

3 June 2008

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

Dear Sir/Madam

**RE: Submission to Community Affairs Committee inquiry into ready-to-drink alcohol beverages**

Thankyou for the opportunity to make a submission to the Community Affairs Committee inquiry into ready-to-drink alcohol beverages.

We are very pleased to enclose a joint submission from the Australian Drug Foundation, Cancer Council Victoria and Victorian Health Promotion Foundation for consideration by the Community Affairs Committee.

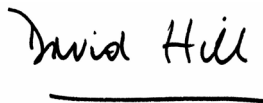
If you wish to discuss this matter or need any further information please contact Rosemary McClean, Policy and Program Adviser, Australian Drug Foundation, on (03) 9278 8117 or by email at [rosemary@adf.org.au](mailto:rosemary@adf.org.au) .

We look forward to the outcomes of the Committee's inquiry.

Yours sincerely,



John Rogerson  
Chief Executive Officer  
Australian Drug Foundation



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Professor David Hill AM  
Director  
The Cancer Council Victoria



Todd Harper  
Chief Executive Officer  
VicHealth

# **Submission to the Senate Community Affairs Committee Inquiry into Ready –To-Drink Alcohol Beverages by the Australian Drug Foundation, the Victorian Health Promotion Foundation and Cancer Council Victoria**

May 2008

## **Overview**

The Australian Drug Foundation, the Victorian Health Promotion Foundation and Cancer Council Victoria support the proposed changes to the alcohol excise regime in relation to ready-to-drink alcoholic beverages. The use of taxation as a public health tool is well proven as one of the most effective strategies to influence alcohol consumption.

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

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

A number of factors have contributed to the popularity of RTDs with young drinkers.

- They are cheaper in relation to other alcoholic beverages with comparative alcohol content. This is due to an existing loop-hole in the excise regime.
- RTDs are often flavoured with fruit or confectionery flavours, and are usually heavily sweetened, which masks the bitter and astringent taste of alcohol and appeals to the taste preferences of young people. RTDs are more palatable to young people than other alcoholic drinks such as beer, wine and spirits, and are similarly palatable to soft drinks.
- Many "premium" premixed spirits now comprise 7% alcohol by volume (ABV) so a bottle or can contains two standard drinks. This makes RTDs particularly attractive to young drinkers who are drinking to get drunk.

The move to standardise the excise rate on RTDs in line with existing excise regime is viewed by our organisations as a significant step in addressing an important public health issue.

However, to effectively address harmful alcohol use across our community a whole raft of other initiatives must be undertaken to change the culture which supports and promotes heavy alcohol use. These include public education; stricter regulation and control of advertising and marketing; firmer controls on

sale and supply of alcohol; and increased enforcement of laws and regulations relating to alcohol.

### **Specific responses to terms of references**

#### **a. The effectiveness of the Government's proposed changes to the alcohol excise regime in reducing the claims of excessive consumption of ready to drink-alcohol-beverages.**

There is strong evidence that the use of pricing and taxation to increase the real price of alcohol is one of the most effective strategies to influence alcohol consumption, particularly among young and heavier drinkers. The net effects of taxation and price increases are to reduce alcohol use and related problems

The existing tax on ready-to-drink alcohol beverages is lower than it should be due to a loop hole in the excise regime. This anomaly has effectively provided a tax concession to RTDs, with the reduced price acting as an incentive to consume these products. These proposed changes act to bring the tax being applied to the spirit contents of these drinks into line with the tax being applied to spirits in general.

To maximise the impact of these changes, it is important that they are seen as a part of a raft of initiatives, working together to change the culture which supports and promotes heavy alcohol use in our community. The changes proposed under the Alcohol Toll Reduction Bill which addresses labelling and alcohol advertising controls is a good example.

#### **b. Consumption patterns of ready-to-drink alcohol, beverages by sex and age group.**

The quantity of alcohol in the form of **Ready to Drink pre-mixed products** available for consumption increased by 18.16% in the two years between 2004-05 and 2006-07. There was an increase of 14.89 % in apparent consumption of alcohol in the form of Ready to Drink products for persons aged 15 years and over, from 0.94 to 1.1 litres of alcohol per person.

