

Committee Secretary
Community Affairs Committee
Department of the Senate
PO Box 6100 Parliament House
Canberra ACT 2600 Australia

Submission to the Senate Standing Committee on Community Affairs Inquiry into Ready-to-Drink Alcohol Beverages (RTDs)

DSICA Submission to the Senate Standing Committee

Diageo and the Bundaberg Distilling Company are members of the Distilled Spirits Council of Australia (DSICA) and we support its submission.

We wish to add supplementary information in support of the DSICA submission

Diageo and the Bundaberg Distilling Company

Diageo is the number one spirits and Ready-to-Drink producer in Australia with global brands such as Smirnoff® vodka, Johnnie Walker® Scotch whisky, Baileys® Irish Cream Liqueur, and the iconic local brand Bundaberg® Rum.

In Australia, Diageo employs almost 600 people across eight sites. Operations cover a manufacturing plant at Huntingwood in West Sydney and the historic Bundaberg Rum Distillery in Queensland.

Diageo aims to make a positive and unique contribution to our community while driving sustainable growth for our business. This commitment is reflected in our corporate strategy and our performance measures. Business performance is measured holistically across our people, our brands, financial targets, and our impact on the environment and the community. We have demonstrated through action our commitment to responsible drinking and a healthy drinking culture, examples of which are detailed below.

Risky and High Risk Drinking

As set out in the DSICA submission, and in the AIHW submission, the evidence from the NDSH survey suggests that there has been no recent increase in high-risk drinking in Australia and there is no evidence to support a moral panic over the levels of risky drinking by young people (of both genders). This does not in any way suggest that risky and high risk drinking is acceptable.

We do not want anyone to misuse alcohol and therefore we are committed to the responsible service and consumption of alcohol and believe that it is important to reduce existing levels of risk. We are prepared to (and do) work with other stakeholders (e.g., government, licensed premises owners, community groups, families), to achieve this, in a considered, comprehensive, and targeted manner.



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Diageo - Global Leaders In Promoting Responsible Drinking

Whilst we understand that we do not necessarily have the ultimate solution to the misuse of alcohol, an issue which is globally recognised as multi-faceted and complex, Diageo is proud of its record in working around the world to promote responsible drinking.

In Australia

Diageo has demonstrated through actions as well as words its commitment to driving a healthy and responsible drinking culture in Australia

1. Standard Drink Symbol

In 2003 we developed the standard drink symbol, an easily readable symbol that provided, at a glance, the standard drink content, replacing the hard-to-read script that was previously used. This introduction was recognised by the NSW Government in 2004, adopted by the spirit industry that year, and at the urging of the Ministerial Council (MCDS) the beer and wine industry followed with their own industry versions.

2. SmartShout

SmartShout water is bottled by Diageo Australia and used at sponsored events, reminding consumers to drinks responsibly and alternate alcoholic beverages with water. We have also recently commenced providing SmartShout at a low cost to on-premise venues to help promote responsible drinking.

3. Think B4U Drink

The website was developed by LIFE Education in partnership with Tacade (UK) and is maintained by Synthesis Interactive Technologies with financial support from Diageo.

This interactive website (<http://www.thinkbeforeyoudrink.com.au>) provides 11-16 year-olds with basic, factual information about alcohol, its effects and how it can be used responsibly according to guidelines issued by the Australian Department of Health. The programme is an effective information tool for kids themselves, as well as having a section dedicated to help parents discuss.

4. DrinkWise Australia

Diageo is a founding partner of, and major financial contributor to, DrinkWise, a long-term commitment, which was agreed in 2005. DrinkWise is an independent, evidence-based organization focused on promoting change towards a more responsible drinking culture in Australia. DrinkWise aims to contribute to the development of a drinking culture in Australia that reduces alcohol related harm and thereby maximizes the benefits from moderate alcohol consumption.

Reducing alcohol abuse and the harm it causes, lies at the heart of the DrinkWise mission for a healthy drinking culture. The long-term aim is to see intoxication, 'risky' and 'high risk' drinking behaviour become socially unacceptable.

DrinkWise has recently published a detailed research study, conducted by NCETA, available on <http://www.nceta.flinders.edu.au>, an investigation into the cultural drivers of alcohol use among young Australians.



5. DRINKiQ

Designed by Diageo Australia for employees and launched in 2003, DRINKiQ is a programme aimed at building an understanding of the impacts of alcohol and standard drinks, enabling participants to make informed decisions on consumption. It is important that employees are equipped to act as ambassadors for responsible drinking. They influence others in the community from customers to friends and family who look to employees for information on alcohol and responsible drinking. All employees undergo DRINKiQ as part of the corporate induction. The programme, which was endorsed by the NSW AMA in 2005, has been rolled out externally to partners working on Diageo brands including marketing agencies, industry associations, customers and suppliers.

In 2007 Diageo teamed up with the Rugby League Players' Association (RLPA) in New South Wales to pilot DRINKiQ with a number of National Rugby League (NRL) players. The goal is to influence public figures to demonstrate positive behaviours around alcohol consumption. With the support of the RLPA, these elite professional sportsmen will act as ambassadors for responsible drinking utilising our sponsorship partnerships. We are also in current discussions with various liquor licensing bodies on how best to use this programme.

