

20 June 2008

Mr Elton Humphery
Committee Secretary
Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Mr Humphery

Re: Inquiry into Ready-to-Drink Alcohol Beverages

In our original submission to the Senate Community Affairs Committee Inquiry into Ready-to-Drink (RTD) Alcohol Beverages the Associated Brewers provided modelling by Access Economics on the price effects of volumetric taxation.

During Committee hearings witnesses offered comments on the concept in general and our submission in particular.

Many of them – including industry and health sector representatives – were reluctant to wholly endorse the outcomes of the volumetric model because of its stark, uncompromising effects when applied to real life examples. Some witnesses speculated on concepts such as banded, tiered, or progressive variations to the volumetric theme.

We hold that any proposal for a variation of volumetric taxation causes it not to bend, but to break, because the underlying principle is unavoidably discarded by the process of varying it. That is, you walk away from the central proposition of the volumetric debate: ‘equal units of alcohol should be taxed equally’.

This point was conceded by the spirits lobby in evidence before the Committee:

Senator Carol Brown – *“Yesterday we received evidence from the National Drug Research Institute that they were in favour of a volumetric tax on all alcohol but wanted to see the price of RTDs maintained at the current level rather than fall.”*

Gordon Broderick – *“That is a contradiction, isn’t it, if you are advocating a volumetric tax system but then you are singling out one particular product which just does not fit into the volumetric tax regime?”*

In our view, if you embrace the view that some units of alcohol can be taxed differently to others under a supposedly volumetric regime – for any other policy or political aim – it simply ceases to be volumetric.

The majority of countries, including Australia, do contend that there are legitimate industry, trade, agriculture and health policy reasons for adopting different taxation measures for different alcohol products.

Very few governments have embraced a volumetric model because of its inherent inflexibilities.

The rigorous evidence prepared by Access Economics to assist the Committee in its understanding of the real-life effects of volumetric taxation has been subject to emotive attack. The curious term ‘flat earth’ was used to describe a volumetric regime that sees all alcohol products taxed at the same rate. Are we entitled to draw the conclusion, from the use of this silly term ‘flat earth’, that DSICA itself does not support volumetric taxation?

I would like to add that if I wanted to dissuade the Government from introducing an alcopops tax, I would naturally seek to divert its attention to a more RTD-friendly tiered taxation system under the guise of a supposedly volumetric tax.

In addition to comments on volumetric taxation, I would also like to draw the Committee’s attention to comments made by Mr Warwick Ryan, representing the spirits lobby, who stated that:

“The tax increase has increased the incentive to import and experiment with forms of alcohol that fit into the beer definition...”

I refer the Committee to the media release attached to this letter, which reaffirms similar points on this matter made in our submission.

In summary, we do not support volumetric taxation. We want the Committee to understand that any tampering with the pure volumetric principle, that equal units of alcohol are taxed equally, renders it to be a non-volumetric proposal.

I hope this information is of use to the Committee.

Yours sincerely



Stephen Swift
Executive Director

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17 June 2008

MEDIA RELEASE

Non spirit based alcopops ruled out by local industry

Australia's brewers and winemakers have taken a strong stance to rule out the controversial overseas practice of replicating spirit based RTDs by manufacturing alcopops using ethanol stripped from wine or beer. This announcement comes ahead of Drug Action Week¹ which starts on Sunday.

Both the Winemakers' Federation of Australia (WFA) and Australasian Associated Brewers Inc (AAB) have resolved to work with Government to ensure that any definitional loopholes which might permit substitution are closed as soon as possible so as to avoid any unintended consequences of the recent tax decision on alcopops.

WFA and AAB both made submissions to the Senate Community Affairs Committee Inquiry into Ready-to-Drink Alcohol Beverages which had hearings last week advising their intent to work with Government to close off the loophole so that it cannot be exploited.

WFA Chief Executive, Stephen Strachan, commented, "Our members are proud local producers of quality wine. The wine sector is made up of 2,300 winemakers, 7,500 grapegrowers and 60,000 direct and indirect jobs across the country. We are happy to leave the manufacture of pre-mixed products to spirits manufacturers."

AAB Executive Director Stephen Swift added, "Our members brew 98% of the beer sold in Australia. They have strong business links to the local malting barley farming community. Australia's brewers have resolved not to use ethanol stripped from beer as the base for alcopops."

The two organisations have signed separate letters to the Government setting out the in-principle decisions of the two organisations and describing the steps undertaken by both associations to develop policy options on this matter for government consideration.

For further information or comment:

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¹ See www.drugactionweek.org.au