohol (for example, by raising taxes on products which raise their respective prices) depends on the existing regulatory framework (Ponicki 2007). Where the existing regulatory framework is strong, smaller impacts will be expected after implementation of policy initiatives, whereas greater impacts will be expected for communities which currently have weak regulations in force (Ponicki 2007).

A German literature review has established that the consumption of spirit-based RTDs decreased somewhat after the introduction of higher taxes on RTDs in Germany and in Switzerland, and there was a corresponding reduction in tax revenue (Metzner 2007). The review noted, however, that Austria also experienced a matching decline in RTD consumption, despite no corresponding taxation measures being introduced. Consequently, the review leads to the conclusion that, despite evidence alluding to the success of tax measures, this corresponding decline in RTD consumption in both countries indicates that factors additional to the tax measures may have contributed to this phenomenon. See detailed case studies later in this Section.

A British study investigating the effects of government control measures in preventing excessive alcohol consumption found that taxation policy can have a powerful effect, in some cases leading to undesirable outcomes (Popham 1975). This study found that:

- inconsistent taxation measures which taxed spirits disproportionately highly had only a temporary effect on consumption, eventually resulting in substitution to another type of alcohol beverage;
- such inconsistent taxation resulted in increased consumption and alcohol problems;
- this is supported by other evidence which suggests that the general level of alcohol consumption in a population determines the incidence of dangerous drinkers (despite beverage source); and
- a suitable public education program would be necessary to apply the policy effectively.

### Reduced consumption of RTDs but increased consumption of other beverages

Taxation measures can and have been effective in the past. However, it is reported that there is little evidence that the reduction in consumption of a *particular* alcohol beverage will lead to the desired effect on *total* alcohol consumption when other alcohol beverages continue to be available, unaffected by tax change (Metzner 2007). Some key relevant points include:

- one study concludes that a reduction of the availability of RTDs would most likely not affect total alcohol consumption (so long as other alcohol beverages remain as available as previously) as the majority of those who consume RTDs also drink other alcohol beverages (Metzner 2007);
- moreover, it is reported that the alcohol industry tends to respond to such taxation measures by manufacturing RTDs which are wine or beer-based instead of spirit-based to avoid the higher rate of RTD taxation (Metzner 2007); and
- this in fact was occurring in Australia prior to the lowering of the RTD excise in 2000.

## 7.3 International Research

### Introduction

Taxation measures have been introduced on particular alcohol products to increase the prices of these products in a number of countries with the aim to reduce alcohol consumption.

In this section, we document the results of two major European studies that examine the impact of an increase in the taxation on RTDs in Germany and Switzerland.

While these studies have their own specific conclusions, the general theme that emerges from them is that an increase in taxation of RTDs alone has not led to a reduction in overall alcohol consumption and results in substitution into other beverages.

Rather than reducing alcohol consumption, consumers maintain their consumption levels by switching preference to alternative alcohol products (substitutes). The substitute products are

often cheaper and higher in alcohol content. In some cases, substitution can even occur with more dangerous drugs (for example, marijuana).

### Substitution

As alcohol is a complex category comprised of not only different beverage types (that is, beer, wine and spirits) but also quality brands, consumers may make substitutions between purchasing different types and brands of alcohol beverages in response to increases in the price of such products.

Due to this phenomenon, the availability of a broad range of prices for alcohol beverages enables consumers to alleviate the effects of price increases and maintain their consumption level by switching purchases to lower priced alcohol beverages.

International research was conducted to analyse this tendency and the connection between the prices, quality and sales of alcohol beverages over the years 1984-1994 using Swedish price and sales data (Gruenewald 2006). This study's findings included:

- this study specifically explored the effects of changes in price on alcohol consumption by assessing several quality classes across types of beverages, and the results of the analyses demonstrated that consumers respond to increases in price by varying their total consumption and their choice of brand;
- the effects of price changes for particular types of alcohol were moderated by substantial substitutions between the classes of beverage quality;
- the results of the study indicate that consumers are responsive to beverage price changes in relation to particular products in that they are willing to switch their preference to other products (including lower-cost brands) in order to maintain their alcohol consumption;
- the study includes a discussion of the impacts of price changes of alcohol, and finds that price increases that primarily target more expensive brands run the risk of simply encouraging consumers of those beverages to switch to cheaper alternatives, with little to no effect on their total alcohol consumption. As RTDs have been and are subject to a higher effective rate of tax than alternative products, it can be seen that a tax targeted at RTDs certainly runs the risk of leading consumers to purchase cheaper alternatives to maintain their consumption levels; and
- the conclusions of the findings are that the overall impact of price change policies to reduce alcohol consumption will depend on how the policies have a bearing on the range of prices across the beverage brands available.

### More dangerous substitutes: marijuana

The danger of substitution away from RTDs leads to concerns not only about substitution to other (normally stronger) alcohol products, but also to other more dangerous drugs.

An American econometric study was conducted using annual state level measures of marijuana and alcohol use throughout the years 1980-89 (Chaloupka 1997). The study found as follows:

- the results revealed that high legal drinking ages reduced alcohol consumption, but this reduction corresponded with an almost identical increase in marijuana consumption;
- this was concluded to be attributable to standard substitution effects;
- specifically, increases in the full price of beer (resulting from taxation increases of alcohol beverages) and/or increased minimum drinking ages had the involuntary effect of resulting in an almost identical increase in marijuana use; and
- the findings suggest that high school students (the majority of whom initiated their alcohol and drug use earlier) treat alcohol and marijuana as substitutes.

This research corresponds with an earlier study (DiNardo and Lemieux) which found that increases in alcohol prices led to higher marijuana consumption among high school seniors.

### **Case Study: Germany, 2004**

#### *Background*

The German Federal Center for Health Education, Cologne, conducted research into teenager alcohol consumption in Germany over the period of 2004 – 2007 (GFCHE 2007).

The background of this study involved German legislation which had been enacted to improve the protection of young people from the dangers of alcohol and tobacco consumption.

One of the Articles in the Act involved a special tax levied exclusively on RTDs in August 2004, the purpose of which was to introduce higher prices and reduce consumption.

#### *Survey sample*

The study involved 3,602 German subjects between the ages of 12 and 19 years. Data was collected on beer, wine, or sparkling wine, spirits, cocktails, spirits-based RTDs and wine/beer-based RTDs.

#### *Results*

Most importantly, total overall regular consumption of alcohol amongst teenagers aged 12-17 years of age decreased in the first year in 2004, but increased in the later two years by 2007.

This overall increase in consumption occurred despite the increased taxes and prices on RTDs, and despite a significant decrease in the consumption of spirits-based RTDs.

The consumption of beer/wine-based RTDs declined in the first year but increased by 2007 to equal the 2004 consumption figure (while consumption amongst females actually increased in 2007).

Beer consumption decreased in the first year, but rose over the next two years (significantly amongst females). The consumption of wine and cocktails decreased over the three year period. The consumption of spirits increased overall over the three year period, most significantly for females between 16 to 17 years of age.

A trend reported in the study included significantly increased overall consumption of alcohol by girls between the ages of 12 and 15 years. It was reported that this increase was due to the decreasing consumption of spirits-based RTDs and an increase in the consumption of all other beverages (the greatest increase in consumption being beer).

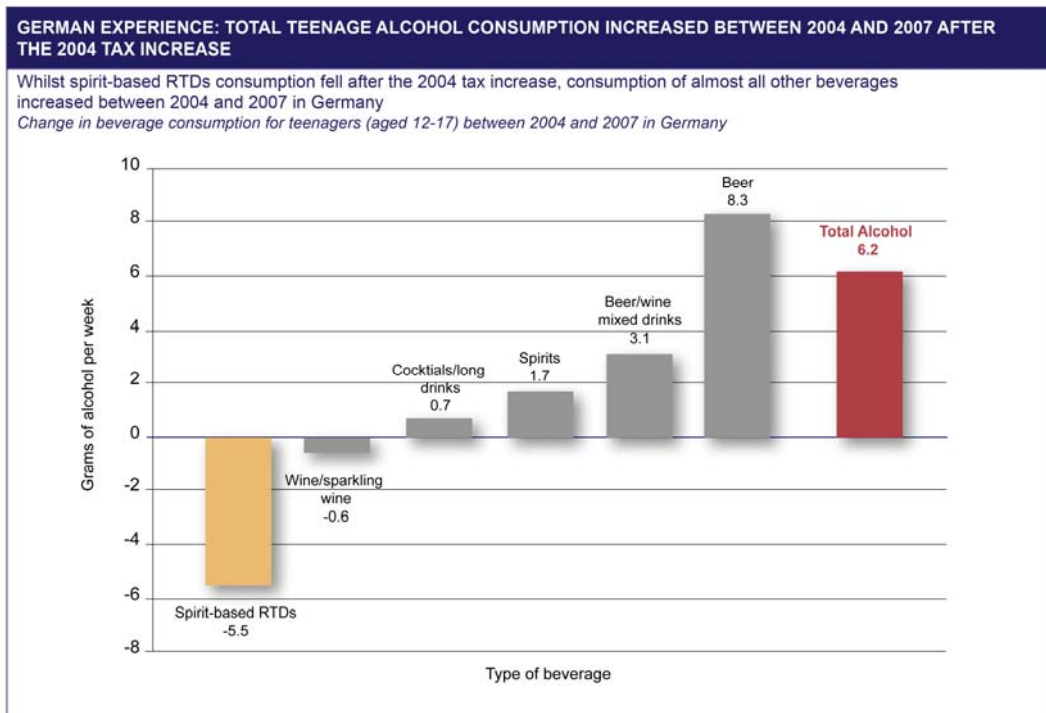
Another trend reported was a significant overall increase in alcohol consumption for girls aged 16 to 17, which was reported to be primarily due to increased beer consumption (despite the decrease in RTD consumption). An additional trend was reported for males aged 16 to 17 of increased consumption over the three year period.