6. Fine Form

The Bundaberg Rum Fine Form platform was launched in 2006. It was designed to show the positive impact of being in control and at your social best, encouraging consumers to make every night a memorable one.

Bundaberg has recently launched the newest instalment of the brand's Fine Form creative with three new television commercials and the 'Fine Formers': a team of Bundy ambassadors who applaud and encourage fine form. Fine Form Awards was Australia's first large-scale responsible drinking campaign by a dark spirit. It is an innovative and targeted way to use the sponsorship of sport to deliver a responsible drinking message to consumers.

Global

1. Diageo marketing code

A key part of ensuring responsible consumption is to ensure that there is responsible marketing and innovation. Our global marketing code was launched in 1997 and is applied across all our marketing practices. We apply the letter and the spirit of the code through a full consultation process within our business. In promotions our aim is to add value for consumers and customers, taking share from other segments. Every promotion is scrutinised to ensure it does not promote excessive consumption or accelerate consumption. As a general principle we are of the opinion that our code is as strict and generally stricter than industry codes. It is also all encompassing covering all aspects of marketing from product concept, advertising, and through to promotions.

2. Advertising which is purely focused on educating consumers around their alcohol intake - Choices

The Choices campaign includes two television adverts. The first, aimed at a female audience, follows the fortunes of a woman at a house party. The second features a man spending the evening socialising with friends. Both start by showing the story of the male and female drinking and having a great time with their friends and enjoying their night out. However, both adverts also flip to show how drinking irresponsibly can have a negative impact on their evenings.



The British Home Secretary, Jacqui Smith, recognised Diageo's efforts. The 'Choices' campaign forms part of a broader package of measures Diageo is delivering to change people's attitudes to alcohol. This includes a programme to display responsible drinking messages in Tesco stores, reaching approximately 17 million shoppers a week, and a programme entitled 'Know What's In It' which raises awareness of alcohol units amongst young adult students in the UK.

The campaign ran nationally throughout November 2007 on prime time television and through digital, outdoor and print advertising. The results revealed:

- 62% were more likely to consider drinking responsibly as a result of seeing the adverts
- 92% said the adverts and website are the kind that make you think about drinking responsibly
- 89% said the adverts made them aware of the choices when drinking
- 80% of people understood the main message to be about responsible drinking
- 95% said it's good to see alcohol companies advertising a responsible drinking message.

3. Use of sport sponsorship to deliver a strong alcohol awareness message

➤ Johnnie Walker and Formula 1

Diageo Latin America implemented a pan-regional Responsible Drinking-focused campaign – 'Piloto da Vez' (in Brazil) and 'Conductor Designado' (in 9 Spanish-speaking markets) – featuring Vodafone McLaren Mercedes drivers, Fernando Alonso (ATL) and Lewis Hamilton (PR) as official Designated Driver. This campaign was very successful with high consumer recall of the RD message and strong endorsement of the programme with 91% agreeing that not drinking and driving is something they are becoming clearer about.

This idea has now been developed into a globally executed responsible drinking programme.

➤ Johnnie Walker and Cricket

Using cricket metaphors to illustrate benefits of responsible drinking and encouraging consumers to drink responsibly and to 'Know Your Boundaries' this sponsorship was given scale and relevance through execution around the 2007 ICC World Cup in the West Indies and is now been carried through to the current cricket series between the West Indies and Australia.

4. Working with multi stakeholders for the best solution

We believe this approach is key to ensuring we are focusing on the relevant issues. Diageo engages many stakeholders around the world. Of note, that will hopefully indicate the level of importance of this for us, is our engagement with MADD (Mothers against drink driving) – a significant NGO in the US.

We are also involved in organisations around the world that promote responsible drinking such as The Century Council in the USA (<http://www.centurycouncil.org/index.cfm>) and DrinkAware Trust in the UK (<http://www.drinkawaretrust.co.uk>).

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Alcohol is a unique product and we also feel that there is potentially insufficient understanding of the alcohol category.

What are RTDs?

RTDs, i.e., ready to drink products, are simply an alcohol product which comes in a single serve container, i.e., just like beer and indeed the vast majority of RTDs contain the same alcohol content as beer. One of our concerns is that focusing on one alcohol type of product will not address the social issue of misuse of alcohol and indeed the recent change in excise does not impact all RTDs.

The current debate on RTDs, and the use of the term alcopop (which has no clear definition), has blurred the public perception of what an RTD actually is. In reality, the term covers any pre-mixed alcohol beverage. Within this there are various formats which fit that category, but the recent excise increase has been applied to only those produced from distilled spirit. What a consumer or shopper sees when they go to buy an "RTD" will include

- Spirit-based RTDs (the subject of the tax increase), which range from a premix gin and tonic through to a premix Scotch and soda
- Cider - taxed under the WET and not subject to the tax increase
- Fruit-flavoured wines - taxed as a "wine product" under the WET and not subject to the tax increase
- Fruit-flavoured beers - taxed as beer and not subject to the tax increase.