**ALCOHOL, Available for Consumption and Apparent Per Person  
Consumption by Persons aged 15 years and over -  
Years ended 30 June**

	2005	2006	2007
<b>Available for consumption ('000 litres of alcohol)</b>			
Beer	74,279	75,371	76,753(a)
Wine	50,803	r51,459	51,276
Spirits(b)	19,667	19,384	19,827
Ready to Drink(c)	r15,338	r16,794	18,123
<b>Total</b>	<b>r160,087</b>	<b>r163,008</b>	<b>165,979</b>
<b>Apparent per person consumption (15 years and over) (litres of alcohol/person)</b>			
Beer	r4.57	r4.56	4.57(a)
Wine	3.13	r3.12	3.05
Spirit(b)	1.21	1.17	1.18
Ready to Drink(c)	r0.94	r1.02	1.08
<b>Total</b>	<b>r9.85</b>	<b>r9.87</b>	<b>9.88</b>

Source: ABS 2008 4307.0.55.001 - Apparent Consumption of Alcohol, Australia, 2006-07 (Reissue).  
'r' indicates revised data

RTD beverages are the most popular alcoholic beverage, and the most common first-used alcoholic beverage, among younger age groups.<sup>1</sup> The 2004 National Drug Strategy Household Survey found that pre-mixed spirits in a bottle were the most popular alcoholic drink for 14-19 year-old females, and that pre-mixed spirits in a can were the most popular drink for males in this age group.<sup>2</sup>

The 2005 Australian Secondary Students' Alcohol and Drugs Survey reported that RTDs were the most popular alcoholic drink among 12-17 year-old Australian students who had consumed alcohol in the last week,<sup>3</sup> and among 12-17 year-old Victorian students who had ever consumed alcohol.<sup>4</sup>

Ready-to-drink (RTD) products are the preferred drink of "high risk" drinkers of both sexes aged 14-19. Unpublished data from the 2004 National Household Survey shows that 77% of females and 73% of males aged 14-19 yrs old who

<sup>1</sup> Copeland, J., Gates, P., Stevenson, D., & Dillon, P. (2005) *Young people and alcohol: taste perceptions, attitudes and experiences*, Technical Report No. 241, National Drug and Alcohol Research Centre, University of New South Wales, Sydney, Australia.

<sup>2</sup> Australian Institute of Health and Welfare (2005) *2004 National Drug Strategy Household Survey: Detailed Findings*, Drug Statistics Series No. 16, AIHW, Canberra, AIHW cat no. PHE 66.

<sup>3</sup>White, V., & Hayman, J. (2006) *Australian Secondary Students' Use of Alcohol Report*, Centre for Behavioural Research at the Cancer Council Victoria, prepared for Drug Strategy Branch, Australian Government Department of Health and Ageing, available at [http://www.nationaldrugstrategy.gov.au/internet/drugstrategy/publishing.nsf/Content/85D7B21B3E3A993ECA2572250007755F/\\$File/mono58.pdf](http://www.nationaldrugstrategy.gov.au/internet/drugstrategy/publishing.nsf/Content/85D7B21B3E3A993ECA2572250007755F/$File/mono58.pdf).

<sup>4</sup> Hayman, J., & White, V. (2005) 'Victorian secondary students' use of licit and illicit substances in 2005: results from the 2005 Australian Secondary Students Alcohol and Drugs Survey', prepared for Victorian Department of Human Services, available at [http://www.health.vic.gov.au/drugservices/downloads/assad\\_part1a.pdf](http://www.health.vic.gov.au/drugservices/downloads/assad_part1a.pdf).

drank at risky or high risk levels for short term harm' consume premixed drinks as much or more than any other alcohol beverage.<sup>5</sup>

Of risky/high risk drinkers aged 18-24 years, 75% drank ready-to-drink spirits and liqueurs compared to 56% of low risk drinkers of the same age. <sup>6</sup>