Graphic 16: German experience: Total teenage alcohol consumption increased after the 2004 tax increase

GERMAN EXPERIENCE: TOTAL TEENAGE ALCOHOL CONSUMPTION INCREASED AFTER THE 2004 TAX INCREASE				
Although average consumption of spirit-based RTDs has fallen, consumption increased across almost all other categories of alcohol by 2007 in Germany				
Average alcohol consumption by teenagers (aged 12-17) for specific beverages in Germany				
Type of beverage	Year			Change from 2004-2007
	2004	2005	2007	
Spirit-based RTDs	8.3	4.6	2.8	-5.5
Beer/wine mixed drinks	3.9	5.4	7	3.1
Beer	19.4	17.7	27.7	8.3
Wine/sparkling wine	4.6	3.4	4	-0.6
Spirits	3.6	2.8	5.3	1.7
Cocktails/long drinks	3.9	3.1	4.6	0.7
<b>Total Alcohol (grams)</b>	<b>44.2</b>	<b>34.1</b>	<b>50.4</b>	<b>6.2</b>

Source: (GFCHE 2007)

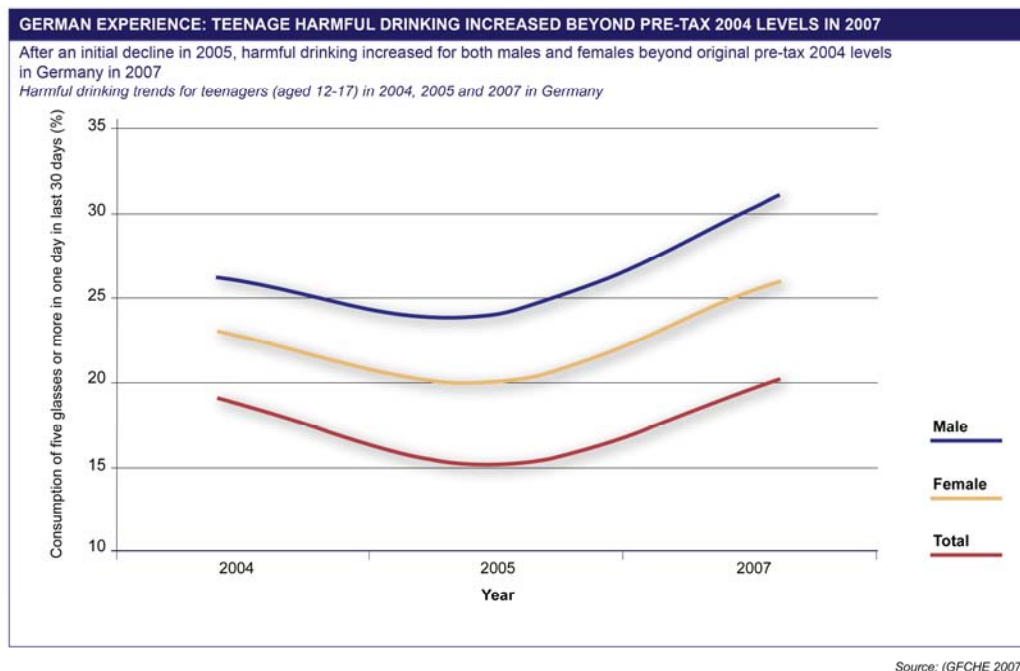
Graphic 17: German experience: Total teenage alcohol consumption increased between 2004 and 2007 after the 2004 tax increase



Source: (GFCHE 2007)

Moreover, patterns of risky/high risk drinking increased over this 3 year period. Total risky/high risk harmful drinking increased over the three year period amongst 12 to 17 year olds.

Graphic 18: German experience: teenage harmful drinking increased beyond pre-tax 2004 levels in 2007



### Conclusion

Overall, the quantity of alcohol consumed per capita amongst 12 to 17 year olds increased over the period of 2004 to 2007. It is maintained that this increase is due to the increased consumption of beer, mixed drinks containing beer or wine, and spirits.

### Case Study: Switzerland, 2004

The government of Switzerland enacted a 300% increase in taxes on RTDs in February 2004. The impact of this increase was examined in a study by Wicki in 2005 (Wicki 2005).

A study was conducted with the objectives of determining whether consumers of RTDs compared to consumers of other beverages have riskier drinking patterns and more alcohol-related consequences and to determine the association of RTD consumption with patterns of risky drinking. The study involved interviewing a cross-sectional national representative sample of 5,444 drinkers between the ages of 13 and 16 years by means of an anonymous self-report questionnaire.

The study concluded that although the tax increase appears to have coincided with significant decreases in RTD sales, a number of other unintended impacts followed.

Namely, the research concluded that there is no indication that the RTD taxation measure also resulted in a decrease in general alcohol consumption among adolescents or in alcohol-related consequences.

Moreover, it concluded that the alcohol industry in Switzerland circumvented the taxation restraint on RTDs by opting to create new “designer drinks” which fell outside the ambit of the special tax measure.

Furthermore, the research reiterates that there is little evidence to validate the notion that a reduction in the availability of a specific beverage (for example RTDs) is linked to a decline in general overall consumption if all other alcohol beverages remain as available.

Additionally, this research states that, rather than responding to alcohol industry innovations, a more productive approach than imposing specific taxes targeting RTDs is to



implement preventative measures to reduce overall alcohol consumption. (See Section 8 of this submission: *Alternative measures to limit excessive alcohol consumption*).

### Further Research

A study was conducted to ascertain the effects that age, taxes and other socioeconomic variables have on the demand for alcohol beverages amongst young adults (Gius 2005). The results of the study indicated that taxes have a minor effect on the consumption of alcohol. Rather, the only factors that were significant in the analysis were marital status, sex, race, and level of education.

Another study analysed state-level alcohol consumption as a function of income, taxes, and cyclical variables (Freeman 2000). This study found that current rates of taxation seem to have a minor effect on the consumption of alcohol, and the value of alcohol is determined to be positively related to the overall state of the economy.

DSICA is undertaking further research into the alcohol consumption changes as a result of an increase in the tax on RTDs in the UK.



## 8 Alternative measures to limit excessive alcohol consumption

*Section Outline: In this section we address section (j) of the inquiry terms of reference by considering alternative means of limiting excessive alcohol consumption and levels of alcohol related harm among young people.*

### Key Facts

- The Government currently has underway a number of initiatives aimed to combat harmful alcohol consumption. The Government should give these initiatives time to work before making any changes to alcohol taxation. Any changes to taxation policy should be deferred until after the Henry Tax Review releases its findings.
- Alternative measures that should be considered to combat harmful consumption include restricting availability of supply, modifying behaviours of drinkers for their own benefit and for the example they set for others (particularly young people) and education, particularly for parents and guardians.
- The National Alcohol Strategy 2006-09 considers most of these issues and should be supported to give them time to work. Measures should be reviewed and where appropriate enhanced in future Strategies.

### 8.1 Current Government initiatives to combat excessive alcohol consumption

The Government has a range of initiatives already in place that seek to combat excessive alcohol consumption.

DSICA supports the ongoing work in this area and looks forward to working with Government in further implementing these initiatives.

We summarise below the current initiatives.

DSICA is supportive of, and was involved in, development of the National Alcohol Strategy. The Strategy, formally approved by the Ministerial Council on Drug Strategy (MCDS) in May 2006, is a plan for national action on reducing alcohol-related harm in Australia.

#### The National Alcohol Strategy 2006-2009

##### *Goal of the Strategy*

The Strategy has identified a national goal of preventing and minimising alcohol-related harm to individuals, families and communities in the context of developing safer and healthy drinking cultures in Australia (MCDS 2006, p2). DSICA strongly supports this goal. The best available evidence shows that the Strategy has been working. Levels of alcohol-related harm especially amongst young people, have been declining (see Section 5). However, DSICA agrees that more should be done.

DSICA believes that the Strategy should be given support and time to work to achieve its goals. Separate, isolated and tangential actions should not be taken which could put at risk the overarching and co-ordinated approach to achieving the Strategy's goals.

### *Development of the Strategy*

The Strategy was developed after extensive consultations with over 1,000 key stakeholders around Australia and a review of the most recent research and data relating to trends in alcohol consumption in Australia. The Strategy was reviewed by all participants in the MCDS before final approval in May 2006.

The Strategy was guided by a set of principles and was managed by a well qualified team of individuals under the supervision of the Australian Government. While DSICA does not necessarily agree with every response of the Strategy, we commend and support the robust and sound approach, and the consultative manner in which the Strategy was developed.

DSICA supports the revision of the Strategy by MCDS, with input from the National Preventative Health Task Force.

### **National Binge Drinking Strategy 2008**

DSICA commends the Government on the announcement of the National Binge Drinking Strategy on 10 March 2008. We agree with the Government when it states that harmful alcohol consumption “is a community wide problem that demands a community wide response”. We also agree that there needs to be an emphasis on young people taking more responsibility for their behaviour.

DSICA supports the 3 key integral components of the Strategy being:

- community level initiatives;
- early intervention initiatives for young people;
- a new innovative advertising campaign.

DSICA believes that initiatives like these delivered effectively and with co-operation across all stakeholders are far more effective tools to achieve desired health and social policy outcomes rather than the more “blunt” instrument of taxation which can produce a raft of unintended and often detrimental consequences.

DSICA welcomes the opportunity to work more closely with Government to input into these initiatives.

### **Council of Australian Government (COAG) alcohol reviews**

DSICA supports the outcomes of the COAG meeting of 26 March 2008 to further investigate a number of issues to help tackle alcohol misuse and risky/high risk drinking amongst young people.

Based on the Communique of the COAG meeting of 26 March, we understand that the following 5 issues are to be examined:

1. Closing hours.
2. Responsible service of alcohol.
3. Secondary supply.
4. Alcohol content of ready-to-drink beverages.
5. Mandatory health warnings on packaged alcohol.

The review of these issues is to be undertaken by the MCDS. DSICA looks forward to making its contributions to the MCDS as part of these reviews.

### **MCDS Alcohol Forum**

At a meeting of the MCDS on 23 May 2008, it was announced that the Government will fast track the development of the National Binge Drinking Strategy.

As part of this work, the MCDS will be providing a report to the July meeting of COAG to summarise actions that can be taken in all jurisdictions to combat risky/high risk drinking.

An integral part of the development of this report will be an Alcohol Forum in June 2008 to be led by relevant Commonwealth, State and Territory Ministers which will also involve government health and law enforcement officers.

DSICA supports this initiative and looks forward to participating in discussion and having input into the Forum.

## **8.2 Alternative means of limiting excessive alcohol consumption and levels of alcohol-related harm among young people**

There is no simple answer to excessive alcohol consumption and alcohol-related harm amongst young people. As described in the above sections, these are complex problems which will not be solved by the tax increase on RTDs imposed by the Government.

In contrast, the National Alcohol Strategy has identified a number of non-price related measures to achieve the goal to prevent and minimise alcohol-related harm in the context of developing safer and healthy drinking cultures in Australia.