Unintended consequences

We have not see any evidence that shows that targeting just one form alcohol beverage will lead to reduction in the overall consumption of alcohol or to more responsible patterns of consumption. It will inevitably lead to consumers sourcing alcohol through a different drinking pattern. This will be primarily driven by the amount of money a given consumer has available for drinking and the access which this gives them to beverages in either off-trade or on-trade venues.

For example, a consumer who would typically allocate a fixed sum, say \$20, for an evening, would previously have been able to purchase a six-pack of Bundaberg Rum and Cola for around \$18 to \$19. Thus they would have bought 9 standard drinks for their \$20.

As a result of the tax increase that same six-pack of Bundaberg Rum & Cola is now some \$ 4 to \$6 more expensive. In order to stay within their preferred budget, a consumer could decide to switch to buying beer or wine. For his/her \$20 budget it would be possible to buy two six-packs of beer, giving them the equivalent of 18 standard drinks for the same budget, or a cask of wine equivalent to 40 standard drinks for around \$12.

Another alternative would be for the consumer to purchase a bottle of full-strength spirits and use mixers to make their own 'RTD'. This has the de-merit of allowing consumers to make beverages which are not in line with standard drink recommendations.

In terms of consumer attraction, buying alcohol in the form of one of our RTDs - Smirnoff Ice, Bundaberg Rum & Cola, Johnnie Walker Scotch Whisky and Cola - was already an expensive way to buy a standard drink in a liquor retail store, even before the tax increase.



Volumetric taxation

Diageo believes that the imposition of higher tax on only one type of alcohol beverage is not an effective way to do tackle the problem of alcohol misuse.

Using the assumption that this tax change was not driven from a need to collect extra revenue, Diageo believes that to help support a drive to an effective healthy alcohol consumption culture the most effective, efficient and equitable way to tax alcohol is a system based on the simple alcohol content of the beverage, commonly know as volumetric tax.

Such an approach would recognise several key facts:

No matter by which method alcohol is produced, it is simply alcohol – the alcohol molecule is the same in each beverage;

- The effect on the body is the same whether the alcohol is consumed from a beer, a wine, or a spirit,
- The drink and driving laws of each State and Territory in Australia (and indeed around the world) do not discriminate between beverage types - it the Blood Alcohol Concentration ("BAC") that counts.
- From a public health perspective there is no basis to discriminate between alcohol beverages.

The current taxation system is unnecessarily complex. It does not meet the needs of the community to deliver a healthy, responsible drinking culture (something to which Diageo is committed to promote).

The current alcohol tax framework is the product of a process of ad hoc adjustments to respond to the demands of special interest groups.

We believe that there is a pressing need for a more comprehensive and comprehensible approach to alcohol taxation. This can only be through implementing a category-wide volumetric system.

Indeed, this was the finding of a previous Senate Committee, the Economics Legislation Committee, which recommended in June 2006:

"2.39 The Committee recommends the Government consider the long term adoption of a volumetric tax system for all alcohol products. The Committee also recommends the Government now commence planning and consultations with relevant parties as a step towards this goal.

"2.40 The Committee recommends 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. The tax and excise structure for RTDs should incorporate the three tiered structure currently applied to beer, with the 1.15 per cent excise free threshold that applies for beer extended to low and mid strength RTDs but not to full strength (3.5 per cent alcohol by volume and above) RTDs."

We believe that alcohol taxes should be considered as part of the "Henry Review".

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Appendix 1: Who drinks RTDs?

Like many forms of alcohol beverage, RTDs are consumed across a wide cross-section of society, both gender and age.

- Two thirds of consumers aged between Legal Purchasing Age (LPA) and 34 have drunk an RTD in the last month
- Just under half of consumers aged 35-54 have drunk RTD in the last month

The table below, taken from our regular consumption data, shows that in the period January-March 2007 compared with the same period in 2008, consumption of RTDs increased more in mature age groupings (i.e. 35 to 54) than it did in younger drinkers (i.e. LPA to 34). More significantly, increases in RTD consumption in the mature age group was more than offset by reductions in consumption of spirits. The recent tax changes are serving only to reverse this trend as consumers move to mixing their own 'RTDs' from bottled spirits or moving to other single serve products, e.g. premium beer.

Source: TNS Brand Health Tracker for Diageo (Sep 2007)

P4W Category Consumption (All Respondents)

	LPA-34		35-54	
	MAT Q1 F07	MAT Q1 F08	MAT Q1 F07	MAT Q1 F08
RTD	60%	61%	43%	46% ↑
Spirits	68%	67%	61%	58% ↓
Beer	57%	56%	62%	63% =
Wine	50%	49%	61%	59% ↓

Attachments

Diageo Corporate Citizenship Report
Diageo Australia 10th Anniversary Booklet
Diageo code for marketing practice for alcohol beverages
Diageo stakeholder newsletter
CD of Diageo-developed Responsible drinking Commercials