Market analysis studies have shown that the popularity of RTDs decreases with age from the age of 18 years, with 18 year olds constituting approximately 46% of the market share for RTDs, and the proportion declining steadily with age to just 1% for 70 year olds.<sup>7</sup>

Data also indicate that RTD products are increasing in popularity among young people. For example, one study found that the proportion of 15-17 year olds drinking pre-mixed spirits doubled from 14% in February 2000 to 29% in February 2002.<sup>8</sup>

A recent report Australian report identifies that '*consumption of spirits has increased among both males and females, taking the place of beer for males and wine, sodas, ciders or coolers for females. The increase in consumption can be attributed to Ready –to-Drink pre-mixed spirits.*' <sup>9</sup>

A study into the palatability of alcoholic drinks for young people aged 12-30 years found that taste preferences for RTD products were highest among younger participants aged 12-17 years, and that RTDs with vodka and white rum bases received the highest palatability ratings of all alcoholic drinks. The palatability ratings of these RTDs were comparable to the ratings for chocolate milk and soft drinks like Coca-Cola. <sup>10</sup> The 12-17 year-old participants in the study did not find beer and wine palatable, preferring the taste of the chocolate Vodka Mudshake and watermelon Bacardi Breezer RTDs. Significantly, many of the participants in this age group could not detect any difference in taste between a non-alcoholic chocolate milkshake drink and the chocolate Vodka Mudshake.

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<sup>5</sup> Cited in Munro, G., & de Wever, J. (2008) 'Culture clash: Alcohol marketing and public health aspirations' *Drug & Alcohol Review*, 27, 2, 204-211.

<sup>6</sup> ABS 2006 4832.0.55.001 - Alcohol Consumption in Australia: A Snapshot, 2004-05

<sup>7</sup> National Liquor Review (2001). *Liquor Industry Report, 2001*. Melbourne: Roy Morgan Research; cited in Copeland, J., Gates, P., Stevenson, D., & Dillon, P. (2005) *Young people and alcohol: taste perceptions, attitudes and experiences*, Technical Report No. 241, National Drug and Alcohol Research Centre, University of New South Wales, Sydney, Australia.

<sup>8</sup> King, E., Ball, J., & Carroll, T. (2003) *Alcohol consumption patterns among Australian 15-17 year olds from February 2000 to February 2002*, Australian Government Department of Health and Ageing.

<sup>9</sup> Roche, AM; Bywood, PT; Borlagdan, J; Lunnay, B; Freeman, T; Lawton, L; Tovell, A; Nicholas, R. *Young people and alcohol : the role of cultural influences* Adelaide: National Centre for Education and Training on Addiction (NCETA) 2008

<sup>10</sup> Copeland, J., Gates, P., Stevenson, D., & Dillon, P. (2005) *Young people and alcohol: taste perceptions, attitudes and experiences*, Technical Report No. 241, National Drug and Alcohol Research Centre, University of New South Wales, Sydney, Australia.

The first generation RTDs had an alcoholic strength around 5% but many "premium" premixed spirits now comprise 7% alcohol by volume (ABV) so a bottle or can contains two standard drinks. Yet regular beer comprises 4.7%-5% ABV and a 375ml stubby contains 1.5 standard drinks.

### **c. Consumption pattern of all alcohol beverages by sex and age group.**

In Australia, alcohol is the most commonly used licit and illicit substance among young people. According to the 2005 Australian School Students. Alcohol and Drug (ASSAD)<sup>11</sup> survey data, 86% of 14 year olds had tried alcohol, and 70% of 17 year olds had consumed alcohol in the month prior to the survey. The proportion of students drinking in the week prior to the survey increased with age from 10% of 12 year olds to a peak of 49% among 17 year olds.