DSICA has identified below a number of alternative policies that are already in place or could be implemented to limit consumption and/or reduce levels of alcohol related harm among young people. Seven major areas of policy options have been identified in the research literature (Loxley 2007). In this submission, DSICA has considered the following four:

- availability;
- modifying the drinking context;
- alcohol advertising and labelling (regulating alcohol promotion); and
- education.

Two other identified areas of drink driving countermeasures and treatment and early intervention are not discussed, while the area of pricing and taxation has been considered earlier in this submission.

## **8.3 Availability and modifying the drinking context**

The ability to regulate and control the physical availability of alcohol has been identified as one of the most significant powers available to governments (Loxley 2007). This section identifies two of the four issues that COAG agreed to ask the MCDS to review. These are:

- reckless secondary supply; and
- responsible service of alcohol.

DSICA will be seeking to further cooperate with the MCDS as they conduct reviews of these issues prior to reporting to COAG.

### Reckless secondary supply to minors

Under current laws, there are many restrictions in place to ensure that alcohol can only be purchased by adults over 18 years of age. These laws are the cornerstone to restricting minors from having direct access to alcohol. These laws include:

- minors under 18 years of age are prohibited from purchasing alcohol on or at a licensed premise;
- it is an offence for licensed premises to sell alcohol to minors;
- minors are restricted from entering a licensed premise without being accompanied by an adult;
- licensed premise staff are obligated to demand identification to prove legal age to purchase alcohol;
- the onus of proof is on the purchaser to prove their age to be over 18 to purchase alcohol;
- penalties apply to those people purchasing alcohol for minors; and
- heavy penalties apply to licensees who break these laws.

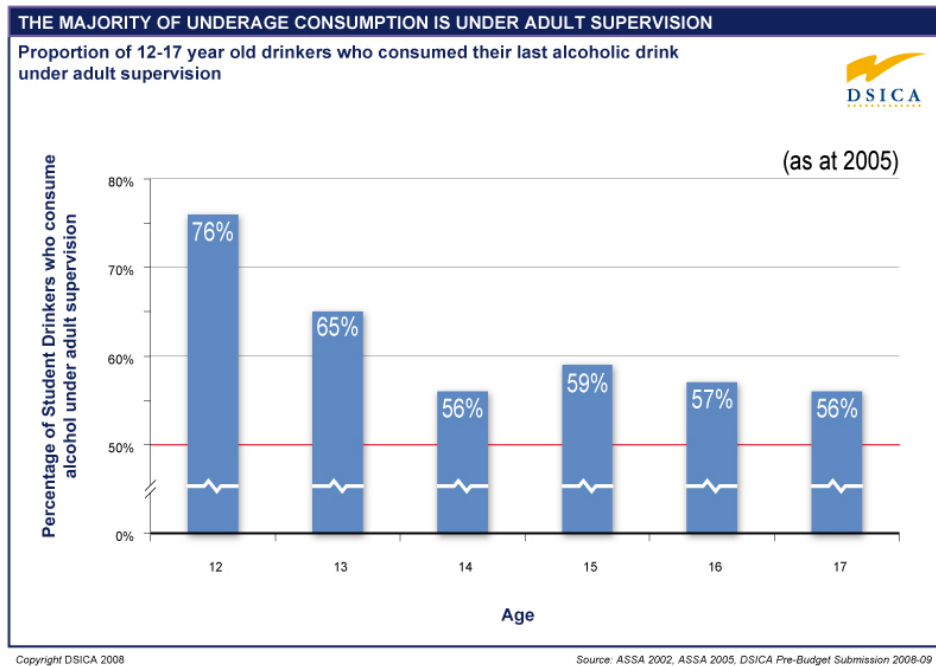
Few breaches of these laws have been detected and acted upon by enforcement agencies, and the heavy penalties combined with high community awareness are a strong deterrent.

Manufacturers and retailers of alcohol beverages are fully supportive of the restrictions placed on the supply of alcohol to minors. DSICA commends the Australian Liquor Stores Association (ALSA), which has introduced the *ID-25* campaign aimed at reducing the incidence of underage drinking by warning customers that if they look under the age of 25 years, they can be asked for identification.

### *Secondary supply by parents and family members*

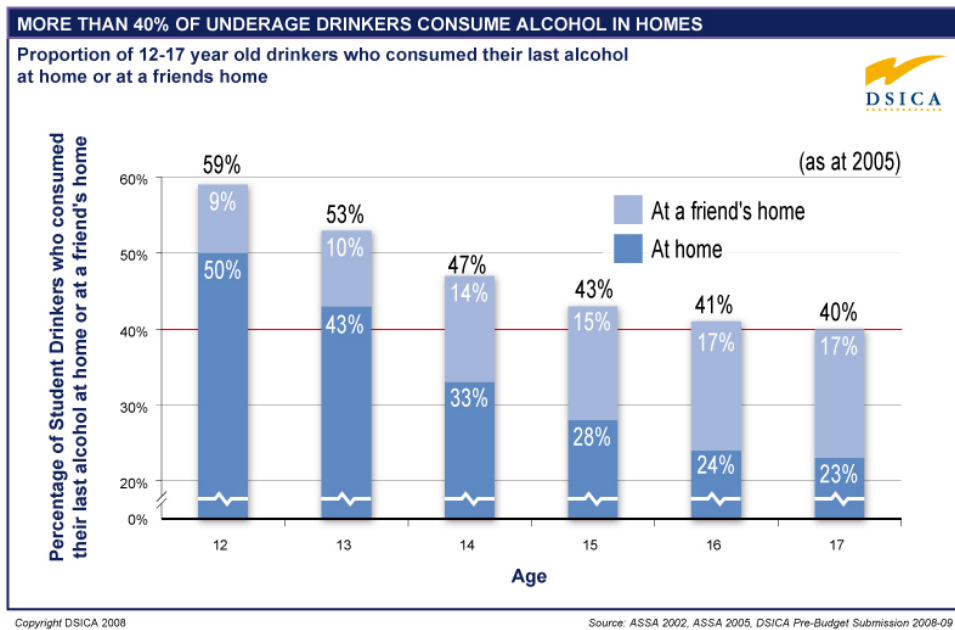
It is a commonly held misconception that underage drinkers are consuming alcohol without adult supervision, often at parties or in public spaces such as parks and the beach. In fact, the 2005 ASSSA report shows that across all age groups - from 12 to 17 years old - the majority of current underage drinkers consume alcohol under adult supervision. See *Graphic 19* below.

Graphic 19: The majority of underage consumption is under adult supervision



In addition, more than 40% of underage drinkers consume their alcohol either in their own home or at a friend's home. See *Graphic 20* below.

Graphic 20: More than 40% of underage drinkers consume alcohol in homes



Commentators often stress the need for industry to ensure against consumption of alcohol by young people. However, following the sale of alcohol beverages to an adult, there is little that the industry can do, in its own right, to prevent consumption by young people. The ASSA

report shows that 45% of alcohol consumed by students aged 12-17 years was not purchased by the student, but provided by a parent or sibling. Only 6% of the alcohol consumed by students was purchased by the student themselves (White & Hayman 2006). As *Graphic 19* shows, the majority of underage consumption is under adult supervision.

### **Parental Responsibility**

Given the large proportion of alcohol supplied to young drinkers by parents and family members, these people are well placed to constrain consumption by limiting, or completely discontinuing, the purchase of alcohol for consumption by their own child/children or peers of their child/children.

A 2003 report from the National Research Council Institute of Medicine in the United States stated:

“Given that youth usually obtain alcohol – directly or indirectly – from adults, the committee also believes that the focus of these efforts should be on adults. A key component of the committee’s strategy is the proposed media campaign to help strengthen public commitment to the goal of reducing underage drinking and to promote adult compliance with youth access restrictions” (IMNRC 2003).

There is a clear requirement for societal change in the community’s attitude to alcohol consumption by minors. Long term education campaigns combined with strict enforcement of the existing heavy penalties for breaches, in some jurisdictions, are required.

Effective models that incorporated these facets are the drink driving campaigns that have significantly changed Australia’s drinking culture in a short timeframe.

The ALSA recently launched the ‘*Don’t Buy It For Them*’ initiative aimed at educating parents against supplying their underage children with alcohol.

### **Responsible service of alcohol**

All Australian jurisdictions have in place responsible service of alcohol (RSA) laws. These include training regarding the serving of alcohol beverages to intoxicated persons and the serving of alcohol to minors.

Given the widespread implementation of RSA laws, it is important to consider how the current system can be most effectively leveraged to reduce excessive consumption of alcohol and minimise alcohol-related harms.

While international research has suggested that formal law enforcement, including a greater police presence at licensed venues, would reduce alcohol-related harm (Loxley 2005), the results of studies in the Australian context have been mixed (Burns 1995). However, these results may be indicative of the need for more than a visible police presence in high-risk areas, as occurred in the Australian study. Rather, the international studies would suggest that proactive measures must be taken by law enforcement agencies to check and identify under-age and intoxicated patrons and ensure that RSA laws are being complied with.

DSICA would welcome education campaigns aimed at increasing awareness of RSA laws and strategies to achieve outcomes consistent with these laws.

## **8.4 Advertising and labelling**

There has been ongoing debate in Australia around the issues of the labelling of alcohol beverages with health information labels and the advertisement of alcohol products in all forms of media.

Most recently, DSICA has made a comprehensive submission to the Senate Community Affairs Committee Inquiry into the *Alcohol Toll Reduction Bill 2007* (April 2008). The Submission concluded that:



- the measures in the Bill to mandate health information labels should not be supported as there is no reliable evidence to demonstrate that such labels lead to desired behavioural change; and
- the measures in the Bill to further regulate and restrict broadcast alcohol advertising should not be supported because of the ineffectiveness of the proposals and the unnecessary duplication and administrative requirements they would impose. The Bill fails to include all types of alcohol advertising and will merely lead to a shift in the advertising media used.

A summary of the submission contents are provided below. A copy of the entire submission can be obtained at:

[http://www.aph.gov.au/senate/committee/clac\\_ctte/alcohol\\_reduction/submissions/sublist.htm](http://www.aph.gov.au/senate/committee/clac_ctte/alcohol_reduction/submissions/sublist.htm).

### Health information labels

Subject to several exceptions, DSICA believes that there is no basis for introducing general non-specific warning labels on alcohol products, or requiring any additional NHMRC or product information on alcohol products (whether aimed at specific populations or of a more general nature).