The first results of the 2007 National Drug Strategy Household Survey were recently published<sup>12</sup>. Key findings include:

- Persons in the 20-29 years age group were most likely to consume alcohol in a way that put them at risk of alcohol-related harm in the long term.
- More than a quarter of 14-19 years olds put themselves at risk of alcohol-related harm in the short term at least once a month. The proportion being higher among females (28.3%) than males (24.5%).
- Females on the age group 14-19 to 40-49 years were more likely than their male counterparts to consume alcohol at risky or high –risk levels for long term harm.

The current Australian Alcohol Guidelines<sup>13</sup> recommend that adults and adolescents drink less than seven or more drinks in one day for males and five or more drinks in one day for females. In Australia, among current drinkers, 30

The current Australian Alcohol Guidelines<sup>14</sup> recommend against adults and adolescents drinking seven or more drinks in one day for males and five or more drinks in one day for females. In Australia, among current drinkers, 30% of 15 year olds and 44% of 17 year olds had consumed alcohol at these levels in the previous week.<sup>15</sup> Similarly, a series of studies conducted between 2000 and 2004

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<sup>11</sup> White, V., & Hayman, J. (2006) *Australian Secondary Students' Use of Alcohol Report*, Centre for Behavioural Research at the Cancer Council Victoria, prepared for Drug Strategy Branch, Australian Government Department of Health and Ageing, available at [http://www.nationaldrugstrategy.gov.au/internet/drugstrategy/publishing.nsf/Content/85D7B21B3E3A993ECA2572250007755F/\\$File/mono58.pdf](http://www.nationaldrugstrategy.gov.au/internet/drugstrategy/publishing.nsf/Content/85D7B21B3E3A993ECA2572250007755F/$File/mono58.pdf).

<sup>12</sup> Australian Institute of Health & Welfare (2008) *2007 National Drug Strategy Household Survey: first results*. Australian Institute of Health & Welfare. Canberra

<sup>13</sup> National Health & Medical Research Council (NHMRC) (2002) *Australian Alcohol Guidelines: Health risks and Benefits*. Australian Government. Canberra.

<sup>14</sup> National Health & Medical Research Council (NHMRC) (2002) *Australian Alcohol Guidelines: Health risks and Benefits*. Australian Government. Canberra.

<sup>15</sup> *ibid*

found that more than 40% of 15-17 year olds had consumed alcohol at these unsafe levels on their last drinking occasion.<sup>16</sup>

In Australia, around 90% of 18-24 year olds have drinking patterns that place them at high risk of acute harm, such as assault, sexual exploitation and accidental injuries<sup>17</sup>.

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

Alcoholic products are 'elastic' in regard to demand in relation to price, that is changes in price have a significant impact on demand. So an increase in the price of RTDs can be expected to have a significant impact on demand for RTDs. Early reports and anecdotal evidence supports this.<sup>18</sup>

However, the range of alcoholic products available for sale in Australia is vast, not only with great variety of spirits and spirit based drinks, but also other types of alcoholic products including wine, wine-based drinks, ciders and beers. What degree of substitution will occur between these types of drinks is largely unknown. How consumers respond to the increased prices of RTDs will need to be monitored closely and, where necessary, additional initiatives and interventions undertaken.

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

**&**

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

The net effects of taxation and price increases are to reduce alcohol use and related problems.<sup>19</sup> The use of pricing and taxation to increase the real price of alcohol is one of the most effective strategies to influence alcohol consumption<sup>20</sup> particularly among young and heavier drinkers.

There is good Australian evidence that hypothecated taxes (specific taxes used to fund treatment and prevention programs) can reduce consumption and harm.<sup>21</sup>

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<sup>16</sup> King E, Taylor J, Carroll T. Alcohol consumption patterns among Australian 15-17 year olds from 2000 to 2004. Sydney: Australian Government Department of Health and Ageing, 2005.

<sup>17</sup> Bonomo YA, Bowes G, Coffey C, et al. Teenage drinking and the onset of alcohol dependence: a cohort study over seven years. *Addict* 2004;99:1520-1528.

<sup>18</sup> Hansard May 29, 2008 Question without notice to Nicola Roxon re Alcopops.