DSICA has indicated its willingness to support pregnancy health warning labels on two provisos: effective and ongoing enforcement of the labelling requirement, and that labelling is part of a widespread and ongoing public health campaign combating FAS/FASD.

On the basis of a contemporary decision by the Australian New Zealand Food Authority (ANZFA) (the predecessor to Food Standards Australia New Zealand – FSANZ) on alcohol warning labels, it is clear that general non-specific warning labels are not a solution that will create a culture of responsible drinking and facilitate a reduction in alcohol-related harm.

DSICA is not aware of any reliable evidence that warning labels lead to desired behavioural changes amongst at-risk groups.

The appropriate way to assess and implement any new measures in this area is through the National Alcohol Strategy.

See also commentary below on Standard Drinks labelling implemented by DSICA members.

### Advertising of alcohol products

Advertising of alcohol products in Australia is already highly regulated through a variety of industry codes and legislation.

On the basis of recent reviews and improvements to the current quasi-regulatory framework for alcohol advertising, and on statistics relating to the pre-vetting of alcohol advertisements and complaints received, the current framework in Australia appears to be working effectively.

There is a wide body of evidence that suggests that alcohol advertising does not lead to an overall increase in consumption.

The measures in the *Alcohol Toll Reduction Bill* aimed to further regulate and restrict alcohol advertising should not be supported because of the ineffectiveness of the proposed measures and the unnecessary duplication and administrative requirements they would impose.

The appropriate way to assess and implement any new measures in this area is through the National Alcohol Strategy.

The Government should continue on-going support of the current quasi-regulatory framework including the Alcohol Beverage Advertising Code (the ABAC Code) and the Alcohol Advertising Pre-Vetting Scheme (AAPS).

## 8.5 Education

### Community education

DSICA believes that a broad-based education campaign is an important cornerstone of any robust strategy to address excessive alcohol consumption and to reduce alcohol-related harm among young people.

Evidence demonstrates that ‘social marketing of alcohol prevention messages through the mass media holds considerable promise as a means of reaching and persuading people to adopt safer drinking practices, particularly if undertaken in conjunction with other well-regarded prevention interventions’ (Loxley 2005).

DSICA recommends that consideration of a revised community education campaign take place as part of a review of the current *National Alcohol Strategy* (the Strategy) or as part of the formulation of a revised Strategy for 2009 onwards.

Any education campaign should be based on the best available evidence, appropriately targeted and coordinated and developed with thorough consultation mechanisms with key community partners and audiences, including the alcohol beverage and hospitality industry, the health sector, law enforcement, school-based drug education programs, young people and local community.

### Parental Responsibility and Education

DSICA believes that the most effective means of reducing alcohol-related harm amongst young people must be to support those adults, often parents and/or guardians of the young drinkers, who are there at the time and place of consumption.

DSICA has identified parents and guardians, as best placed to influence the consumption patterns of young people. First and foremost, parents can themselves set an example of healthy and responsible consumption of alcohol, both in and outside the home. Secondly, parents and guardians can influence behaviour through direct discussion and dialogue with their own child/children, as well as the peer group of their child/children.

The industry supports DrinkWise initiatives to use advertising to provide credible and helpful advice and resources for parents. DrinkWise has indicated that \$5 million will shortly be spent in the first 12 months of a 10 year Australia-wide campaign.

In addition, DrinkWise has called on the Australian Government to set up a toll-free nationwide hotline to provide much needed assistance and support to parents trying to deal with the problems of underage drinking.

DSICA believes there is a role for Government in funding education programs to further complement the measures of the National Binge Drinking Strategy and industry initiatives in this area.

### Education strategies utilising general practitioners

One possible educational strategy is the development of an extensive public awareness campaign through the media and the Divisions of General Practice. This could be aimed at educating and informing ‘parents, friends and other family members’ of the dangers and inappropriateness of supplying alcohol to minors and of broader strategies to minimise harmful alcohol consumption, especially amongst young people.

The Divisions of General Practice have a potentially critical role to play in educating families about the dangers of harmful alcohol consumption. General Practitioners (GPs) are “usually viewed as an important means of delivering programs, since they counsel patients on a regular

basis, are in a position to provide health advice, and occupy a position of moral authority” (McAllister, I & Makkai, T 1996, p. 68).

DSICA strongly recommends that the Divisions of General Practice be involved as a key component of any public awareness campaign to reduce harmful alcohol consumption (and on specific issues, such as supplying alcohol to minors and the risks of alcohol consumption for those women who are planning to become, or who are, pregnant).

### Standard drinks education

DSICA believes that there is potential for further reductions in harmful consumption if consumers obtain a better understanding of how their individual consumption levels compare with the current NHMRC *Australian Alcohol Guidelines*.

A recent survey for the Australian National Council on Drugs’ magazine *Of Substance* (Of Substance 2008) found that only 17% of Australians had any knowledge of the current guidelines. Awareness of the Guidelines was even lower among young people, with only 14% certain that they had heard about the Guidelines (Of Substance 2008).

The federally funded public education campaign foreshadowed in the National Binge Drinking Strategy – will no doubt seek to change consumer behaviour in relation to alcohol consumption levels. Hopefully, this campaign will further strengthen communication of the standard drink concept and guidelines for consumers.

### Industry led labelling developments

An innovation from one of DSICA’s member companies, Diageo, has been the development of a ‘standard drink’ logo. The logo clearly indicates to the consumer the number of standard drinks in the container in the most simple form (see *Graphic 21*). The size of the logo is significantly greater than the minimum font size currently required under the Food Standards Code. The presence and size of the standard drinks logo readily identifies beverages as containing alcohol, differentiating alcohol beverages from non-alcohol beverages.

*Graphic 21: Standard drinks logo being applied voluntarily by DSICA members to product labels*



Copyright DSICA 2008

Source: DSICA Pre-budget Submission 2008-09

The logo has been adopted on a voluntary basis by all DSICA member companies. Significant progress has been made in this regard since the voluntary introduction of the logo, and almost all products of DSICA members now carry the logo.

Similar logos have now been developed by the wine industry and the beer industry and are being progressively implemented.

## **8.6 Conclusion**

Issues of excessive consumption of alcohol and alcohol-related harm amongst young people are complex issues that require a variety of targeted and broad-based solutions.

In considering any measure to tackle these problems, the Government must take into account the best available evidence and should consult with key community partners and audiences, including the alcohol beverage and hospitality industries.

### **Recommendation:**

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- 1. The Government, in conjunction with other stakeholders, should undertake a comprehensive review of the evidence-base and the cause of misuse of alcohol, including risky/high risk drinking, in Australia, with the aim of funding sustainable, behaviour changing educational programmes.**
-

## 9 Conclusion

**Evidence and analysis in this submission demonstrates that risky and high risk drinking trends in Australia are not worsening** and that there is no clear evidence that risky drinking is being caused by RTDs. On the contrary, there is credible evidence that drinking patterns are improving, with overall per capita alcohol consumption in Australia remaining stable for the last decade.

### AIHW evidence

These conclusions are supported by the Government's own key health data agency – through the AIHW's submission to this Inquiry – when it states that there has been “virtually no change in the pattern of risky drinking over the period 2001 – 2007, including among young Australians.” Furthermore, the AIHW stated that given the stable nature 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. DSICA therefore suggests that the Government's decision to increase the tax on RTDs is not founded on solid evidence and should be reversed.

### Preventative health strategies

In order to address risky/high risk drinking and other harmful alcohol consumption practices, a wide-ranging set of preventative health strategies should be implemented to encourage a more responsible drinking culture and to decrease alcohol abuse. Measures include regulating the availability of alcohol, modifying the drinking context by creating safer licensed environments, regulating the promotion of alcohol and education. In a taxation context, effective social policy outcomes will be supported by the taxation of all alcohol products on a volumetric basis (so that products of higher alcohol strength pay higher taxes). Measures taken to combat harmful alcohol consumption should be implemented after consultation with key community partners and audiences including the alcohol beverage and hospitality industries.

### Review of causes of risky/high risk drinking

**The best available evidence (NDSHS 2004, long-term data) reveals that the beverages usually consumed by risky and high risk drinkers (14-29 years) are regular strength beer, bottled spirits and liqueurs, and not RTDs.** The AIHW's submission to this Inquiry confirms that ‘the increased availability of RTDs does not appear to have led inexorably to an increase in risky consumption’ (AIHW2008b, p8). The public release of further data, particularly in relation to further findings and data from the 2007 NDSHS is required in order to enlighten the alcohol policy debate. This data should be used to undertake a comprehensive review of the evidence and causes of risky/high risk drinking in Australia.

### Market sales evidence and international evidence

**Research and other evidence, both Australian and internationally, demonstrates that an isolated tax increase targeted at one alcohol product category alone will NOT be successful in preventing or reducing alcohol consumption or harmful alcohol consumption.** On the contrary, international evidence has shown that there can often be unintended and detrimental consequences from such a move. Accordingly, DSICA recommends to the Committee that it recommend to the Senate that the Government immediately reinstate the RTD tax rate that applied prior to 27 April 2008.

Preliminary market sales data confirms that there has already been significant substitution into other categories of alcohol, such as full strength spirits, as a result of the tax change on 27 April 2008. Based on anecdotal research and international findings, DSICA believes that further hard evidence will come to light on substitution in relation to beer and wine. This is in accord with international findings. These outcomes have also been predicted by independent modelling conducted in Australia in 2004 and 2007.

### Henry Tax Review

**Australia currently has a very complex alcohol taxation system.** As the system does not tax all products on a volumetric basis according to alcohol content, the system does not support the fact that “alcohol is alcohol”. DSICA welcomes the comprehensive review of alcohol taxation to be undertaken by the Henry Tax Review. DSICA also notes that there is a lack of incentive to produce and consume low and mid-strength RTDs as there is comparatively for low and mid-strength beer.

DSICA has recommended in this submission that the Government should await the outcome of the Henry Tax Review before making any further changes to the alcohol tax arrangements. DSICA looks forward to making its contribution to the Henry Tax Review as it believes that a uniform volumetric system that taxes all alcohol the same will help produce good health and social policy outcomes.

## Appendix 1 Alcohol Market and RTD Facts

### Introduction

Alcohol plays an important role in Australian society and is legally accepted in our culture as a relaxing way of socialising with friends and family. The majority of Australians drink alcohol in a responsible manner without harm to themselves or others.