<http://www.aph.gov.au/Hansard/reps/dailys/dr290508.pdf>

<sup>19</sup> Babor T, Caetano R, Casswell S. et al No Ordinary Commodity. Oxford: Oxford University Press, 2003.

<sup>20</sup> Loxley W, Toumbourou, Stockwell T, Haines B, Scott K, Godfrey C, Waters E, Patton, Fordham R, Gray D, Marshall, Ryder D, Siggers S, Sanci L, Williams J (2004) *The prevention of substance use, risk and harm in Australia: a review of the evidence*. Commonwealth of Australia, Canberra.

<sup>21</sup> *ibid*

A valuable review of the use of taxation to influence alcohol consumption is given by Osterberg, using econometric and other studies.<sup>22</sup>

Increased excise, as well as acting on demand through increased price, also serves to raise funds which can be made available to support effective prevention and harm reduction strategies.

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

In addition to the changes proposed to alcohol excise regime, a whole range of other strategies are required which can work together to change the culture which supports heavy drinking in our community.

##### **With regard to RTDs**

##### **Limit the alcohol content of RTDs**

The percentage of alcohol contained in all pre-mixed spirits otherwise known as Ready to Drink beverages (RTD) should be limited to 5% alcohol by volume (ABV). The amount of standard drinks in RTD containers (bottle or can) should be limited to one standard drink.

Foster's Group and Lion Nathan have announced they will limit alcohol volume in other RTDs to 7 per cent, or two standard drinks per single serve. However other manufacturers and distributors are continuing to produce and distribute high-strength RTDs.

##### **Ban the production of alcoholic energy drinks**

In recent years, several new RTD 'energy drinks', including Pulse and Elevate, have been developed for distribution. These drinks combine alcohol with ingredients such as taurine (an amino acid), guarana (a plant extract containing caffeine) and caffeine. They are of serious concern to the organisations as recent research indicates that combining alcohol with energy drinks is particularly dangerous for young drinkers.

A recent United States study<sup>23</sup> found that students who drank alcohol mixed with energy drinks were twice as likely to be hurt or injured after drinking, twice as likely to need medical attention, twice as likely to travel with a drunk driver, and twice as likely to take sexual advantage of someone else, or to be taken sexual advantage of themselves. The drinkers of alcohol and energy drinks also reported drinking up to 36 % more than other students in a typical drinking session, and being drunk twice as often per week.<sup>24</sup>

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<sup>22</sup> Osterberg, E. Effects of price and taxation: chapter in *The International Handbook of Alcohol Dependence and Problems*. John Wiley & Sons, 2001.

<sup>23</sup> O'Brien, M.C. 'Caffeinated cocktails: get wired, get drunk, get injured' American Public Health Association Meeting 2007; Abstract 166629.

<sup>24</sup> Ibid.



A range of studies has found that association of energy drinks with alcohol reduced symptoms of alcohol intoxication including the depressant effects, which the researchers concluded may lead to consumption of large quantities of alcohol, and increase the probability of accidents and alcohol dependence.<sup>25 26,27</sup>

Earlier this year, Foster's Group and Lion Nathan announced they would voluntarily stop manufacturing alcoholic drinks with energy additives such as caffeine and taurine. These drinks included Foster's Cougar Volt and Karloff Energy high energy drinks.

### **With regard to alcohol taxation**

#### **Introduce stronger volumetric pricing to provide an incentive for production and consumption of lighter alcohol options**

A volumetric based taxation regime would provide a more rational and fairer taxation regime on alcohol products. Alcohol products should be taxed according to the amount of alcohol they contain rather than their retail price. The current tax regime facilitates the sale of high-alcohol products (e.g. cask wine) at cheap prices, which contributes to their misuse by disadvantaged groups, including indigenous people

#### **Introduce hypothecated tax to provide ongoing funding for preventative strategies**

Ongoing funding for prevention of alcohol related harms could be provided through a hypothecated tax on all alcohol products. A similar tax on tobacco products in Victoria proved successful in allowing the buy out of tobacco sponsorships and funding for tobacco cessation and prevention programs. Industries which profit from alcohol sales and consumption could also contribute toward the amelioration of alcohol problems without calling on the further resources of the general taxpayer.