There are a number of myths/popular assertions which abound in relation to the alcohol market, particularly in relation to Ready-to-Drink alcohol products (RTDs) which are not supported by the facts.

In an effort to ensure that alcohol policy is based on the best available evidence, DSICA believes it is vital to consider the facts which lie behind some popular assertions that are often expressed by the media and some in the community.

### Overview

Some relevant facts regarding the alcohol market in Australia, and RTDs in particular, are summarised below:

- Fact 1: Adult per capita alcohol consumption in Australia has fallen below 1970's and 1980's levels
- Fact 2: There has been no significant increase in adult per capita alcohol consumption since tax reform (1 July 2000)
- Fact 3: Total alcohol consumption has been increasing at a lower rate than in the 15 years and over population
- Fact 4: Adult per capita consumption of RTDs has been growing as adult per capita consumption of beer and spirits has been falling
- Fact 5: RTDs have a similar alcohol content to beer but pay higher tax per volume of alcohol
- Fact 6: RTDs comprise only 11% of the Australian alcohol market
- Fact 7: 75% of RTDs are dark spirit-based and are preferred by males 24 years and older

A detailed discussion of each of these facts is set out on the following pages.

**Popular assertion 1: Australians are drinking more per person than in the past**

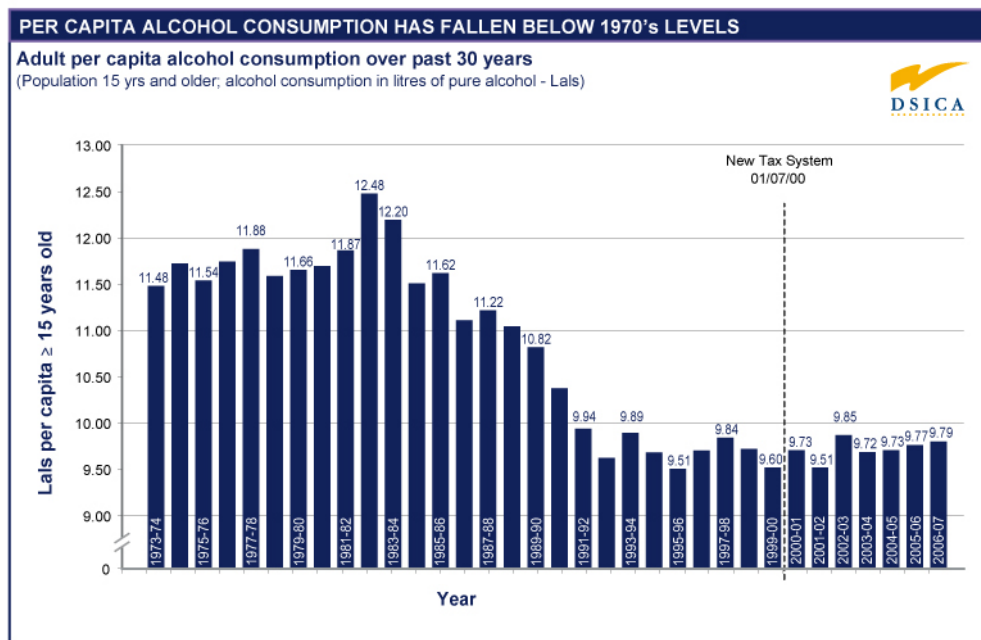
**Fact 1: Adult per capita alcohol consumption in Australia has fallen below 1970's and 1980's levels**

The accepted methodology endorsed by the World Health Organisation (WHO) is to use the population of 15 years old and over as the basis for estimating alcohol consumption by populations. The terminology that applies to these calculations is 'adult per capita consumption'.

This is the methodology which DSICA has applied in analysing the changes in 'adult per capita consumption' in alcohol in Australia. DSICA's analysis is also prepared on a financial year basis, in order to provide consistency with taxation estimates, which are also undertaken on a financial year basis. For example, DSICA's analysis shows that in 2005-06, the adult per capita consumption was 9.65 Lals. DSICA's sources for this data include ABS statistics, as well as statistics obtained from the Liquor Merchants Association of Australia (LMAA) and other relevant spirits industry sources. The key facts include:

- **Fact:** Adult per capita consumption of alcohol has fallen from a high of 12.48 Lals in 1982-83 to its current static level of around 9.79 in 2006-07 (See *Figure 1* below).
- This is a level of adult per capital alcohol consumption which is lower than 1970's levels. This demonstrates that alcohol consumption has decreased significantly on past consumption.

*Figure 1: Adult per capita alcohol consumption in Australia (1973-74 to 2006-07)*





**Popular assertion 2: Tax reform has led to greater consumption of alcohol**

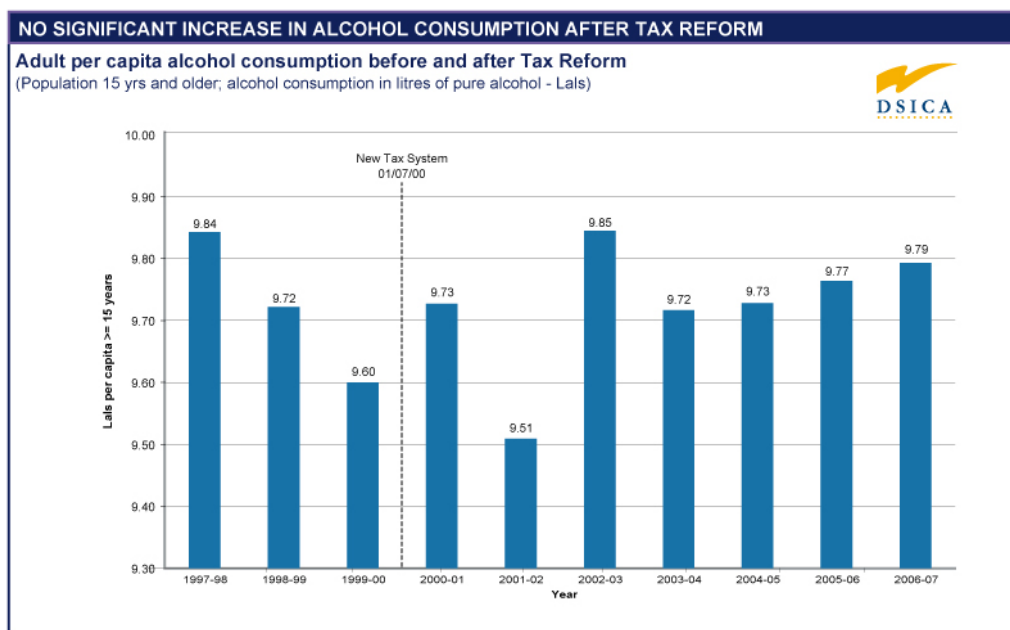
**Fact 2: There has been no significant increase in adult per capita alcohol consumption since tax reform (1 July 2000)**

There is reliable evidence that taxation changes implemented under the *New Tax System* (effective from 1 July 2000) have not resulted in increased alcohol consumption in Australia on a per capita basis.

Adult per capita consumption of alcohol in Australia has not significantly increased since tax reform, as seen in *Figure 2* below:

- Adult per capita consumption of alcohol has only deviated from a seven year average of 9.73 Lals by a maximum of 0.22 adult per capita Lals in the years since tax reform. Alcohol consumption has been relatively consistent in this period, especially when looking at historical consumption. Looking at these figures shows there is no basis to conclude that tax reform has increased the amount of alcohol consumed in Australia.
- The adult per capita consumption figures for the last six financial years include:
  - 1999-00: 9.60 Lals
  - 2000-01: 9.73 Lals (first year after tax reform)
  - 2001-02: 9.51 Lals
  - 2002-03: 9.85 Lals
  - 2003-04: 9.72 Lals
  - 2004-05: 9.73 Lals
  - 2005-06: 9.77 Lals
  - 2006-07: 9.79 Lals

*Figure 2: Adult per capita alcohol consumption in Australia (1997-98 to 2006-07)*



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Source: ABS, DSICA Pre-Budget Submission 2008-09

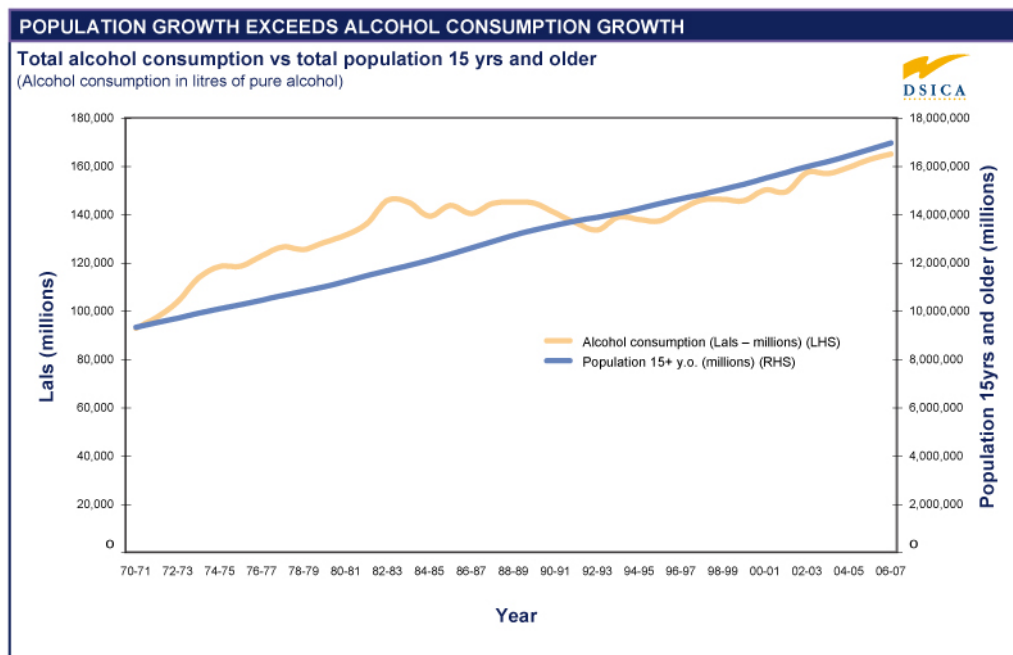
**Popular assertion 3: Alcohol consumption has been increasing**

**Fact 3: Total alcohol consumption has been increasing at a lower rate than the 15 years and over population**

There is reliable evidence that total consumption of alcohol in Australia has been increasing at a lower rate than the rate at which the 15 years and over population has been increasing since 1992-93. That evidence includes:

- Prior to 1992-93, total alcohol consumption was growing at a faster rate than the 15 years and over population;
- However, since 1992-93, the growth in Australia’s total alcohol consumption has fallen below the rate of increase of the 15 years and over population (see *Figure 3* below);
- This means that, for the last 10 years, adult per capita alcohol consumption rates in Australia have been falling slightly, and NOT increasing.

*Figure 3: Australia’s total alcohol market (Lals) vs Population 15 years and over (1970-71 to 2006-07)*



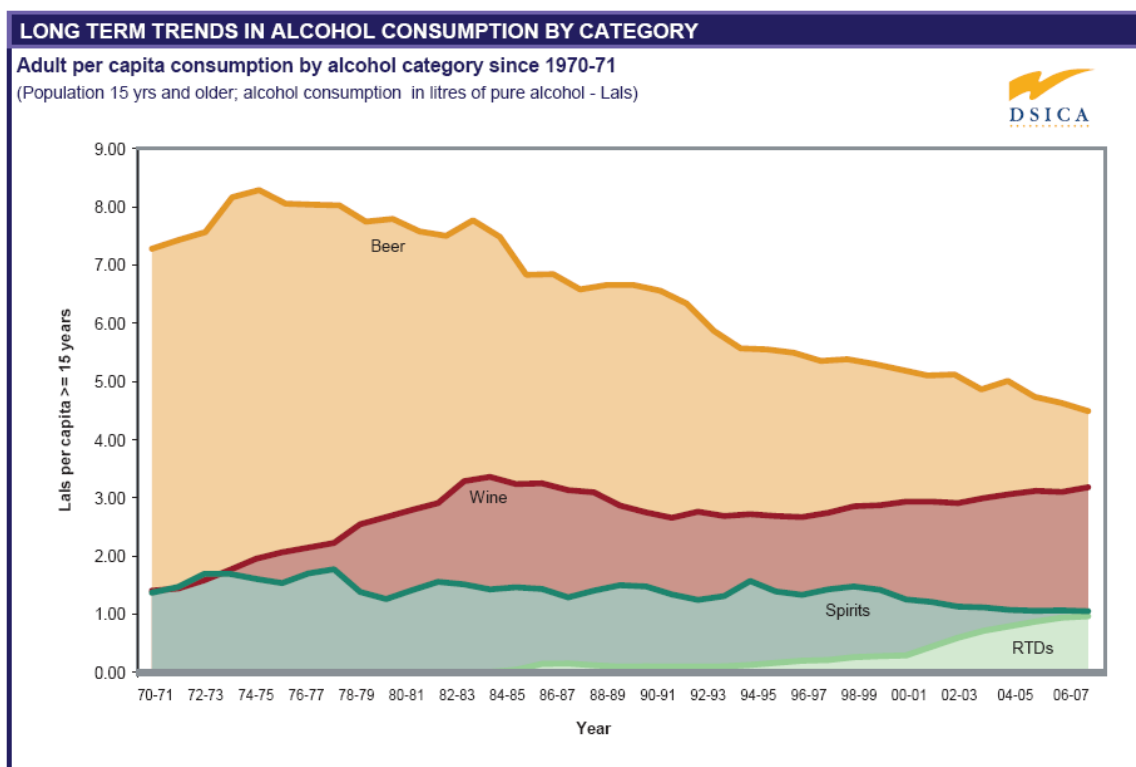
**Popular assertion 4: The growth of RTDs means people are drinking more**

**Fact 4: Adult per capita consumption of RTDs has been growing as adult per capita consumption of beer and spirits has been falling**

There is reliable evidence that increases in adult per capita consumption of RTD's have occurred at the expense of adult per capita consumption of beer and spirits. The key facts include:

- The most dramatic change in alcohol consumption in the last 30 years has been the substitution of wine for beer. Beer consumption dropped from 7.18 Lals per capita in 1970-71 to 4.41 Lals per capita in 2006-07;
- Wine consumption increased from 1.37 to 3.17 Lals per capita during the same period;
- Comparatively, consumers in 2006-07 are more likely to choose wine to drink than spirits or RTDs compared with consumers in 1970-71.
- Since the beginning of rapid growth in RTD consumption around 1999-2000, full-strength spirits consumption has fallen, offsetting RTD growth (see *Figure 4* below).

*Figure 4: Australia's adult per capita alcohol consumption by alcohol category (1970-71 to 2006-07)*



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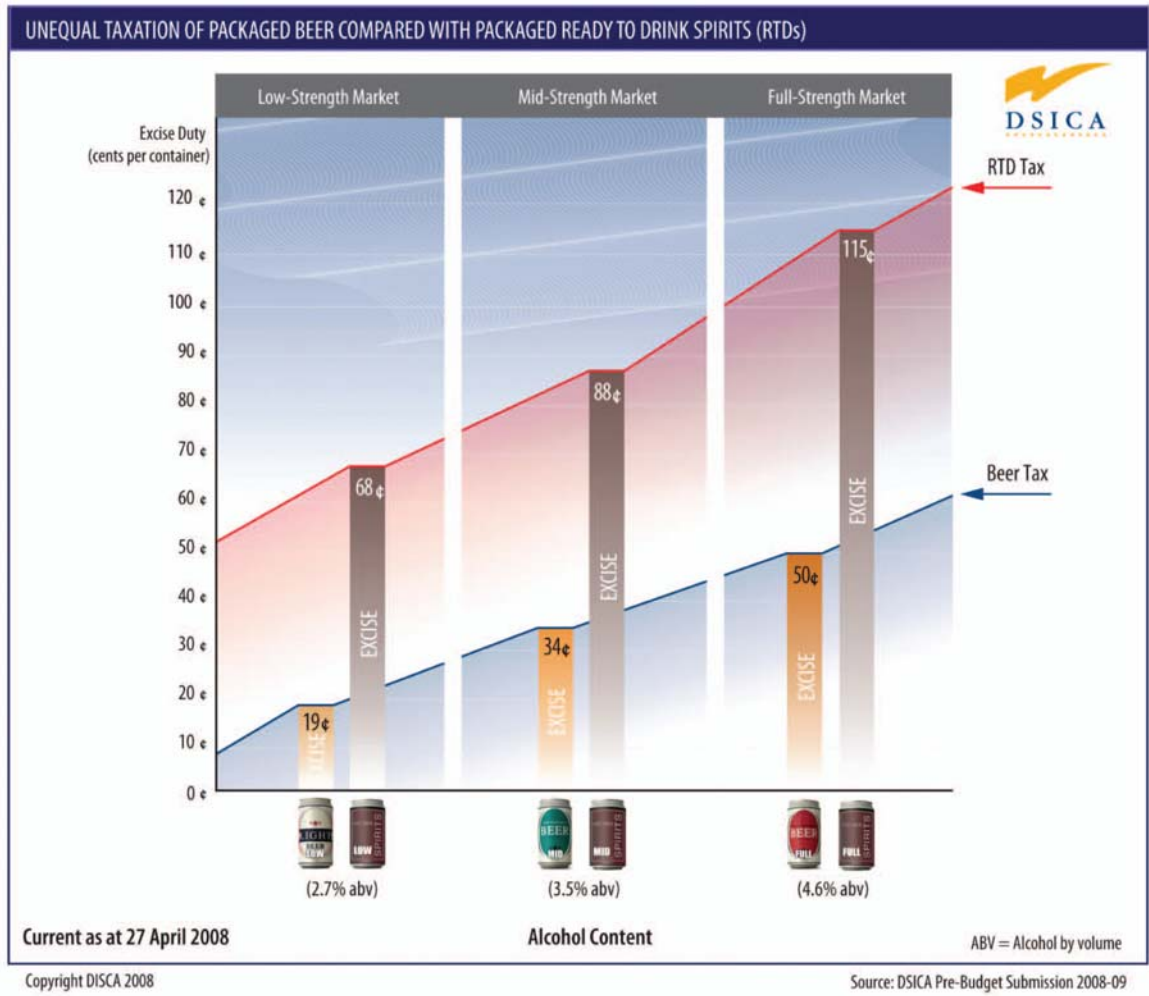
Source: ABS, DSICA Pre-Budget Submission 2008-09

## **Popular assertion 5: All RTDs are stronger than beer**

### **Fact 5: RTDs have a similar alcohol content to beer but pay higher tax per volume of alcohol**

- Fact: RTDs have approximately the same alcohol content as full strength beer:
  - Most RTDs are approximately 5.0% alcohol by volume (abv);
  - Full strength beer is generally between 4.6% abv and 5.0% abv;
  - Higher strength (above 5% abv) beers and RTDs are available;
  - Similarly, piccolo bottled wines (approximately 200 millilitres in volume) are available with 9% abv to 12% abv.
- Fact: Mid-strength RTDs have approximately the same alcohol content as mid-strength beer:
  - Bundaberg Gold is a 3.5% abv RTD, comprising Bundaberg rum and cola, and Jim Beam and cola now has a mid-strength RTD;
  - This is the same alcohol strength as mid-strength beers.
  - A comparison between the taxation of beer and RTDs is given below.
- Fact: There is unequal taxation of RTDs compared with beer:
  - RTDs are subject to the same excise rate as spirits, even though they are a substitute for and competitor for beer;
  - beer has a 1.15% alcohol by volume (abv) excise-free threshold. That is, the first 1.15% abv per Lal of beer does not pay excise.
  - In contrast, RTDs do not qualify for the 1.15% abv excise-free threshold (despite comparable alcohol content) .
  - This results in a situation where the amount of excise payable on a mid-strength RTD exceeds the excise on an equivalent quantity of beer.