### **Other strategies**

#### **Prohibit television and cinema advertising of alcohol.**

Increased restrictions on where, when and how alcohol can be advertised and promoted should be introduced to help reduce influences on people to drink. Several European states have more restrictive marketing regimes: alcohol advertising is banned from television and the cinema in France; it is banned on radio and TV in Denmark; banned in Sweden (with the exception of low alcohol beer) and it is permitted on TV and radio only after 11.30pm in Spain.<sup>28</sup>

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<sup>25</sup> Oteri, A., Salvo, F., Caputi, A.P., & Calapai, G. (2007) 'Intake of energy drinks in association with alcoholic beverages in a cohort of students of the School of Medicine at the University of Messina' *Alcoholism: Clinical and Experimental Research*, 31, 1677-1680.

<sup>26</sup> Ferreira, S.E., Tulio de Mello, M., Popeia, S., & Oliveira de Souza-Formigoni, M.L. (2006) 'Effects of energy drink ingestion on alcohol intoxication' *Alcoholism: Clinical and Experimental Research*, 30, 598-605.

<sup>27</sup> Ibid.

<sup>28</sup> WHO, Global Status Report on Alcohol, (1999).

**Prohibit advertising of alcohol on public transport infrastructure including vehicles, shelters and stations.**

Advertising on public transport is an effective way of targeting children and young people who are regular users of public transport for school and recreational purposes.

**Ban sponsorship of sport (events and individual clubs) by alcohol companies.**

Sponsorship of sport by alcohol interests is banned in France under the Loi Evin. In Australia major sports have a plethora of alternative corporate sponsors (airlines, insurance houses, banks, motor cars manufacturers, soft drinks, sporting goods, etc.) The experience with tobacco sponsorship of sport provides a valuable case study and model for the buy-out of alcohol sponsorships at the community level.

**Exempt alcohol from the National Competition Policy**

The implementation of national competition policy throughout the last decade affected the alcohol sector by increasing the number of licensed venues and outlets, lowering the retail price of alcohol (often artificially through aggressive discounting practices by large scale bulk stores and supermarkets), giving improved economies of scale and greater purchasing and advertising power of large alcohol industry businesses.<sup>29</sup> . Competition policy treats alcohol as an "ordinary commodity" whereas the impact of its misuse is far from average. Exempting alcohol from the strictures of competition policy would enable local and state governments to exert stronger controls over the terms of its availability, with positive results for health and safety.

**Introduce more effective Liquor licensing laws**

The introduction of new licensing laws that introduce alcohol management strategies that discourage and decrease the likelihood of binge drinking are required. Specific examples include the suite of laws introduced in Newcastle earlier this year and restrictions introduced in Queensland in 2005.

In March 2008, amid concerns of escalating alcohol related harms and violence, the NSW Liquor Administration Board, introduced a trial of a suite of new liquor laws in Newcastle. New laws cover earlier closures of licensed premises; restrictions of sale after 10pm of shots; mixed drinks with more than 30mls of alcohol; RTDs with an alcohol by volume greater than 5%; and not more than 4 drinks may be served to any patron at the one time. The impact of these alcohol management strategies are due to be evaluated later this year.

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<sup>29</sup> Marsden Jacob Associates (2005) Identifying a framework for regulation in packaged liquor retailing. Report prepared for the National Competition Council as part of the NCC occasional series. Melbourne: Commonwealth of Australia; 2005.

## **Conclusion**

The Australian Drug Foundation, the Victorian Health Promotion Foundation and Cancer Council Victoria support the proposed changes to the alcohol excise regime in relation to ready-to-drink alcoholic beverages, as part of a comprehensive strategy to address unsafe alcohol use in our community, especially among younger people.

Our organisations look forward to working with the Government in identifying, researching, developing and delivering future initiatives.

Attachment: ADF Response to RTD questions

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