Figure 5: Unequal Taxation of Packaged Beer and RTDs

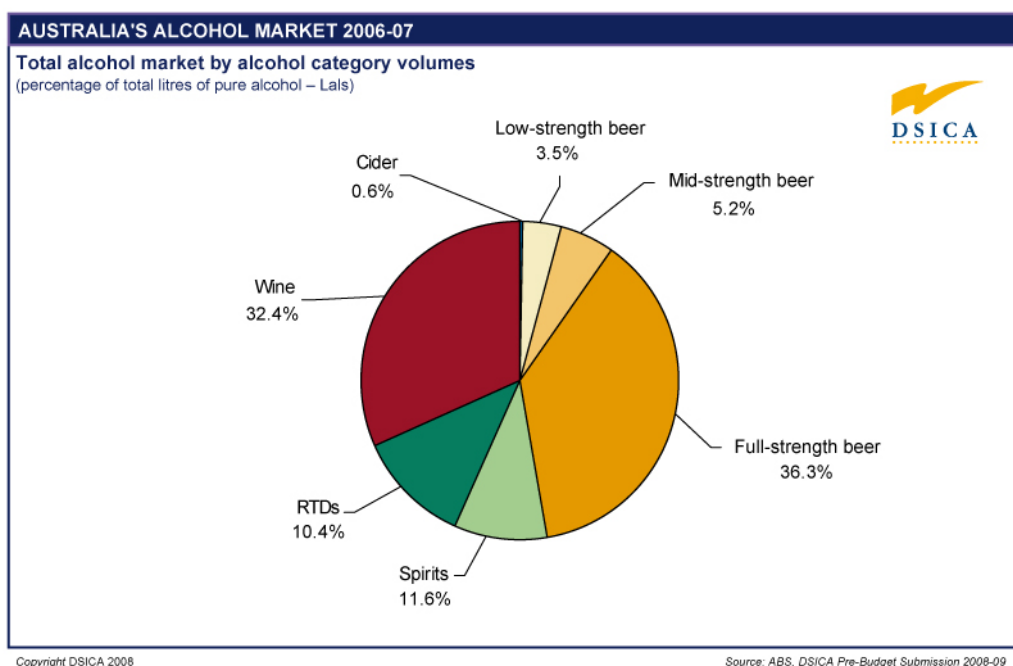


**Popular assertion 6: RTDs dominate the alcohol market**

**Fact 6: RTDs comprise only 10% of the Australian alcohol market**

- Fact: RTDs comprise only 10% of the alcohol market in Australia:
  - RTDs comprised 10.4% of the alcohol market in 2006-07 (measured in Lals);
  - Beer comprised almost 45% of the market; wine comprised 32%; and bottled spirits comprised 12% (see Figure 6 below).

Figure 6: Australia's alcohol market by volume (Lals), 2006-07

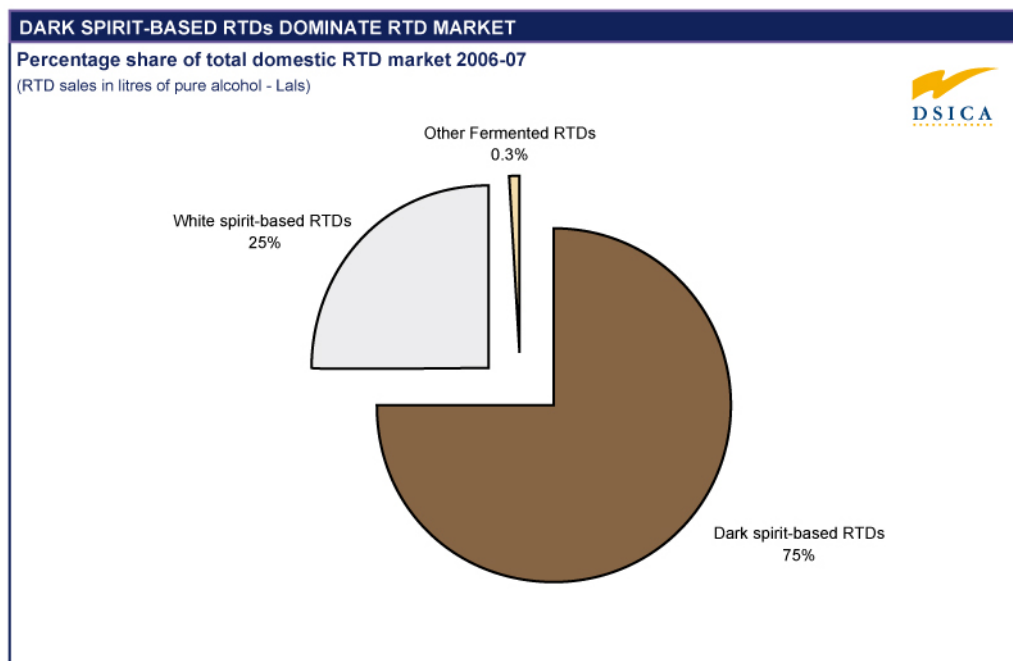


**Popular assertion 7: Almost all RTDs are white-spirit based and sweetly-flavoured to encourage teenage drinking**

**Fact 7: 75% of RTDs are dark spirit-based, and are preferred by males 24 years and older**

- Fact: RTDs have not been coloured or flavoured to target underage drinkers:
  - More than 75% of total RTDs consumed in Australia are dark spirit-based, which are typically dark coloured products (eg bourbon, rum and scotch whisky-based products). The colour and flavour profile of these products are preferred by over 24 year old males;
  - Industry research into preferred taste profiles for new RTD products targets over 18 year olds only;
  - No underage drinkers are included in focus groups who taste potential new products (the approach of developing new products through focus group taste tests is called sensormetrics);
  - The industry cannot produce products of varying colours and flavours that only appeal to consumers over the legal drinking age (eg 18-24 year olds, 24-29 year olds, 29-35 year olds) without some underage people also finding the products attractive;
  - Industry analysis shows that since 2000 the sales value of dark spirit-based RTDs has almost quadrupled in size, while sales of light spirit-based RTDs have grown only slightly.

Figure 7: Australia's RTD market by alcohol base (Lals), 2006-07



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Source: DSICA Pre-Budget Submission 2008-09, LMA, Industry Sources





## Appendix 2 – Facts about alcohol consumption amongst females aged 15 to 17



# Facts about alcohol consumption amongst females aged 15 to 17

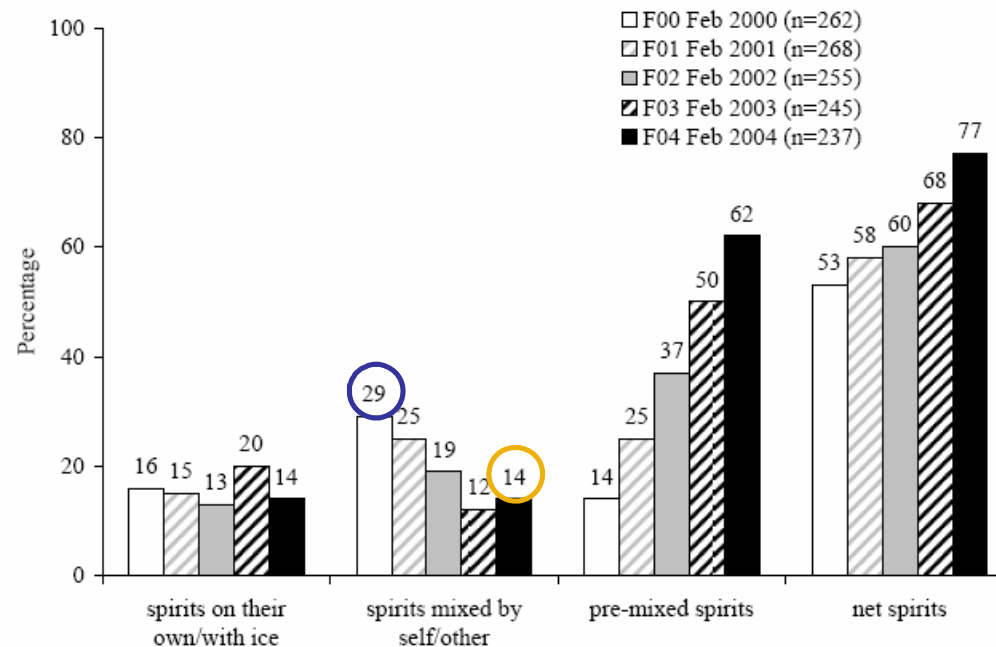
Results from the Department of Health and Ageing's National Alcohol Campaign (NAC) Surveys of alcohol consumption patterns amongst Australian 15-17 year olds from 2000 to 2004

## Fact #1: Since 2000 there has been an increase in the preference of 15 to 17 yr old female drinkers towards pre-mixed spirits



These drinkers have switched from free-pour spirits to pre-mixed spirits

**Figure 19: Sub-categories of spirits consumed by female drinkers on their last drinking occasion**



Base: Females who consumed alcohol within the last three months.

**Note:** The NAC surveys define 'drinkers' as those respondents who consumed alcohol within the last three months



***However, this has not adversely changed the consumption patterns of young female drinkers.***

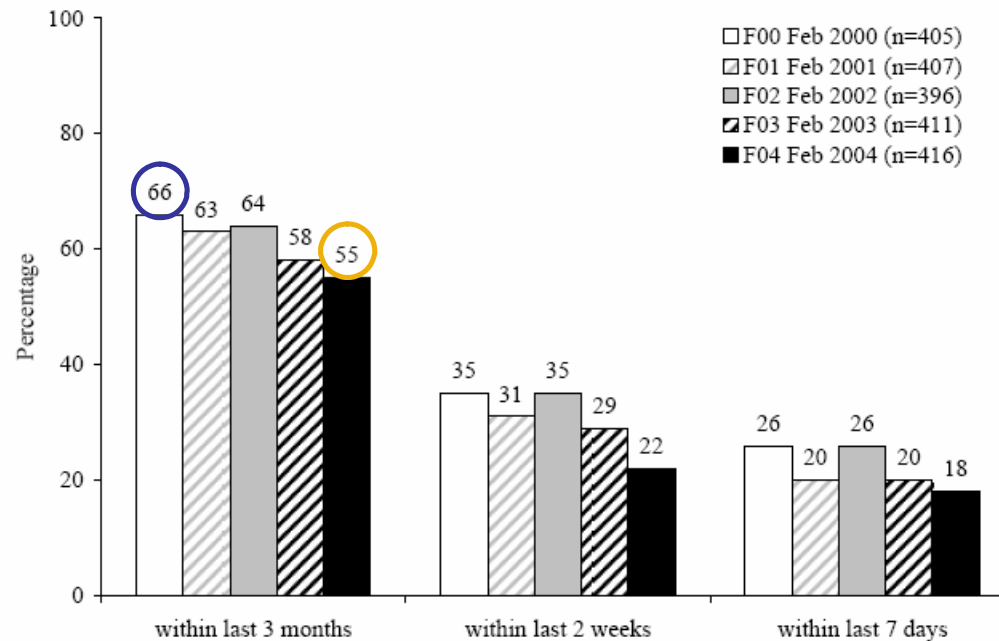
**LET'S LOOK AT THE FACTS...**



## Fact #2: Fewer 15 to 17 yr old female drinkers

The percentage of young females who are current drinkers has fallen from 66% to 55% for the period 2000 to 2004

Figure 8: Recency of alcohol consumption amongst females

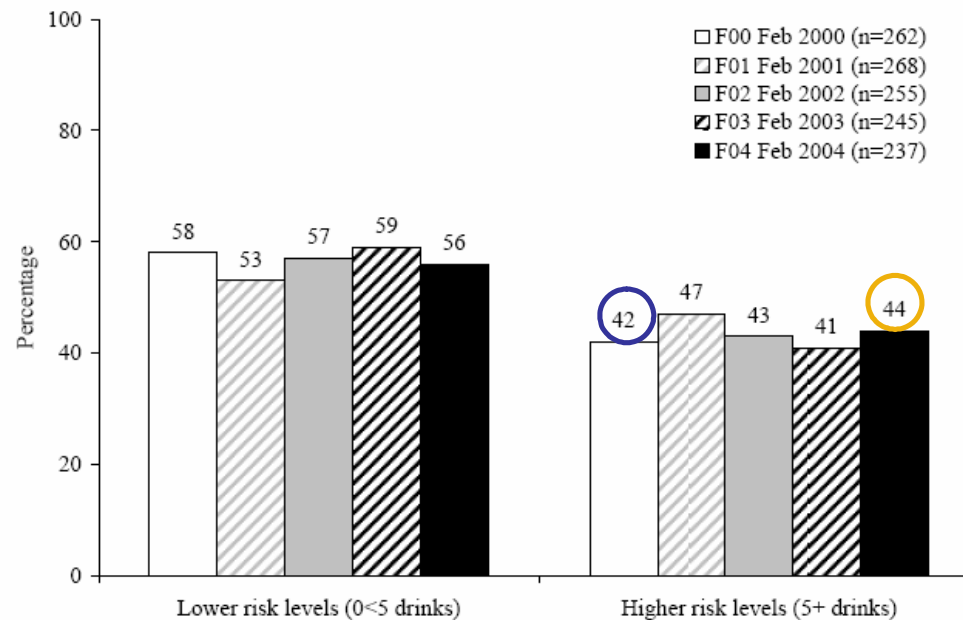


Base: All female respondents.

### Fact #3: There has been no dramatic increase in the proportion of 15 to 17 yr old female drinkers drinking at higher risk levels



**Figure 23: The proportion of female drinkers consuming alcohol at lower and higher risk levels**

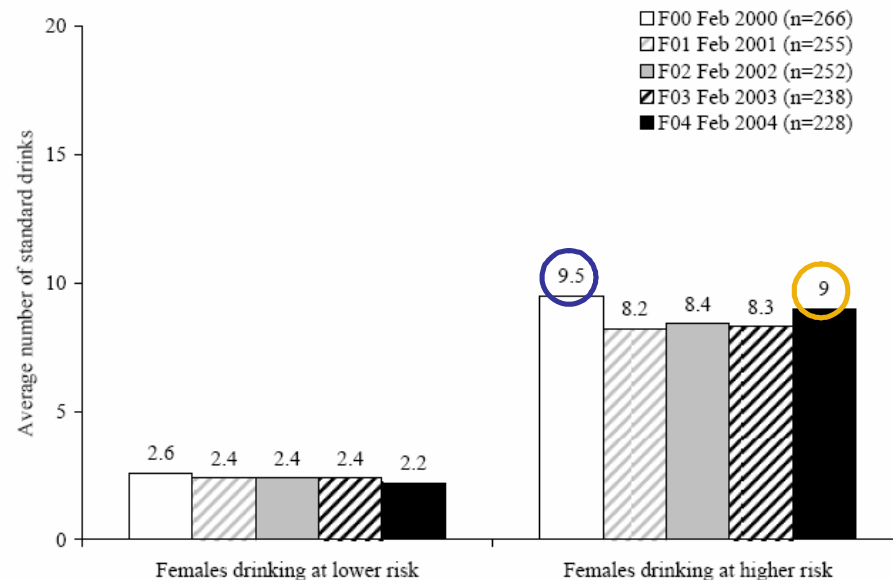


Base: Females who consumed alcohol within the last three months.

## Fact #4: The average amount of alcohol consumed by 15 to 17 yr old female drinkers drinking at higher risk levels has remained stable



**Figure 29: The average number of standard drinks consumed by females drinking at lower and higher risk levels on their last drinking occasion**

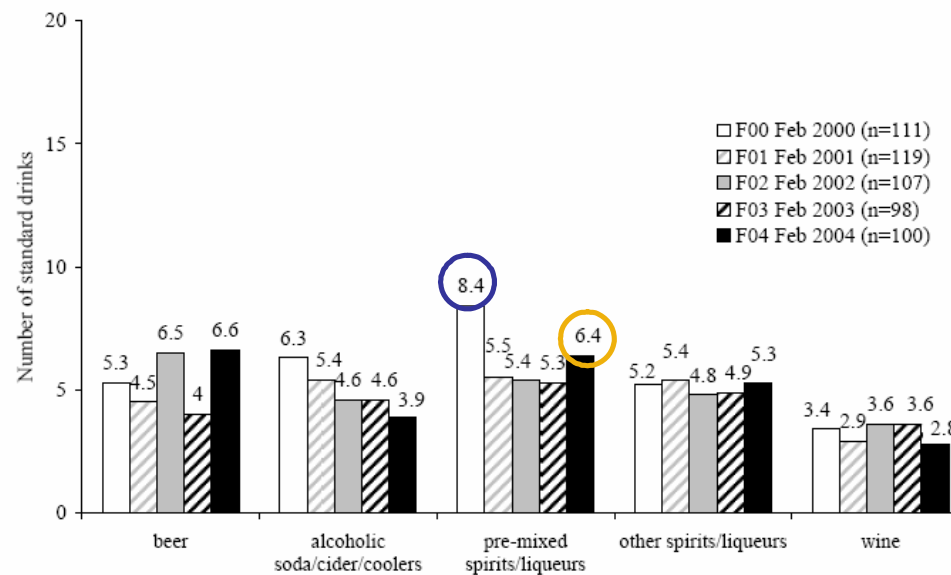


Base: Those females who consumed alcohol within the last three months.  
 The sample sizes (n's) shown in the legend exclude respondents who reported consuming 25 or more standard drinks.

## Fact #5: There has been no significant increase in the average consumption of pre-mixed spirits beverages consumed by 15 to 17 yr old female drinkers drinking at higher risk levels



**Figure 33: The average number of standard drinks consumed by female drinkers consuming alcohol at higher risk levels by beverage category**



Base: Females who drank in the last three months and drank at higher risk levels on their last drinking occasion (ie 5 or more standard drinks).

## ***RECAPPING THE FACTS...***

While the product preference of female drinkers, aged 15 to 17, has shifted towards pre-mixed spirits, amongst this group:

- ◆ The proportion who are drinkers has declined;
- ◆ The proportion of drinkers consuming at higher risk levels has not increased; and
- ◆ Average consumption amongst drinkers of pre-mixed spirits consuming at higher risk levels remains stable.





## Current Australian Alcohol Guidelines

**Table 1: Summary of guidelines for low risk drinking**

- Alcohol consumption at levels shown below is **not** recommended for people who:
  - have a condition made worse by drinking (see p.9)
  - are on medication (see p.12)
  - are under 18 years of age (see p.15)
  - are pregnant (see p.16)
  - are about to engage in activities involving risk or a degree of skill (eg driving, flying, water sports, ski-ing, operating machinery).
- Otherwise risk levels for the following patterns of drinking are as follows\*:

**For risk of harm in the short-term:**

	Low risk (standard drinks)	Risky (standard drinks)	High risk (standard drinks)
<b>MALES</b>	up to 6	7 to 10	11 or more
On any one day	on any one day, no more than 3 days per week	on any one day	on any one day
<b>FEMALES</b>	up to 4	5 to 6	7 or more
On any one day	on any one day, no more than 3 days per week	on any one day	on any one day

**For risk of harm in the long-term:**

	Low risk (standard drinks)	Risky (standard drinks)	High risk (standard drinks)
<b>MALES</b>	up to 4	5 to 6	7 or more
On an average day	per day	per day	per day
Overall weekly level	up to 28 per week	29 to 42 per week	43 or more per week
<b>FEMALES</b>	up to 2	3 to 4	5 or more
On an average day	per day	per day	per day
Overall weekly level	up to 14 per week	15 to 28 per week	29 or more per week

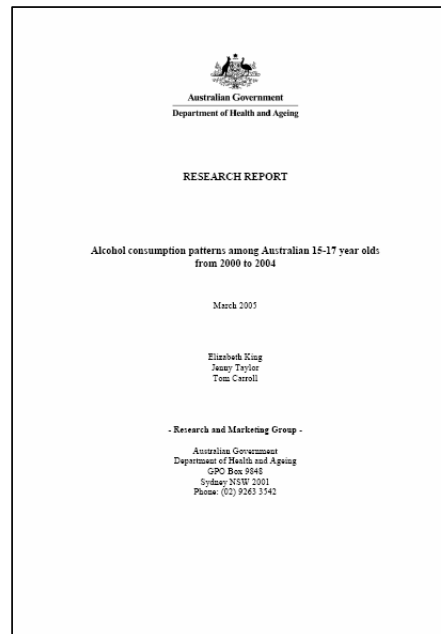
\* **Note:**

- It is assumed that the drinks are consumed at a moderate rate to minimise intoxication, eg for men no more than 2 drinks in the first hour and 1 per hour thereafter; and for women, no more than 1 drink per hour.
- These guidelines apply to persons of average or larger size, ie above about 60 kg for men and 50kg for women. Persons of smaller than average body size should drink within lower levels.

(Table based on *International Guide for Monitoring Alcohol Consumption and Related Harm*, WHO, Geneva, 2000)



The complete results from the Department of Health and Ageing's report, *Alcohol consumption patterns amongst Australian 15-17 year olds from 2000 to 2004* can be obtained at:  
[http://www.health.gov.au/internet/wcms/publishing.nsf/Content/phd-pub-alcohol-nac\\_youth-cnt.htm/\\$FILE/nac\\_youth.pdf](http://www.health.gov.au/internet/wcms/publishing.nsf/Content/phd-pub-alcohol-nac_youth-cnt.htm/$FILE/nac_youth.pdf).



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